

2012 Company Report



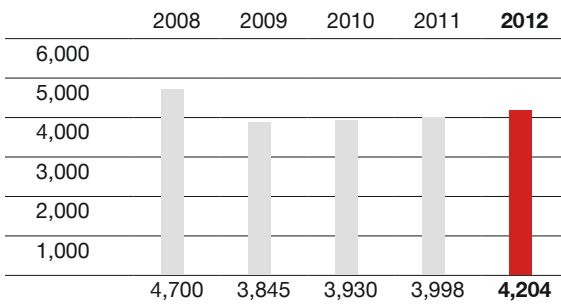
**We passionately create
enthusiastic customers and
build a better future.**

Overview.

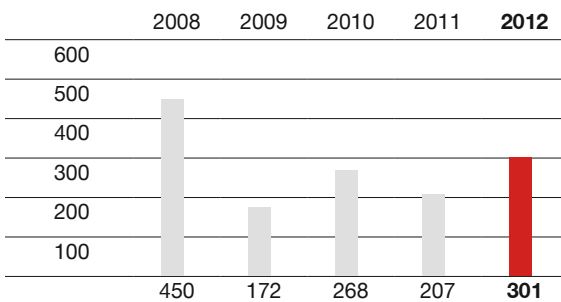
Key figures (in CHF million)

	2012	2011	Change
Net sales	4,204	3,998	+206
Operating result	301	207	+94
Cash flow from operating activities	617	242	+375
Net income	194	97	+97
Employees (as at December 31)	21,139	21,848	-709

Net sales (in CHF million)



Operating result (in CHF million)



This is Hilti.

We supply the construction industry with technologically superior products, systems and services. We provide innovative solutions that feature outstanding added value.

We passionately create enthusiastic customers and build a better future with approximately 21,000 team members located in more than 120 countries around the world.

We live clear values. Integrity, the courage to embrace change, teamwork and commitment are the foundations of our corporate culture.

We combine long-term financial success with comprehensive responsibility toward society and the environment. Reciprocal tenets of openness, honesty and tolerance apply to team members, partners and suppliers alike. The goal of our strategy is to sustainably increase the value of the company.



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The complete Financial Report, principles of corporate governance, a Group organizational chart, list of consolidated companies and information on the Martin Hilti Family Trust may be found on the Internet at www.hilti.com.



Dear Readers,

We are very satisfied with our progress in 2012. We not only maintained our growth trajectory, but significantly increased profitability and markedly improved cash flow in the wake of numerous restructuring and cost-saving measures.

There were major regional variations in economic performance around the globe, however. While the construction recovery in southern Europe continued to falter, we benefited from strong momentum in South and North America as well as Asia and further expanded our solar business in North America and Asia.

Nonetheless, we must continue to be vigilant in 2013. The economic situation in Europe remains difficult and activity in all sectors of the economy, including construction, will remain sluggish until the region's underlying debt issues are solved. It is thus more important than ever that we proactively prepare ourselves to meet these challenges.

With this in mind, we have concentrated our efforts in recent months on those segments that offer the best opportunities for sustainable, profitable growth and market leadership. Thanks to the hard work of our team and consistent implemen-

tation of numerous initiatives, we are now leaner, more agile and considerably more robust than we were in the past. This improved "fitness" will be critical if we are to continue to thrive in the years ahead.

Our customers continue to be at the heart of everything we do as an organization and our long-term relationships with them are the backbone of our business model. Through our innovative products, outstanding services and highly competent and motivated staff, we aim to offer our customers substantial added value and further sharpen our already excellent market profile.

We are optimistic about the year ahead. We are well positioned, we know how to take advantage of the opportunities in both our core and growth markets, we possess the required expertise, and we believe we are in tune with what our customers want. Furthermore, given the volatile environment in which we are operating and where the only constant seems to be change, we are convinced that our entrepreneurial spirit and focus on sustainability will set the stage for Hilti's long-term success. —



Pius Baschera
Chairman of the Board of Directors



Bo Risberg
Chief Executive Officer





We are on track.

Bo Risberg, Chief Executive Officer: "With the right priorities and initiatives, we will be able to take full advantage of our potential and further increase profitability."



Sustaining the achievements.

Hilti successfully concluded the 2012 business year amid a significant trend reversal. Increased sales of five percent and a substantial improvement in profitability bear witness to the company's impressive year. This success should continue in 2013, albeit once again with numerous challenges: volatility in the economic environment and a weak economy in Europe will likely linger into the foreseeable future. The world's growth regions will continue to gain significance although they will face both highlights and lowlights.

Mr. Risberg, how satisfied are you with last year's results?

Bo Risberg: 2012 was a very successful year for us despite the challenging environment we faced. In addition to the positive sales result and a significant increase in profitability we also greatly improved the company's cash flow. The achievements of 2012 are also based on our ongoing pursuit of many important strategic initiatives, successfully introducing numerous new innovations to the market, and on us consistently pushing forward with our program of internal measures. It was very hard work by our whole global team but, in the end, the effort was worth it.



Hilti continues to follow ambitious goals despite the difficult environment. What factors give you a sense of optimism?

Bo Risberg: We did our homework and are following a clear strategy. By focusing on our priorities we will continue to gain market share in the segments where we see profitable growth opportunities. Differentiation is our strength both in terms of innovation and in high-quality products and services. For us, it's about creating enthusiastic customers and we see large potential in following this course.

How will Hilti additionally solidify its financial strength while continuing to gain market share? This will require both saving and investing. Don't these aims contradict one another?

Bo Risberg: No, they don't. It's all about setting the correct priorities. Our strategy is aimed at sustain-

ably increasing the company's value: sustainable profitable growth and capital efficiency. There are five areas of emphasis at the heart of the issue that focus on selected market and customer segments, on activities that further underscore the loyalty of our customers, our differentiation and our competitive strength, as well as on the development of our team and on the continuous improvement both of our productivity and our cash flow.

What do you expect to see in 2013?

Bo Risberg: It's certainly not going to be an easy year. Construction activity in Europe will remain weak, held back by the debt crisis in Southern Europe. Irrespective of budgetary risks, the economy in the USA will continue to improve gradually and the growth dynamic in Asia and Latin America will increase slightly. The market should develop similarly to last year and we are counting on slight sales growth and further improvement in both return on sales and return on capital employed.

After seven years as CEO you are scheduled to hand over your post to Executive Board Member Christoph Loos on the basis of the company's internal regulations. What changes are to be expected?

Bo Risberg: In the past years Hilti has established a great deal of potential that we will profit from in the future. As a longtime Member of the Executive Board, Christoph Loos has contributed significantly to this potential. One of our strong points is being able to proactively and sustainably develop our competitive advantage. In spite of the difficult environment, Hilti has always managed to find the right balance between securing short-term profitability and the long-term development of our strengths. We have also accelerated our flexibility, in order to be more robust against adverse and volatile market conditions. I am convinced that Christoph Loos and his team will continue on this successful path. With our competent and committed teams around the world, our innovative products and services, future-oriented ownership and a clear strategy we have a very solid basis from which to develop. —



We build on partnerships.

Marco Meyrat, Executive Board Member: "Together with our customers we are on a future-oriented path. This path is based on mutual trust and reliability."



New construction activity at ground zero in New York. Two large fountains now rest on the site where the twin towers of the World Trade Center once stood. The Memorial lists the names of all the victims of the World Trade Center terrorist attacks.



Working toward a common goal.

Skanska is a Hilti customer and one of the largest contractors on the World Trade Center project in New York. Safety, an important topic on the construction site, is an area where Hilti provides customers with significant added value.

Three questions for Mike Campana, Project Manager with Skanska.

You've worked together with Hilti for quite some time. Why is that?

We're all pulling together. In the end, this is what counts. There's no question that everyone has their own guidelines and framework, but what's important is that everyone wants to achieve the same goal and a win-win situation. On the one hand we're a good and reliable Hilti customer; on the other hand we profit from the comprehensive service offering that the company provides. We find that working with Hilti tools is more productive and that it makes us feel safer. The technical service and the training sessions offered directly on-site are extremely valuable to our engineers and workers.

What are the biggest challenges you face with this project?

The entire project is demanding and complex. The quality and safety requirements are extreme and the topic of firestop plays an important role. Hilti's innovative products and know-how in this area help to provide us with solutions for the appropriate applications.

What service do you appreciate more than others?

Reliability and well-functioning on-site support are very important on a project like this one. Whether in terms of product availability or on-site consulting, a reliable partner, one that you completely trust, is a necessity.



Revival at ground zero.

Eleven years after the terrorist attacks on New York's World Trade Center, extensive development is visible at ground zero. After a long planning period a collection of new buildings are going up, including what will be the tallest building in the USA. This is a very special project for Hilti.

It represents a new beginning in New York. New towers are now beginning to rise on the grounds of the former World Trade Center in Lower Manhattan. Final plans call for five new high-rises to be built at ground zero. The centerpiece is World Trade Center Tower One which, at 541 meters, will be the tallest building in the USA. Viewed in terms of feet, the building will be 1776 feet tall, a number that corresponds to the year that the United States declared its independence. A substantial number of the planned 105 stories are already rising upward into the New York sky.

The complex of buildings surrounding the new high-rises will include the National September 11 Memorial & Museum, the World Trade Center Transportation Hub and the Performing Arts Center. Jeffrey Dennis, Hilti Project Manager, and Mike Campana, a Project Manager with Skanska, meet amidst this huge construction site to discuss suitable anchor solutions.

The Skanska construction group has some 500 employees on-site and is responsible for constructing the transportation hub, which will be the transportation focal point at ground zero. Once the hub is completed as many as 250,000 pedestrians will move through it each day. Until then Skanska will use about 45,000 cubic meters of concrete and 10,000 tons of reinforcing steel for the structure. They will also install 4,000 sprinklers and 35,000 linear meters of pipeline. Portions of the sprinkler systems, mechanical piping, steel reinforced concrete and steelwork will be assembled and set with Hilti expansion anchors and the Hilti HIT-RE 500-SD injectable adhesive mortar system. Many of the joints and metal pipe pene-

trations through walls and floor decks will be sealed with CP 601S elastic firestop or FS-ONE firestop sealant.

