2018
FINANCIAL REPORT

CONTENTS

Key Figures	3
Management Report	5
Group Financial Statements	9
Financial Statements Hilti Corporation	80
Corporate Governance	96
Investor Information	100

KEY FINANCIAL INFORMATION OF HILTI GROUP

financial amounts in CHF million	**2018**	2017	2016	2015	2014
Results					
Net sales	5,659	5,113	4,633	4,384	4,497
Depreciation and amortization	202	174	156	157	194
Operating result	728	681	604	547	537
Net income before tax	668	644	573	506	499
Net income	546	521	481	410	426
Return on capital employed (RoCE) in % (operating result)	20.6	21.1	21.0	19.0	16.8
Return on equity (RoE) in % (net income)	18.4	19.3	20.1	17.4	17.1
Return on sales (RoS) in %	12.9	13.3	13.0	12.5	11.9
Free cash flow*	245	325	248	335	383
Balance sheet					
Total equity	3,075	2,873	2,512	2,272	2,449
Total equity in % Total equity and liabilities	55	53	53	52	53
Total non-current liabilities	1,088	1,129	994	1,010	1,053
Total current liabilities	1,448	1,442	1,208	1,125	1,106
Capital expenditures on intangible assets and on property, plant and equipment	334	289	289	246	258
Intangible assets and property, plant and equipment	1,702	1,598	1,285	1,190	1,152
Other non-current assets	835	755	660	591	573
Total current assets	3,075	3,090	2,770	2,626	2,884
Total assets	5,612	5,444	4,714	4,407	4,609
Dividend**	272	264	243	205	455
Employees (as at December 31)	29,004	26,881	24,619	23,385	22,248
Information on bonds (nominal values)					
0.875% bond 13/18 (early call for tax reasons only)	–	100	100	100	100
1.875% bond 13/23 (early call for tax reasons only)	100	100	100	100	100
0.2% bond 17/24 (early call for tax reasons only)	100	100	–	–	–
0.4% bond 17/27 (early call for tax reasons only)	100	100	–	–	–
Euro bonds 12/15–19 (variable interest rates***)	–	12	53	53	79
Euro bonds 12/15–19 (fixed interest rates****)	33	34	107	108	131

* Before acquisition and disposal of subsidiaries
** As proposed by the Board of Directors; 2014 included special dividends
*** Group opted for an early redemption in 2018
**** Bonds have restricted tradability

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


HILTI
PS 300

MANAGEMENT REPORT

ACCELERATED SALES GROWTH AND RENEWED RISE IN PROFITABILITY

The Hilti Group once again achieved double-digit growth in 2018, boosting sales by 10.7 percent in Swiss francs. When adjusted for acquisition effects the increase amounted to 9.7 percent. The operating result rose 7 percent to CHF 728 million. The primary factor driving the company's success once again proved to be the consistent implementation of the Champion 2020 corporate strategy and significant investments in innovation, market reach and infrastructure.

Hilti showed strong global growth in 2018. Both North America and Europe achieved double-digit increases in local currencies, 10.4 and 10.6 percent, respectively. Latin America also grew strongly, at 8.6 percent, although the region's main markets continued to be hampered by political uncertainties. Growth was also strong in the Eastern Europe / Middle East / Africa region (+9.3%), although political tensions also had a negative influence on results in this region, particularly in Russia, Turkey and Saudi Arabia. In Asia/Pacific the growth level increased to 7 percent but remained below expectations. Currency effects