Jeffrey Dennis and his team have looked after Skanska's needs on the construction site from the outset, ensuring that all the required Hilti material is on-site when it is needed. "I'm very pleased with the close cooperation we have with Hilti. This type of partnership is very important," says Campana. For Hilti, this cooperation is more than mere consulting and solution sales. Jeffrey Dennis and his team also organize important anchor, direct fastening and firestop installer training sessions for Skanska workers.

"Safety and firestop are central topics for this construction project and our solutions are the products of choice all over the construction site," says Dennis. One reason for this is the close collaboration Hilti has with the owner of the project, the Port Authority of New York and New Jersey. "Thanks to our cooperation with the Port Authority and their planning team our products are known throughout the site and we're able to provide numerous fire protection solutions for all World Trade Center sub-projects," adds Dennis. He and fellow Hilti Project Manager, Tom Fletcher, are supported by a 15-person team from Hilti North America consisting of Account Managers, Regional Managers, Field Engineers, Fire Protection Specialists, Engineers and Customer Service Representatives.

Construction work at ground zero is scheduled to conclude in 2020. "It's hectic and the time pressure is incredible. But it's fantastic to be a part of it and to see the new life that's going up here," concludes Dennis as he runs off to see his next customer. —



The Kusile thermal power plant is being built some 100 kilometers east of Johannesburg. This enormous construction site, in the country's coal region, covers some 5,200 hectares.



We are on-site.

Christoph Loos, Executive Board Member: "The Energy and Industry Business Area offers attractive prospects for the Hilti Group. From the planning phase right through to installation, we support our customers in countless construction projects around the globe."



Complexity requires a strong partner.

By building two smokestacks the Concor-Karrena construction joint venture is significantly involved in the creation of the Kusile thermal power plant in South Africa. Hilti is on the construction site supporting the company in its demanding work.

Three questions for James van Zyl, Planning Engineer with Concor-Karrena.

Kusile will be one of the largest coal-fired power plants in the world. What significance does the plant have for the region?

Electricity is in scarce supply even though the South African economy is back on a solid growth path. Currently there are massive investments being made in the country's energy infrastructure and the Kusile power plant is one of them. When completed, the plant will supply electricity to the South African electrical grid for years to come.

What are the greatest challenges when working on a mega project such as this?

One of them is the enormous size and complexity of this type of facility, requiring a great deal of interaction between various contractors. We are working in shifts around the clock six days a week, which requires a high degree of coordination and flexibility. A great deal of attention is also paid to safety.

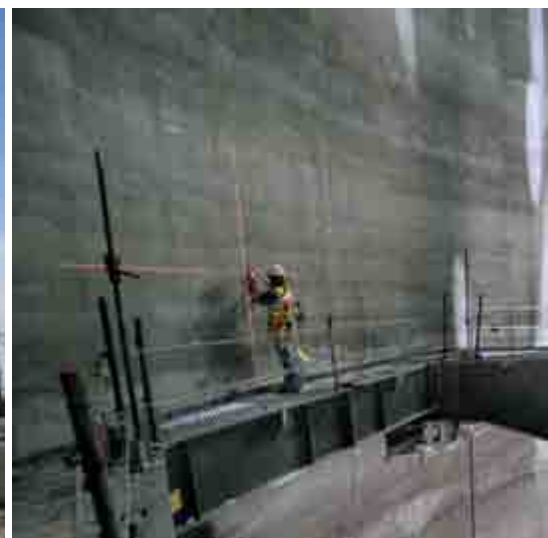
Why do you choose to work with Hilti?

In addition to reliable tools and applications Hilti also offers a comprehensive spectrum of services. Kevin Dupuy, our Hilti Project Manager, and his team are always on-site and they provide us with support, whether it's competent advice or the on-time availability of the Hilti materials we require. Hilti also has a mobile training center for product and safety training sessions on-site, which is invaluable to us.



Energy for South Africa.

The South African national electricity provider, Eskom, is building the Kusile base load thermal power plant east of Johannesburg. With a total output rating of 4,800 megawatts this will be the fourth-largest coal-fired power plant in the world. The first of six 800 MW-rated turbines should be ready for commercial operation in 2014. Hilti Key Project Manager Kevin Dupuy looks after numerous customers participating in the construction of the power plant, including the Concor-Karrena joint venture.




The dimensions of the construction site are enormous. It covers an area large enough to hold 7,400 football fields. One of the largest coal-fired power plants in the world should go fully onto the grid in 2018, providing several million households and large industrial sectors with electricity. Consistent growth is prescribed for South Africa and its economy in the coming years. One of the reasons for this economic expansion is the planned investment in infrastructure by the state, which requires a great amount of energy. The investments required for a new power plant are also quite high. One of the new generation plants, located some 100 kilometers east of Johannesburg, is Kusile, which can be translated as "sunrise". Six generators having a total output of 4,800 MW are to be built over a construction period spanning from 2008 to 2018. The first generator, having an output of 800 MW, should go online in 2014.

Hilti is a much sought-after partner on large projects such as Kusile on the basis of the company's many years of experience in the Energy and Industry Business Area. "On this construction site alone we look after some 27 customers having about 4,000 employees," says Kevin Dupuy, who moved from Durban to Johannesburg more than two years ago with his wife and children. As a Key Project Manager for Hilti he is exclusively responsible for this project and is at the construction site all week long. It is here that he looks after the needs of Hilti customers such as Concor-Karrena. The joint venture company is responsible for the construction of two smokestacks and has been a Hilti customer since construction work began. "In addition to the

products, which have to withstand the harshest of conditions, safety aspects and the correct training for our employees were decisive in our choosing to work with Hilti," says James van Zyl, a Planning Engineer with Concor-Karrena. At the beginning of the construction work the customer purchased some 50 Hilti combihammers and breakers equipped with Active Torque Control and Active Vibration Reduction. "The contractors as well as the Kusile execution team also place a great deal of significance on the strict observance of valid national health and safety standards," says van Zyl. It was important to him that training to set the anchors that were used would take place directly on the construction site.

To meet these and other requirements during the individual construction phases, Kevin Dupuy is a consistent presence, offering advice and assistance. But he is not alone. He is backed by an international team of Hilti specialists and engineers who support the Scots native regarding product specifications and technical planning, among other topics. As project manager, Dupuy is mainly responsible for comprehensive on-site customer service; whether organizing training sessions, presenting new products on the construction site or reliably ensuring that all the required Hilti products are available whenever they are needed. James van Zyl appreciates the cooperation with the specialists from Hilti. "Kevin is always there when we need urgent help," he says. "This direct customer relationship is a great advantage for us and makes it possible to find the right solution to meet all the daily challenges and hurdles." —





Although still empty shells,
thousands of people will soon
reside in Saviour Park. Until
then Hilti's new DD 160 dia-
mond coring system will make
countless penetrations.



We know what's required.

Matthias Gillner, Executive Board Member: "Many catalysts for developing products and services come directly from our customers. Our products are also rigorously tested to ensure that they meet customer demands. This allows us to align our offering perfectly with the needs of the market."



The product must generate added value.

Hilti offers solutions that simplify customers' everyday work on the construction site and that make their job safer, more efficient and more productive. The most crucial test for these developments often takes place directly on the construction site and under the critical eye of the customer. The new Hilti DD 160 diamond coring system is one such example.

Three questions for Siddhartha Srivastava, Diamond Systems Product Manager with Hilti India.

The DD 160 diamond coring system is still relatively new. How was this tool tested and introduced to the Indian market?

We tested five prototype tools at various construction sites throughout the country. Our sales employees gathered weekly feedback from customers who were using the tools. In personal visits I also asked all these customers about the product's performance and the initial experiences they had made. Overall we received valuable feedback from our customers and also carried out live, on-site demonstrations.

What characteristics of the DD 160 were critical in convincing customers to use it on the Saviour Park residential construction project?

Most of the coring penetrations for this project had a diameter of 122 millimeters and a depth of 200 millimeters. The new diamond coring system perfectly covers these types of applications. Customers were very satisfied with the system's simple and quick assembly and its performance, largely because the performance level represented an upgrade for them that translated into faster work.

What do you think of the DD 160's potential for use on other construction projects?

The DD 160's simple and uncomplicated handling, along with the minimal weight, allow smaller construction companies, tradesmen and electrical installation companies to carry out coring applications on their own, without having to subcontract this type of work to other, specialized companies. The DD 160 is an outstanding machine that will also have a great appeal in markets other than India.



Ten thousand holes in the wall.

India has its own dimensions. There are 1.2 billion people in India, making it the second most populous country in the world after China. This outsize dimension can also be seen in new construction projects. Saviour Park is a modern housing development currently under construction and it includes roughly 1,000 housing units. The new DD 160 diamond coring system is among the numerous Hilti solutions used on the construction site.

India's economic boom continues unabated. Rapidly growing industrial cities such as Ghaziabad, located some 30 kilometers to the east of New Delhi, require more places for people to live. In August 2011, ground was broken on the Saviour Park housing development. The project consists of four separate building complexes, each made up of 14 stories and having extensive outdoor facilities. It is currently one of the largest construction projects in the city. "The modern facility will eventually be surrounded by green and will have several large swimming pools and a separate sports hall," explains Vinay Garg, Project Manager for the Indian construction company Savfab Buildtech, the project's general contractor.

Savfab Buildtech has been a Hilti customer for many years. Numerous Hilti products are being used in the Saviour Park project, including the new DD 160 diamond coring system. "When we presented the new tool to the customer at the



construction site, they were impressed by its performance and rapid assembly, above all," remembers Siddhartha Srivastava, the responsible Product Manager with Hilti India. He adds, "The tool is also perfectly suited for the type of applications carried out here."


The DD 160 was primarily designed with wet coring jobs in mind, and for creating exact penetrations for plumbing, heating and ventilation pipes as well as fresh and wastewater pipes. And this is what it's being used for in the residential housing project in Ghaziabad. When the project is finished in 2016, some 10,000 core drillings will have been made for the numerous penetrations required in reinforced concrete decks and walls.

Until now the construction company had to hire other companies to do this type of work. "The DD 160's simple handling allows our own foremen

to complete the core drilling and we are no longer dependent on specialist companies. This helped cut our costs greatly," says Garg.

The system's light weight (16.3 kg including drilling stand) and the modern three-speed gearing allow for optimal torque on both large and small coring diameters. The LED performance indicator makes it easier to maintain optimal coring speed, which significantly enhances the lifetime of both core bits and the system as a whole.

There is still a great deal to be done at Saviour Park before all the coring has been finished and all the apartments have been outfitted. But the project manager is optimistic: "We have good people and good equipment on the job. And we always know that Hilti provides us with first-class services in terms of technology, advice and products, even when things get a bit tricky." —



Load tests under extreme conditions. Hilti's products are tested for their seismic stability in a global research network.



We keep getting better.

Stefan Nöken, Executive Board Member: "Our significant investments in research and development pay off, resulting in innovative products and new safety standards for the future of the construction industry."





Serving practical applications.

Extreme conditions are often required to see just how good a product is. At Hilti, seismic research is therefore aimed at continuously improving construction industry product standards and making buildings more resistant to earthquakes.

**Three questions for Ulrich
Bourgund, Approvals and
Regulations Manager for
anchors.**

How significant is research at Hilti?

Hilti is known for its strength of innovation. As a result, basic and applied technology research have long been the cornerstones in terms of our product development. Customers and the environment provide us with impulses and ideas for future innovations. Our ongoing research activities allow us to optimally adapt to new requirements and needs, helping to accelerate development processes.

What influence does seismic research have on product development?

Seismic loads call for specific construction guidelines and regulations in terms of the nature of products; our research results provide us with the basis for our developments. If we're trying, for example, to develop an anchor with higher performance values, the research results will flow directly into the product development process.

What targets does Hilti have regarding seismic research?

We're trying to make building structures more earthquake-resistant, thereby safer, for the people that will occupy them. This is why it's important for us to draw the attention of industry, institutions and authorities to the performance of our products, convincing them of how safe they are.



Standing up to extremes.

Countless numbers of people live at the base of volcanos, in regions subject to tornados or in continental plate regions subject to seismic activity. As these people live with the constant danger of natural catastrophes, it is in the interests of the construction industry to try and enhance structural protection. Hilti is a partner in numerous associated global research projects.

Hilti has intensively been involved with seismic research for more than six years. “The main focus is on improving the safety of buildings; the stability of a building structure is often decisive in whether a person survives a natural disaster or not,” says Ulrich Bourgund, Hilti Approvals and Regulations Manager for anchors. Hilti products such as mechanical anchors are tested around the world, in Hilti’s own laboratories, in a global research network with universities and in external test labs. They are tested to gauge their behavior when subject to seismic loads. The test results flow directly into product approvals and guidelines for use in Europe, America and Asia. Hilti actively participates in their development. “These regulations state, for example, the performance characteristics that an anchor must have in order for it to be used in an area subject to earthquakes,” explains Bourgund.

In early 2012, an unusual simulation was carried out in San Diego, California, a location chosen for its proximity to one of the most active seismic areas in the world. Researchers constructed a five-story building on a giant “shake table” and then simulated a series of earthquakes having a magnitude of up to 8 on the Richter scale. One floor of the building contained a complete replica of a hospital operating theater, including all associated equipment and devices. Hospitals are urgently required after earthquakes and should, if at all possible, remain functional. To make the simulation as realistic as possible the test building was set on fire after the earthquake simulations. Researchers studied how the structures

and non-bearing systems of a multistory building behaved in an earthquake. Valuable information was gained on the effects of a large earthquake and this information will subsequently flow back into research and development activities.

The series of tests in San Diego was prepared over a period of three years by several research teams and 50 different companies. Hilti was involved from the outset and the building was equipped exclusively with Hilti fastening and firestop systems. These included anchors, installation systems for all types of piping, anchor channels for elevator shafts and various firestop products used to close off pipe and electrical penetrations and building joints. Hilti was interested in how the components would interact when exposed to significant seismic activity. “We wanted to better understand the complex interactions that emerge within a building system during an earthquake. This included how fastening and firestop elements and installation systems interact during or after a catastrophic event,” says Bourgund. “Individual product tests can’t provide this level of detail.”

The type of large-scale simulation like that in California makes it possible for Hilti research and development teams to build up greater reserves of know-how and competence. “We can’t prevent earthquakes, but by providing technical advice and corresponding products we can make buildings somewhat safer and, in the end, this saves lives. This is a good feeling,” concludes Bourgund. —





Teamwork means jointly contributing to the company's success and standing together when facing a crisis.

MILTI
DD VP-U



We offer perspectives.

Jörg Kampmeyer, Executive Board Member: "Corporate success and personal accomplishment go hand in hand at Hilti. Experiencing growth together also means meeting challenges together."



HILTI

The good feeling of working for the right company.

Hervé Castagnac has worked for Hilti for more than 13 years. He loves his work and appreciates the possibility to get things done, especially in tandem with the company.

Three questions for Hervé Castagnac, Quality Repair Expert, Paris.

How has your career path at Hilti unfolded?

My Hilti career began in 1999 as a laser technician. I developed over the course of my career and faced new and different challenges. Performance and commitment are honored at Hilti. Since the end of 2012, I have been a Quality Repair Expert, responsible for optimizing the defective tool repair process.

What motivates you to do your job?

The work within the team and the feelings of getting things done and contributing to the success of the company drive me to do what I do every day. The very difficult situation we faced in the aftermath of the fire at our Tool Service Center showed me another Hilti quality that strengthened my belief that I'm working for the right company. The mutual support and the pragmatic, engaged problem solving, across international frontiers, were simply wonderful to experience.

What's most important to you in your daily work?

Our motto is customer satisfaction. It's therefore our goal to fix damaged tools as quickly as possible and to get them back to the customer as soon as we can.

Making a strong, fresh start.

Almost two years ago fire completely destroyed Hilti France's Tool Service Center and central warehouse complex. This "state of emergency" was a significant challenge to local employees. But the critical situation clearly showed that Hilti's values of integrity, courage, teamwork and commitment are not merely empty words.

Hervé Castagnac was speechless as he stood looking at the burned-out building. On the morning March 13, 2011, a fire had destroyed workplaces and paralyzed the entire repair process for customers in France, Belgium and Luxembourg. For years Castagnac and his colleagues had repaired tools at the center. "We had to find a solution as quickly as possible and we also needed to completely re-organize as a unit. Our main goal was to keep the customer service, which Hilti is known for, up and running," remembers Castagnac.

Without any hesitation Castagnac and a team of 18 mechanics traveled to Hilti's Tool Service Center in Alcalá, Spain, where they vowed to cover the assignments of as many of French customers as they could. Repair orders of other French, Belgium and Luxembourg customers were transferred to Hilti locations in Bebra, Germany, and Carpiano, Italy. The entire ordering and distribution processes were also shifted to distribution centers in Alcalá and in Oberhausen, Germany. "We were all pulling in the same direction," says Castagnac in praising the job of everyone involved. "Our colleagues in Germany, Italy and Spain backed us up unconditionally and gave us a lifeline in what was a very difficult period. This was the beginning of many a great friendship. Everyone was working nights or double shifts or over weekends to manage the influx of orders. We were, and still are, very thankful for the solidarity our colleagues showed."

The period after the fire was not easy. A high degree of flexibility, strong nerves and improvisational talent were required of the French workforce. "In a similar situation other employers might have decided to move the center's location somewhere else and to simply let the workers go," says Castagnac, "but all our jobs were saved, a fact that allowed us to continue to look ahead despite the difficult circumstances." To be able to move forward at all, Hilti France established a temporary location in rented quarters. The Liechtenstein-based global IT unit also went the extra mile, very quickly re-establishing all necessary processes and making it possible for repairs to again be carried out in France. A mere three weeks after the fire, some 80 percent of French assignments were once again being completed at the makeshift Tool Service Center.

A new Tool Service Center was eventually built in France. In March 2012, it was opened amid festivities attended by about 100 very happy employees. Today the new center, covering an area of approximately 8,800 square meters, completes more than 1,000 orders every day. "We now work with the most modern technology available and all of our processes have been optimized. Under these conditions we are even more efficient than in the past," says a happy Hervé Castagnac. "It's a new beginning for us all. Despite all the difficulties we encountered, we realized that we have company values that we can build on." —





We want to be trailblazers.

Egbert Appel, Managing Director of the Hilti Foundation: "Acting responsibly means enabling people to shape their own future."

The Hilti Foundation supports the Umculo / Cape Festival project in South Africa. The goal is to provide an opportunity for talented young singers, coming from disadvantaged circumstances, to further develop their abilities.





Hilti clearly recognizes the significance of corporate responsibility. The obligation to manage the company conscientiously, and to balance financial growth with ecological, social and personal responsibility, is reflected in Hilti's mission statement: "We build a better future." Corporate responsibility is therefore an integral part of the company's strategy. It is expressed in five segments: **team members, user health and safety, social responsibility, the environment** as well as **compliance and business ethics**.

Corporate success largely depends on the commitment of qualified and motivated employees. Hilti provides its **team members** with an attractive vocational environment that allows them to develop their wide-ranging abilities while building on professional experience. The company's outstanding training programs help identify potential which is then encouraged and individually developed.

User health and safety enjoys the highest priority at Hilti. The company continues to develop innovative products and solutions that help to reduce the dust, noise and vibration burdens faced by the user. Targeted training and instruction aid customers and employees alike in developing the correct and safe way to operate and handle Hilti products, resulting in safer construction sites, healthier workers, added efficiency and greater productivity. Internal medical training sessions focusing, for example, on ergonomics, are offered in an effort to prevent health or medical problems at employee workstations.

At Hilti, being financially successful also means consistently pursuing **social responsibility**. This obligation is overseen by the independent Hilti

Foundation, which was founded in 1996. The Foundation supports projects around the world that provide disadvantaged people with new perspectives, showing them that they too can lead an independent life of self-determination. The Hilti Foundation's commitment focuses on six selected areas: affordable housing, community development, culture, disaster relief, education and social entrepreneurship. All Foundation activities are carried out in tandem with regional projects sponsored by Hilti's local country organizations, ensuring effective and consistent support.

To ensure that the diverse habitat remains intact for future generations Hilti committed to the United Nations' Caring for Climate initiative in 2007. In doing so the company agreed to reduce its ecological footprint. Uniform **environmental** standards ensure that natural resources are handled efficiently, both in all Hilti processes and in the daily behavior of employees. Hilti is also working together with customers and institutions in further developing a product offering specifically for the growing "green building" sector.

Wherever Hilti operates, the company is committed to following applicable rules, respecting ethical values and acting in a sustainable manner. These mandatory guidelines are anchored in a Code of Conduct and apply equally to management, other team members and to suppliers and partners. One significant emphasis is zero tolerance regarding corruption and bribery. **Compliance and business ethics** are a strong component of Hilti's corporate culture and are demonstrated by the company's membership in the UN Global Compact and in the Partnering Against Corruption Initiative. —



We accept responsibility.

Our declaration to accept social and corporate responsibility can be traced back to the founder of the company, Professor Martin Hilti. Today an interdisciplinary team creates a framework for strategic sustainability management in all areas of the company.



Team members

“On September 21, 2012, we celebrated the beginning of construction on our company child care center, here in Schaan, with a symbolic ground-breaking ceremony. The Hilti child care center, or Kita, is being built with the assistance of the Martin Hilti Family Trust and will provide child and day care for up to 70 children aged four months to four years. Parents will be able to place their child with competent specialists for an entire day, and at a location very close to their workplace. This underscores our claim to be an attractive employer, one which strives to provide the correct balance to its employees regarding professional and private life.”

Klaus Risch, Head of Global Human Resources

User health and safety

“The safety of people using our products and the health of our customers and employees have always been focuses at Hilti. One of last year’s highlights was the intensive cooperation we had with a group of leading worldwide construction companies and the Fraunhofer Institute IAO as part of a study on avoiding construction site accidents. The results gleaned were discussed at the Health, Safety and Environment Manager Conference that we regularly organize. We are proud of and gain motivation from the fact that we are a company that continues to drive forward health-promoting measures and that we are an active partner in a network that is widely acknowledged throughout Europe.”

Peter Cavada, Manager Corporate Health, Safety & Environment

Social responsibility

“One of the central topics we pursued in 2012 was promoting social entrepreneurship. In times of economic and social uncertainty it is all the more important to encourage people who share and give life to this approach through innovative ideas and concepts. Our many years of cooperation with international partner organizations vouches for the special consideration we give this commitment. Thanks to the broad range of support, beginning with financial backing and extending to include know-how transfer, entrepreneurial consulting and linking with international networks in the social, economic and scientific areas, social entrepreneurship can be developed in all its many diverse spheres. This not only generates new business ideas that create jobs and training possibilities, but also forms a foundation for the sustainable, social and successful financial development of society; exactly what we are striving for.”

Egbert Appel, Managing Director of the Hilti Foundation

Environment

“Results are now being seen from the successful implementation, in 2011, of our three-year plan to reduce energy usage. Last year we reduced energy consumption in our production facilities by approximately 2,000 MWh. This result is due to the outstanding cooperation of all Hilti production facilities. On the basis of this success we are now creating a plan of action for our worldwide warehouse network. The systematic integration of environmentally relevant aspects is also being moved forward in our product development processes. In research and development, for example, we already see an influence on new products, ensuring that these products meet Hilti’s internal Clean-Tec designation, meaning that they are particularly environmentally compatible.”

Peter Cavada, Manager Corporate Health, Safety & Environment

Compliance and business ethics

“We carried out training sessions around the world together with the Hilti Group’s 70 local compliance delegates. Particular attention was given to the subjects of anti corruption, anti discrimination and avoiding conflicts of interest. These training sessions also centered on the concrete needs of the corresponding team and country-specific conditions while helping to strengthen Hilti’s central compliance strategy. We do not wait for shifts in the regulatory and legal environments in countries that have specific needs. We proactively move to bring Hilti’s high standards into the markets through our business activities.”

Gernot Dresch, Chief Compliance Officer

The UN Global Compact.

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



Human rights

- Hilti's mission statement calls for responsible behavior toward team members, customers, partners and suppliers as well as toward society and the environment. The Hilti Codes of Conduct for employees and suppliers form guidelines for daily activity. Regular training, workshops and audits are carried out to ensure consistent implementation.
- Strengthening the corporate culture was again a significant focus for Hilti in 2012. Hilti's highly developed culture and values of integrity, courage, teamwork and commitment are regularly emphasized in corporate culture workshops.
- Hilti's position as an attractive employer (Hilti, a Great Place to Work) was again fortified by both internal and external surveys. Hilti's internal Global Employee Opinion Survey, or GEOS, is characterized by a consistently high participation rate and very good results. Hilti also achieved top positions in external surveys at the national level. These include first place in Ireland and second place in Australia.

GRI Indicators

LA8: Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases.

HR2: Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.



Labor norms

- Hilti promotes the well-being of its employees. A specialist physician for occupational medicine, at corporate headquarters in Liechtenstein, supports and advises employees in preventing work-related illnesses. They also provide immunizations for employees who travel, and counseling to employees returning to work after illness- or accident-related absences.
- Employee health support is also being further expanded at Hilti's international locations. Employees in the USA, for example, may take advantage of a comprehensive health screening at no cost. In addition to a blood analysis, team members are eligible for a full physical exam as well as cancer screenings. This helps to identify possible health problems early on and allows for corresponding preventive measures and treatment.
- Hilti also is strengthening its efforts to hire talented younger women by hosting various activities. These include programs promoting young women and technology, which showcase various apprenticeships to female students, introductions to practical training programs, and encouraging female students to choose technical areas of study. The overall goal is to increase the number of women in the company in the future.

GRI Indicators

HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.

HR7: Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.

CR

Environmental protection

- In 2012, Hilti saved a significant amount of energy worldwide, amounting to 2,000 MWh. This result reflects the successful implementation of an energy efficiency initiative in all of Hilti's worldwide production facilities in 2011. Teaching and training each employee, the ongoing collection and analysis of data as well as the consistent management and control of all activities, form a solid basis for this effort.
- Research and development processes have also been further optimized and supplemented with environmentally relevant aspects, including the consideration of 20 key criteria such as resource and energy efficiency and the avoidance of waste. Additionally, life cycle and product carbon footprint analyses supplement every product introduction with comprehensive environmental data.
- Hilti supports ecological construction methods and offers a range of products having particularly high environmental standards. This competence is reflected in the fact that the Hilti MM channel installation system was nominated for the German Federal Ecodesign 2012 Award, which identifies products that are particularly energy- and resource-efficient.

GRI Indicators

EN3: Direct energy consumption by primary energy source.
EN5: Energy saved through environmentally friendly use and increased efficiency.
EN7: Initiatives to reduce indirect energy use; savings made.
EN8: Total water withdrawal separated by source.
EN16: Entire direct and indirect greenhouse gas emissions by weight.
EN18: Initiatives to reduce greenhouse gas emissions; results achieved.
EN22: Total weight of waste by type and disposal method.
EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

CR

Combating corruption

- The main emphasis of the company's compliance activities in 2012 was formed by the Group-wide implementation of revised anti-corruption guidelines and corresponding reporting and approvals processes. The application of these internal guidelines, regulating, among other things, the offering, giving and receiving of benefits, such as gifts, took place in compliance workshops that trained roughly 90 percent of the employees in more than 70 countries.
- Zero-tolerance for corruption and bribery also forms a central part of the new global Code of Conduct that was published in 2012 and replaces the previously-valid brochure on business ethics. The code encompasses the most important compliance regulations and is available at www.hilti.com.
- In addition to these measures Hilti implemented a new, specialized and central case management system. This provides employees in 70 different countries with external compliance helplines in 40 different languages. The helplines support employees having questions and also offer the possibility to monitor legal positions, either online or via telephone, in case of doubt.

GRI Indicators

SO4: Actions taken in response to incidents of corruption.

Corporate culture.

The people at Hilti

Based on its highly developed corporate culture, Hilti offers employees outstanding career opportunities in a worldwide group. In 2012, employees invested 24,000 working days in corporate culture workshops.

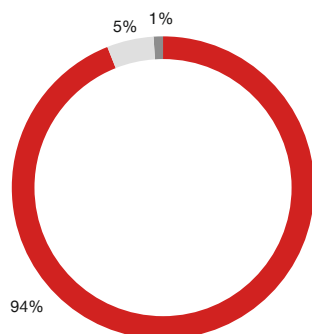
	2012	2011	2010	2009
Number of working days that employees used for corporate culture workshops	24,000	24,000	32,000	18,000
Expenditure for corporate culture workshops (in CHF million)	7.6	8.5	10.3	7.6
Fluctuation	15%	14%	13%	15%
Integration success rate*	78%	83%	83%	74%
Open management positions filled with internal candidates	88%	81%	85%	85%
Number of apprentices worldwide	348	366	360	341
Employees (at December 31)	21,139	21,848	20,305	19,709

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

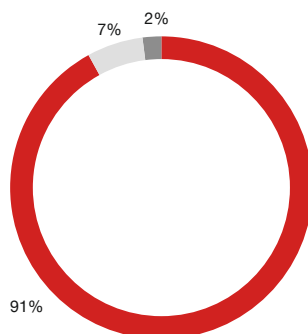
Employees exhibit a high level of identification and commitment

A survey of Hilti employees worldwide is carried out once a year. In 2012, the participation rate of the Global Employee Opinion Survey (GEOS) was 90%.

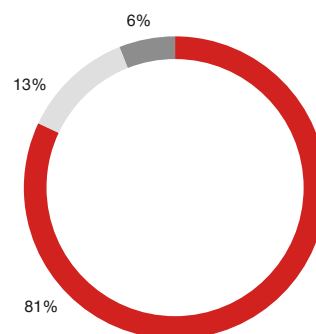
■ Favorable ■ Neutral ■ Unfavorable



94%
are willing to do
the utmost for Hilti



91%
are proud to work
for Hilti



81%
would recommend Hilti
as a great place to work

Suppliers.

Hilti suppliers sign a Code of Conduct

All potential Hilti suppliers must complete a comprehensive audit before they are considered an official partner of the company. A total of nine areas, including technology, quality and efficiency, are monitored in the process. Additionally, every new Hilti supplier must sign the Code of Conduct for

Suppliers, which obligates them to observe the principles of ethical behavior. One of these principles is the obligation to observe a zero-tolerance policy regarding any type of corruption or bribery.

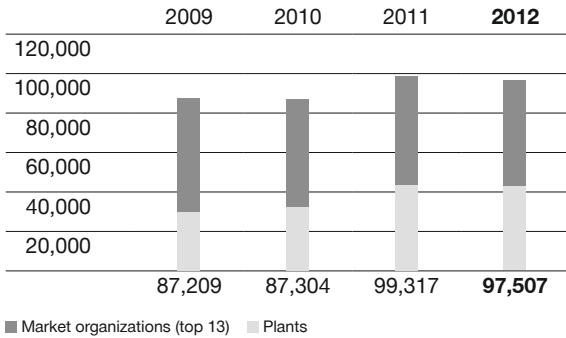
	2012	2011
Suppliers of direct production materials and allied suppliers		
Suppliers who have signed the Code of Conduct	100%	100%
Share of suppliers audited through the end of 2012		
Existing suppliers*	100%	97%
New potential suppliers	100%	100%
Additional share of suppliers* subject to a Code of Conduct compliance audit by an external, accredited partner in addition to undergoing the evaluation audit	0%	8%
Improvement potential was agreed upon with audited suppliers* as appropriate. The implementation of this improvement will be monitored.		
Suppliers of indirect production materials		
In November 2011, Hilti hired a new global supplier for merchandising articles and clothing. As part of this shift a majority of the company's production orders were rebid in 2012. Particular emphasis was placed on monitoring and auditing the production facilities of the new partners (Asian clothing manufacturers in particular), including auditing without advance notice. All new producers were certified and are subject to documentation requirements. Additionally, all new manufacturers of clothing are evaluated by an independent, internationally recognized auditor.		

* These suppliers account for over 90% of the procurement volume of direct production materials and related products.

Key environmental data.

CO₂ emissions of Hilti Group

(in t) CO₂ equivalents

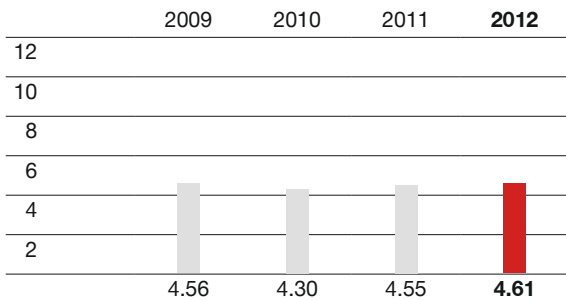


Comments

In 2012, the Hilti Group's CO₂ emissions fell by roughly 2% compared to the previous year. Factors contributing to this result included the energy-saving efforts at production facilities as well as the usage of more fuel-efficient automobiles by Hilti's sales force.

CO₂ emissions per employee

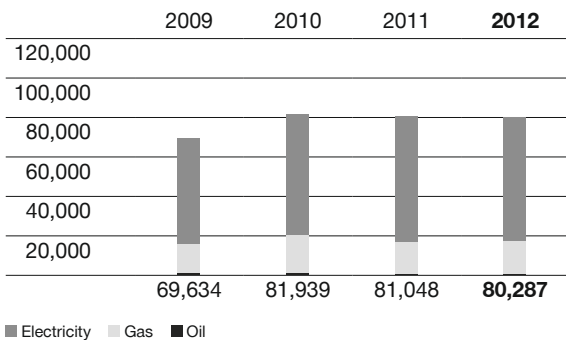
(in t)



The slight increase in CO₂ emissions per employee is primarily due to the fact that the company had fewer employees in 2012 than in the previous year.

Energy consumption in the Hilti plants

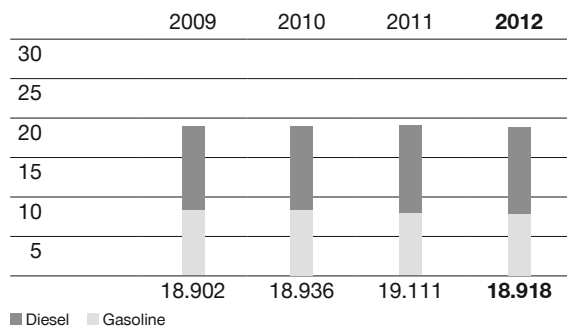
(in MWh)



The successful introduction of an energy efficiency program (for lighting, heating, ventilation and air-conditioning) at the Group's production facilities resulted in a further reduction in energy consumption.

Fuel consumption in the top 13 market organizations

(in million liters)

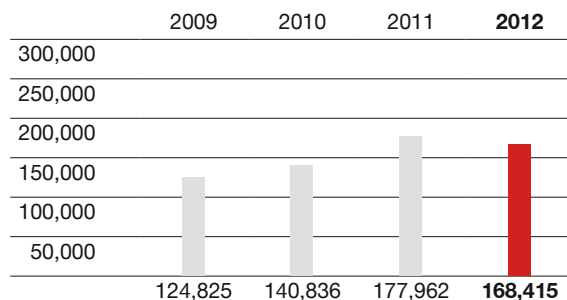


Comments

The consumption of diesel fuel and gasoline in the Hilti Group's 13 largest market organizations was further reduced in 2012 through the consistent usage of more fuel-efficient vehicles.

Water consumption

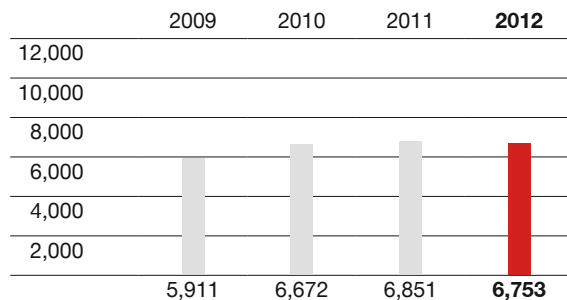
(in m³)



The innovative recycling system for rinse water used in the galvanizing process at one of Hilti's plants in China resulted in a reduction in water consumption amounting to 30 percent. Overall, water consumption fell by 5.7 percent.

Total waste production

(in t)



Materials continue to be recycled by local companies according to the latest recycling methods. In principle, all organizational units and production facilities are charged with reducing waste. This has once again had a positive effect on the total amount of waste.

Note

Key data for Hilti's production facility in Mexico has been integrated into the figures for 2011 and 2012.

The Executive Board.

Bo Risberg

Chief Executive Officer

Wollerau, Switzerland

Bo Risberg (born 1956, Sweden) has been CEO since January 1, 2007. He trained as a mechanical engineer at Queen's University in Canada and then acquired an MBA at IMD in Lausanne. From 1981 to 1995 he worked in various positions with the ABB Group before working for a consulting firm between 1995 and 1999. He joined Hilti in 1999 as Head of the Drilling and Demolition Business Unit. From 2001 to 2006, as a Member of the Executive Board, he was responsible for the Business Areas, the Supply Chain comprising production, sourcing and logistics and New Business & Technology. Bo Risberg is a Member of the Board of Directors of Trelleborg AB, Sweden, Grundfos Holding A/S, Denmark, Poul Due Jensen Foundation, Denmark, and IMD, Switzerland.

Matthias Gillner

Grabs, Switzerland

Matthias Gillner (born 1967, Germany) has been a Member of the Executive Board since April 2011. He is responsible for the Electric Tools & Accessories, Corporate Research & Technology and Global Tool Service units. Matthias Gillner studied chemical engineering at Friedrich-Alexander University of Erlangen-Nürnberg, Germany. He was then employed by a consulting company from 1993 to 2000. During this time he acquired an MBA at INSEAD in Fontainebleau, France. He began his Hilti career in 2000 as the Head of Corporate Development. After leading Corporate HR he was named Head of the Measuring Systems Business Unit in 2003. From 2006 to 2011, Matthias Gillner was Head of the Electric Tools & Accessories Business Area. Matthias Gillner is Member of the Board of the European Power Tool Association (EPTA).

Jörg Kampmeyer

Vaduz, Principality of Liechtenstein

Jörg Kampmeyer (born 1968, Germany) has been a Member of the Executive Board since April 2011. He is responsible for the Finance, Human Resources, IT and Corporate Development units. Jörg Kampmeyer studied mechanical engineering and economics at RWTH Aachen University after which he worked as a Management Consultant. He began his Hilti career in 2002 as the Head of Corporate Development in Schaan. From 2003 to 2005, he was responsible for the company's worldwide marketing activities before heading the German Market Organization in 2006 and, as of 2010, the Market Region Central Europe.

Dr. Christoph Loos

Schaan, Principality of Liechtenstein

Christoph Loos (born 1968, Germany) has been a Member of the Executive Board since 2007. For four years he has been responsible for Finance, HR and IT. Since 2011, he is in charge of Emerging Markets and the global Energy and Industry business. After finishing his studies of business administration at the University of St. Gallen he has worked for an international management consultancy in Germany and China. Upon joining Hilti in 2001, he first led the Corporate Development team, after which he established the Strategic Marketing unit. At the end of 2003, he moved to Germany, first as a Regional Sales Director and then as General Manager of Hilti Germany. Christoph Loos is a member of the Board of Trustees of the St. Gallen Foundation for International Studies.



The Executive Board (from left): Marco Meyrat, Christoph Loos, Matthias Gillner, Bo Risberg, Jörg Kampmeyer and Stefan Nöken at the construction site of Hilti's new Innovation Center in Schaan, Liechtenstein.

Marco Meyrat
Chur, Switzerland

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

Dr. Stefan Nöken
Mörschwil, Switzerland

Stefan Nöken (born 1965, Germany) has been on the Executive Board since the beginning of 2007. He is responsible for the Fastening & Protection, Global Logistics and Corporate Intellectual Property units. Following studies in mechanical engineering at Aachen University, where he earned a doctorate, he was employed at the Fraunhofer Institute for Production Technology in Aachen. In 2000, he joined Hilti as the Head of Corporate Engineering. In 2004, he was appointed Head of Supply Chain Management. Stefan Nöken is a Member of the Board of Trustees of the Fraunhofer Institute for Production Technology in Aachen and Vice President of the Forum for Supply Chain Management at the ETH Zurich.

The Board of Directors.

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

Pius Baschera (born 1950; re-elected to serve until the 2013 Annual General Meeting) is Chairman of the Board of Directors. He studied mechanical engineering and business administration at the Swiss Federal Institute of Technology (ETH) Zurich, where he earned his doctorate. In 1979, he came to Hilti as Head of Financial Controlling in the production area. Before being named Chairman, he served as CEO for 13 years. He is currently a Member of the Board of Directors of F. Hoffmann-La Roche Ltd., Basel, and the Schindler Group, Hergiswil. He also is a Member of the Advisory Boards of Vorwerk & Co., Wuppertal, and Ardex GmbH, Witten, Chairman of the Board of Directors of Venture Incubator AG, Zug, and a professor of Corporate Management at the Swiss Federal Institute of Technology Zurich.

Michael Hilti
Schaan, Principality of Liechtenstein

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

Prof. Dr. Giorgio Behr
Buchberg, Switzerland

Giorgio Behr (born 1948; re-elected to serve until the 2015 Annual General Meeting), Honorary Professor at the University of St. Gallen, was previously a Member of the Board of Directors of the Hilti Corporation between 1993 and 2007. Since January 2008, he has been a Trustee of the Martin Hilti Family Trust and in January 2009 he was again elected to serve on the Board of Directors of

the Hilti Corporation. Giorgio Behr is the Chairman of the Supervisory Board of ZF Friedrichshafen AG. He gained his doctorate degree at the law school of the University of Zurich, was admitted to the bar and obtained a diploma as a Certified Public Accountant. Today he is an entrepreneur in the industrial sector (Behr Bircher Cellpack BBC Group).

Kim Fausing
Sonderborg, Denmark

Kim Fausing (born 1964; elected to serve until the 2013 Annual General Meeting) was elected to the Board of Directors in 2010. He earned a degree in mechanical engineering at Aarhus Teknikum, in Denmark, in 1987, and an MBA degree at Henley Management School, in London, in 1996. His professional career led him to the Hilti Group in 1990, where he served in various management functions in Europe and Asia until 2007. After moving to the Danish Danfoss Group, he was named Chief Operating Officer and Member of the company's executive committee in January 2008. He also is a Director of Sauer-Danfoss Inc., of the German-Danish Chamber of Industry and Commerce and Vice President of the Velux Group in Copenhagen.

Heinrich Fischer
Rüschlikon, Switzerland

Heinrich Fischer (born 1950; re-elected until the 2013 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 at Schweiter AG, Tecan AG, Orell Füssli AG (Chairman) and Sensirion AG.



The Board of Directors (from left): Michael Jacobi, Tis Prager, Michael Hilti, Pius Baschera, Giorgio Behr, Heinrich Fischer and Kim Fausing on the occasion of their visit to Hilti North America's Training Center in Tulsa, Oklahoma.

Dr. Michael Jacobi
Binningen, Switzerland

Michael Jacobi (born 1953; re-elected until the 2013 Annual General Meeting) was elected to the Board of Directors in 2007. He studied business economics at the University of St. Gallen and at the University of Washington, Seattle, and earned his doctorate from St. Gallen in 1979. From 1978 until 2007, he held various management positions in the financial area of Ciba Geigy AG and later in Ciba Specialty Chemicals Inc., Basel. He was Global Chief Financial Officer from 1996 until 2007. Today Michael Jacobi is an independent corporate consultant. Since 2003, he has been a Member of the Board of Directors of Sonova Holding AG, Stäfa, and since December 2008 a Trustee of the Martin Hilti Family Trust. He was named to the Board of Directors of Actelion Pharmaceuticals Ltd., Allschwil, in 2009.

Dr. Tis Prager
Zumikon, Switzerland

Tis Prager (born 1948; re-elected until the 2013 Annual General Meeting) has been a Member of the Board of Directors since June 1, 2006. He earned a doctorate in law from the University of Zurich in 1975, was admitted to the bar of the Canton of Zurich in 1978 and is a founding member of the Prager Dreifuss law firm in Zurich and Bern. Among other mandates, Tis Prager is the Chairman of the Board of the IE Engineering Group AG, Zurich, Hotel Zurich AG (Marriott), Scherer & Bühler AG, Meggen, and Emil Hitz AG, Bassersdorf. He is also a Member of the Board of Directors of Bourquin SA, Couvet, and Caprez Ingenieure AG, Chur, and is active in STEP, the Society of Trust and Estate Practitioners.





Significant strengthening of profitability and cash flow.

On the basis of 5.2 percent sales growth in 2012, the Hilti Group was able to substantially improve its operating result, which rose by 45 percent in the year under review. Net income doubled, increasing 101 percent. This growth was due in large measure to the rapid implementation of the profitability enhancement program launched at the end of 2011.

The economic environment was challenging in 2012. While relevant southern European markets continued to contract, most countries in central and northern Europe, including the important market of Germany, performed robustly. The Hilti Group profited from solid economic momentum in South and North America as well as Asia. Construction activity tapered off slightly in parts of eastern Europe and the Middle East (including in Dubai).

Positive sales growth

The divergence in growth trajectories was also reflected in the sales results of the various Hilti regions. Double-digit growth rates were achieved in North and Latin America (13.4% and 32.4%, respectively, in local currencies), where successful marketing and sales activities enabled the firm to gain additional market share. The Hilti Group could not evade the continued severe economic downturn in southern Europe – primarily in major markets like Italy and Spain –, and this ultimately caused sales to drop slightly in Europe as whole (-1.9%).

Eastern Europe posted double-digit sales growth, driven largely by activity in Russia. Political

instability in certain countries in the Near/Middle East and Africa led to a decline in sales while business in other markets (including Saudi Arabia and South Africa) was very favorable. Positive momentum in the Asia/Pacific region translated into a correspondingly high growth rate (+9.5%).

The Hilti Group's relatively new business relating to fastening solutions for the solar industry also showed a mixed picture. While the Group reported significant growth in the USA and Asia, sales declined in Europe due to the sharp market downturn. Overall, sales for the solar sector fell slightly.

Following distinctly negative currency effects in 2011, the Swiss franc stabilized in 2012 – albeit at a persistently high level. Local currency translation had a slight positive impact on growth (+0.8%). In Swiss francs sales increased by 5.2 percent to CHF 4,204 million.

Higher gross margins and productivity

Hilti's significant innovative strength and superior product differentiation, as well as its efforts to lower product costs, allowed the Group to increase its gross margin despite challenging market conditions in some regions. Productivity also

improved further at all stages of the Group's value chain. The cost-saving measures at Hilti Corporate Headquarters and the restructuring of sales units in southern Europe, as well as in other individual markets, were implemented according to plan.

Combined, these measures led to an increase in return on sales (ROS) from 5.2 to 7.1 percent. Currency effects on the 2012 operating result were largely neutral due to relative currency stability and the successful implementation of internal initiatives.

Significant cash flow improvement

The Hilti Group devoted a good deal of energy to improving capital efficiency in 2012. The average collection period on customer accounts, for example, was reduced by six days (9%). As a result, the ratio of net working capital to sales improved from 27 to 22 percent. With 4.4 percent sales growth in local currencies, the Group managed to reduce net working capital by CHF 150 million, further accelerating the positive trend set in previous years.

In line with strengthened profitability, cash flow from operating activities reached a record CHF 617 million. Despite higher investments, largely associated with the construction of the new

Innovation Center at Corporate Headquarters, free cash flow also achieved a record of CHF 363 million. Return on capital employed (ROCE) improved from 6.5 to 9.5 percent due to the aforementioned measures.

High liquidity and solid balance sheet figures

Cash and cash equivalents increased to CHF 1,303 million. Interest-bearing debt stood at CHF 866 million at the end of 2012, down by CHF 76 million. Short-term bank borrowings amounted to CHF 142 million (+29 million), while long-term bank borrowings were CHF 64 million (-17 million).

The CHF 300 million bond that matured in 2012 was partially replaced by a EUR 175 million promissory note bond. This instrument, having maturities between three and seven years, was issued at attractive conditions and enjoyed significant demand. Alongside refinancing, this issue allowed the Hilti Group to achieve a better balance between euro-denominated receivables and liabilities. In addition to this promissory note bond, the Hilti Group maintains two additional bonds on the Swiss capital market, having maturities in 2013 (CHF 150 million) and 2014 (CHF 300 million).

Net liquidity rose to CHF 437 million. Despite once again experiencing a negative effect, amounting to CHF 69 million, related to the valuation of pension fund obligations according to IFRS, the equity ratio stood at 50 percent at the end of 2012.

In 2012, various restructuring measures were carried out to bolster the company's pension fund. These measures – in conjunction with improved investment performance – took the coverage ratio back above the 100 percent mark (end of 2011: 94%).

The Board of Directors recommends a dividend payment of CHF 131 million for the 2012 business year (2011: 47 million).

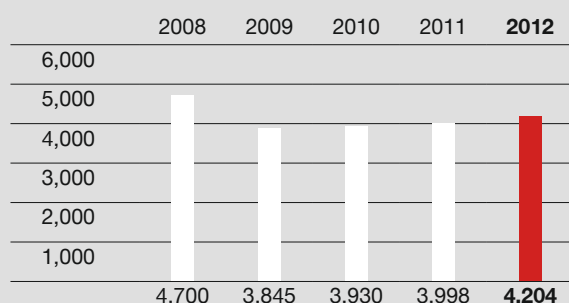
Outlook

The Hilti Group remains cautiously confident about its prospects for 2013. While growth momentum slowed slightly in 2012, primarily due to developments in southern Europe, the Group's strong level of differentiation, very positive performances in North America as well as in the emerging markets, should ensure that sales continue to grow, albeit in the lower single-digit range.

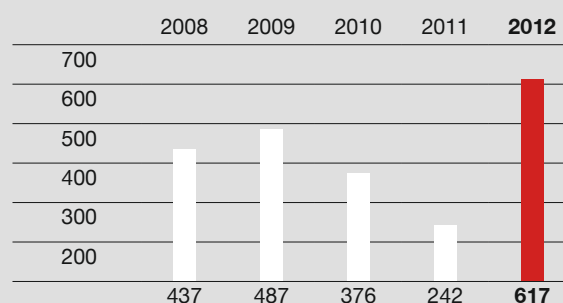
The profitability enhancement measures taken in 2012 will continue to feed through into 2013. Barring large-scale economic upheaval, these initiatives and our capital efficiency drive should ensure that the Hilti Group continues to increase in value.

Key figures.

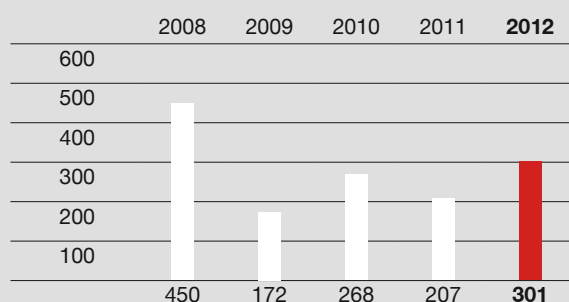
Net sales (in CHF million)



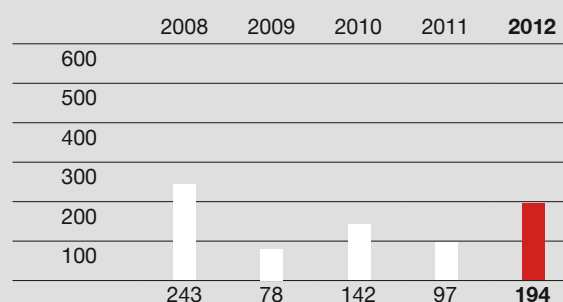
Cash flow from operating activities (in CHF million)



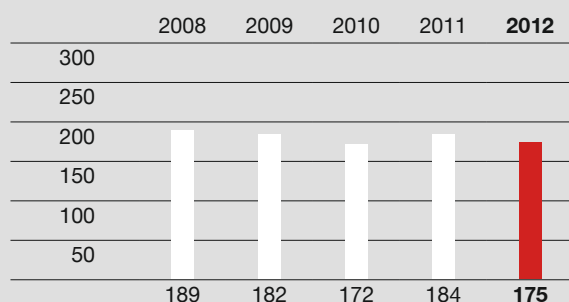
Operating result (in CHF million)



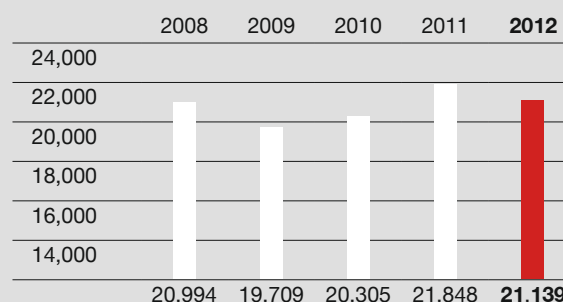
Net income (in CHF million)



Research and development expenditure (in CHF million)



Employees (as at December 31)



Please note

The following pages contain extracts from the 2012 Financial Report of the Hilti Group. Because these pages do not contain the full consolidated financial statements, they do not present complete information about the financial position, financial performance and cash flows of the Hilti Group for 2012. Complete information, including the notes to the consolidated financial statements, is contained in the

2012 Financial Report which will be available on the Group's website (www.hilti.com) from late March 2013.

The full 2012 consolidated financial statements, which are included in the 2012 Financial Report, have been prepared in accordance with international financial reporting standards (IFRS).

Consolidated balance sheet of Hilti Group as at December 31 (in CHF million)

ASSETS	2012	2011
Intangible assets	371.3	394.4
Property, plant and equipment	748.5	746.4
Investment property	2.2	6.8
Investments in associates and joint ventures	13.3	12.1
Deferred income tax assets	147.0	130.4
Other financial investments	17.2	16.6
Trade and other receivables	349.1	312.0
Derivative financial instruments	19.2	43.5
Total non-current assets	1,667.8	1,662.2
Inventories	555.3	615.9
Trade and other receivables	897.5	930.6
Current income taxes receivable	8.3	14.4
Accrued income and prepayments	82.9	47.6
Derivative financial instruments	9.0	8.2
Financial assets at fair value through profit or loss	35.8	26.4
Cash and cash equivalents	1,302.7	1,062.5
Assets classified as held for sale	-	-
Total current assets	2,891.5	2,705.6
TOTAL ASSETS	4,559.3	4,367.8

EQUITY AND LIABILITIES

	2012	2011
Non-controlling interest	14.3	13.0
Equity attributable to equity holders of the parent	2,282.3	2,198.9
Total equity	2,296.6	2,211.9
Provisions	80.0	108.7
Pension and termination benefit obligations	337.5	303.2
Deferred income tax liabilities	28.6	29.8
Bonds	510.3	447.8
Long-term bank borrowings	64.3	81.2
Trade and other payables	22.0	24.7
Derivative financial instruments	0.9	1.4
Total non-current liabilities	1,043.6	996.8
Provisions	116.8	51.4
Trade and other payables	315.6	278.0
Current income taxes payable	92.2	98.4
Accrued liabilities and deferred income	399.7	304.8
Bonds	149.7	299.8
Short-term bank borrowings	141.7	112.7
Derivative financial instruments	3.4	14.0
Total current liabilities	1,219.1	1,159.1
Total liabilities	2,262.7	2,155.9
TOTAL EQUITY AND LIABILITIES	4,559.3	4,367.8

Equity comprises share capital (176,000 registered shares with par value of CHF 500 each) and participation capital (774,400 participation certificates with par value of CHF 50 each) as well as reserves.

All of the registered shares and participation certificates are owned by the Martin Hilti Family Trust.

Consolidated income statement of Hilti Group (in CHF million)

	2012	2011
Net sales	4,203.6	3,997.5
Other operating revenues	83.3	73.9
Total operating revenues	4,286.9	4,071.4
Change in inventory	(56.1)	62.4
Material costs	(1,282.1)	(1,418.0)
Personnel expenses	(1,688.1)	(1,572.1)
Depreciation and amortization	(196.2)	(215.8)
Other operating expenses	(763.9)	(720.7)
Total operating expenses	(3,986.4)	(3,864.2)
Operating result	300.5	207.2
Share of profit / (loss) of equity-accounted associates and joint ventures	1.4	2.4
Other revenues and expenses (net)	(15.7)	(33.2)
Finance costs	(56.2)	(57.5)
Net income before income tax expense	230.0	118.9
Income tax expense	(36.0)	(22.4)
Net income	194.0	96.5
Attributable to:		
Equity holders of the parent	192.5	94.1
Non-controlling interest	1.5	2.4

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

Consolidated statement of comprehensive income of Hilti Group (in CHF million)

	2012	2011
Net income per income statement	194.0	96.5
Gains/(losses) on cash flow hedges taken to equity	2.2	(2.1)
(Gains)/losses on cash flow hedges transferred from equity to income statement	1.3	(9.3)
Actuarial gains/(losses) on defined benefit plans	(68.8)	(91.8)
Foreign currency translation differences	(6.7)	(34.5)
Deferred tax on items taken directly to or transferred from equity	11.0	13.9
Other comprehensive income	(61.0)	(123.8)
Total comprehensive income	133.0	(27.3)
Attributable to:		
Equity holders of the parent	131.9	(30.2)
Non-controlling interest	1.1	2.9

Consolidated cash flow statement of Hilti Group (in CHF million)

	2012	2011
Net income	194.0	96.5
Depreciation and amortization	196.2	215.8
Adjustments for non-operating transactions	104.7	127.3
Cash flow from operating activities before interest, tax and working capital changes	494.9	439.6
(Increase) / decrease in inventories	56.1	(62.4)
(Increase) / decrease in trade receivables	57.2	(54.9)
Increase / (decrease) in trade payables	21.3	20.7
(Increase) / decrease other net operating assets	82.9	(3.8)
Cash flow from operating activities before interest and tax	712.4	339.2
Interest received	5.4	7.1
Interest paid	(56.2)	(57.5)
Income tax paid	(45.0)	(47.3)
Cash flow from operating activities	616.6	241.5
Capital expenditure on intangible assets	(61.9)	(87.9)
Capital expenditure on property, plant and equipment	(125.6)	(123.7)
Acquisition of subsidiaries	-	(7.2)
(Increase) / decrease in financial investments	(11.1)	9.1
Disposal of intangible assets	2.0	-
Disposal of property, plant and equipment	5.2	7.9
(Increase) / decrease in finance lease receivables	(61.9)	(67.4)
Cash flow from investing activities	(253.3)	(269.2)
Increase in long-term bank borrowings	0.4	26.7
(Decrease) in long-term bank borrowings	(12.7)	(10.1)
Increase in long term loans	1.0	3.2
(Decrease) in long term loans	(1.2)	-
Increase / (decrease) in short-term bank borrowings	28.2	18.8
Increase in bonds	210.9	-
(Decrease) in bonds	(300.0)	-
Increase / (decrease) in liability to shareholder	-	(0.4)
Dividend paid	(46.9)	(71.0)
Cash flow from financing activities	(120.3)	(32.8)
Effects of exchange rate changes on cash and cash equivalents	(2.8)	(11.4)
Total increase / (decrease) in cash and cash equivalents	240.2	(71.9)
Cash and cash equivalents at January 1	1,062.5	1,134.4
Cash and cash equivalents at December 31	1,302.7	1,062.5

Key figures of Hilti Group

	2012	2011	2010	2009	2008
Results (CHF million / %)					
Net sales	4,204	3,998	3,930	3,845	4,700
Depreciation and amortization	196	216	213	200	185
Operating result	301	207	268	172	450
Net income before tax	230	119	167	136	308
Net income	194	97	142	78	243
Return on capital employed (RoCE) in % (operating result)	9.5	6.5	8.2	5.4	15.5
Return on equity (RoE) in % (Net income)	8.6	4.3	6.0	3.2	9.9
Cash flow from operating activities	617	242	376	487	437
Balance sheet (CHF million / %)					
Total equity	2,297	2,212	2,304	2,396	2,429
Total equity in % Total equity and liabilities	50	51	54	55	58
Total non-current liabilities	1,044	997	1,172	1,135	829
Total current liabilities	1,219	1,159	817	795	946
Capital expenditures on Intangible assets and on Property, plant and equipment	188	212	209	283	290
Intangible assets and Property, plant and equipment	1,120	1,141	1,162	1,101	1,024
Other non-current assets	547	521	434	414	386
Current assets	2,892	2,706	2,697	2,811	2,795
Total assets	4,559	4,368	4,293	4,326	4,204
Dividend*	131	47	71	-	96
Employees (as at December 31)	21,139	21,848	20,305	19,709	20,994

* As proposed by the Board of Directors

2012 sales growth year on year

	2012 in CHF million	2011 in CHF million	Change in CHF (%)	Change in local currencies (%)
Europe excl. Eastern Europe	2,138	2,240	-4.6	-1.9
North America	858	712	20.5	13.4
Latin America	156	118	32.2	32.4
Asia / Pacific	561	488	15.0	9.5
Eastern Europe / Middle East / Africa	491	440	11.6	8.9
Hilti Group	4,204	3,998	5.2	4.4

The Hilti trades.



Building construction

The innovative tools and accessories we supply to the construction industry are as varied as the applications in this field. Hilti supplies a range of products for measuring, drilling, chiseling, cutting, grinding or fastening as well as special solutions for applications such as rebar connections or formwork in construction, renovation and demolition. Being matched system components, these products offer outstanding performance, reliability and high efficiency. Health and safety always have priority, and our well-proven dust removal, vibration reduction and active torque control systems provide highly effective protection for the user.



Civil engineering

One of Hilti's aims in civil engineering is to provide the ability to carry out demolition or heavy chiseling work quickly and safely. Our powerful and durable tools provide high reliability in this field. Many of our products, including time-saving fastening solutions, are also approved for use in sensitive environments such as in the atomic power industry. Critical fastenings designed to take up high loads or post-installed rebar connections can be installed with exceptional reliability thanks to field-leading technological developments and the experienced advice offered by Hilti Engineers at the planning stage or on the construction site.



Steel and metal

Steel and metal construction specialists expect peak performance – and achieve it with our system solutions. With our know-how and aids such as anchor design software we also support planners and contractors in this business. Whether leveling, aligning and anchoring steel structures, fastening profile metal roofing sheets and façade panels or installing railings or canopy roofs, we are the one-stop shop for all requirements. We supply direct fastening systems, high-speed screw fastening systems and versatile anchor solutions backed by a broad range of advanced, safety-tested and ergonomically designed tools – all in renowned Hilti quality.



Hilti GX 90-WF gas-actuated fastening tool with nails GX-WF



Hilti POS 180 robotic total station with controller POC 100



Hilti ST 1800-A22 cordless metal screwdriver with S-MD self-drilling screw



Interior finishing

Our goal is higher productivity and greater reliability for contractors in every field of interior finishing including drywall and ceiling installation, tiling and floor renovation as well as door and window installation. Laser tools for measuring and aligning, a comprehensive range of drilling tools and anchors, and direct fastening and screw fastening systems for repetitive use ensure top productivity and cost efficiency. Concrete surface finishing, keeping dust to a minimum, plus the use of special foams for insulation, filling, fastening and soundproofing, are other areas in which our know-how is in great demand. Hilti's product portfolio for interior finishers is rounded off by a comprehensive range of fire-stop products.



Plumbing, heating and air-conditioning

The ability to work quickly and efficiently while achieving high quality, regardless of the application or the materials on which the installation work is carried out, is an essential everyday requirement for specialists in this field. The Hilti product range offers a multitude of efficient solutions for measuring and laying out fastening points, drilling anchor holes, making penetrations in walls and ceilings, and fastening pipes and ducts of all kinds to walls, floors and ceilings. We also supply a comprehensive range of firestop products designed to seal off pipes and openings in the event of fire.



Electrical

Hilti direct fastening systems make electrical installation work exceptionally efficient – and virtually dustless. The comprehensive range of electrical fasteners supplied by Hilti covers a broad spectrum of applications in this trade, while highly effective dust removal systems for power tools make slitting, cutting, drilling and chiseling on mineral materials of all kinds quicker, easier and more reliable. Hilti cordless tools for drilling, screw-driving and cutting set the standard where maximum mobility is required in conjunction with high performance and long battery life.



Concrete sawing and coring

Reliable equipment and dependable services are of great importance to service contractors. Hilti is renowned not only for innovative equipment and accessories, but also for on-time delivery and quick repairs. Our unique Hilti Fleet Management system guarantees availability of replacement tools at all times, comprehensive services at calculable costs as well as rental equipment to cover periods of peak demand. Hilti also manufactures wall saw blades and core bits to customer specifications for special applications. Training for users in operating new equipment plus expert advice from Hilti engineers are just some of the additional services we offer.



Hilti GX 120 gas-actuated fastening system



Hilti AG 125-A22 cordless angle grinder



Hilti CFS-SL firestop sleeve



Hilti DD 160 diamond coring system



Natural resources

The combination of wide-ranging innovative technologies and a global presence make Hilti the preferred partner of both the oil and gas and the mining industries. Hilti solutions not only increase productivity, they also enhance safety and reliability – both for the construction professional and the facility owner. Hilti’s committed engineering teams provide support throughout the entire process, from the development of solutions until those solutions are deployed at the construction site.

Solar

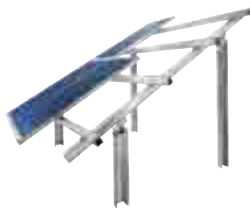
The ability to install any type of solar panel with only six system components ensures high cost-efficiency and great flexibility. The Hilti panel mounting system consists of preassembled, corrosion-resistant parts and thus ensures easy installation and long life. Hilti know-how in structural design and foundation work combined with a broad range of innovative products ensure the required versatility for ground-mounted solar parks as well as roof installations. Our experts with many years of experience provide support in planning, specification and project management.

Power

One of our prime goals in the energy industry is to provide innovative solutions that boost productivity, increase reliability and minimize health and safety risks. Hilti certainly has a great deal to offer in this field. Our well-proven direct fastening methods and flexible modular pipe installation systems, for instance, can make time-consuming and costly welding or tedious installation work unnecessary in many cases. Offering competent, on-the-spot support with the planning and execution of complex energy projects of all magnitudes, our specialists are at your service throughout the world.



Hilti OneStep rock anchor

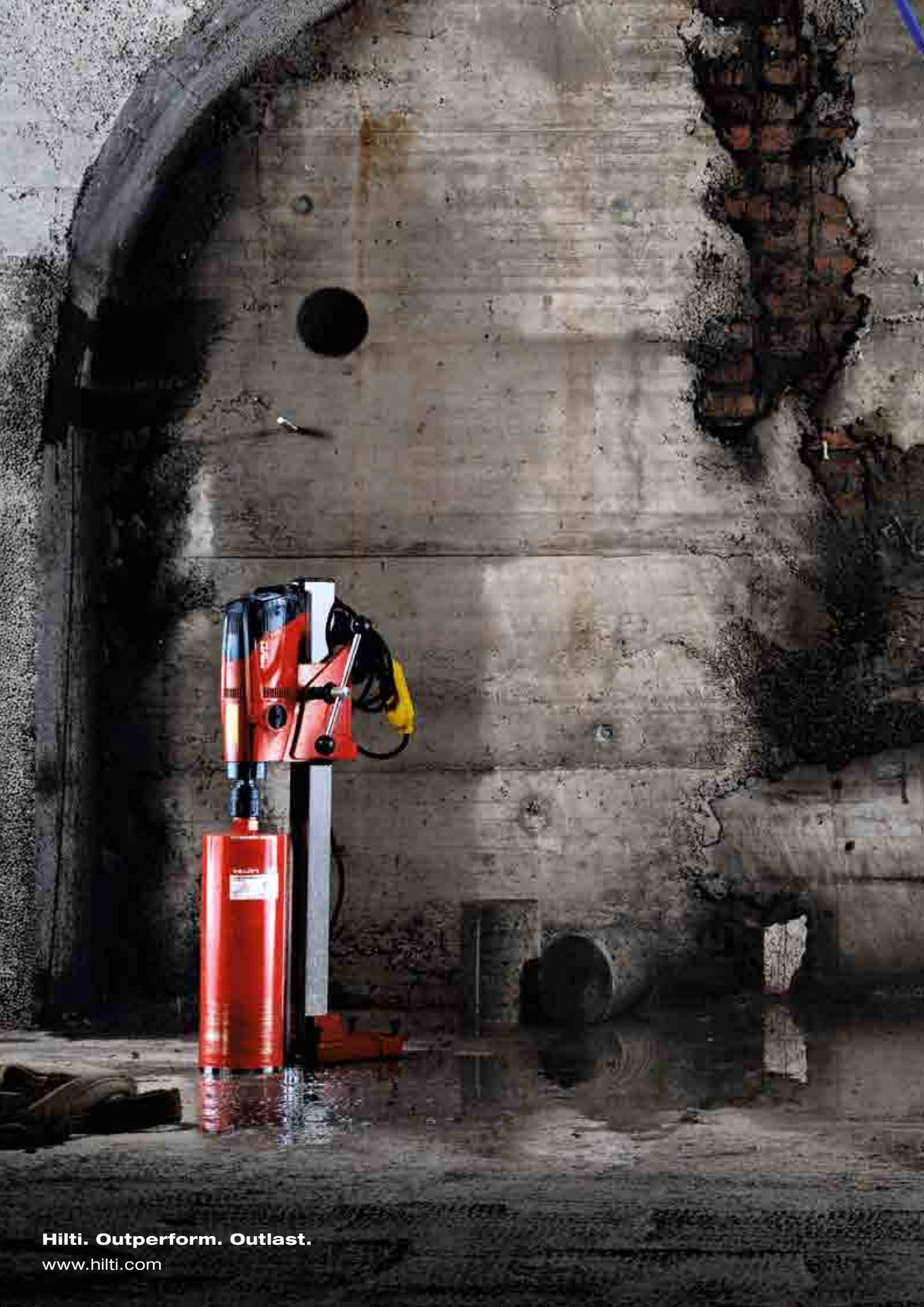


Hilti MSP-AL photovoltaic panel mounting system



Hilti DX 351 BT powder-actuated fastening tool with X-BT threaded stud

We help our customers to be successful. We identify their needs and provide them with innovative solutions featuring outstanding added value.



Hilti. Outperform. Outlast.

www.hilti.com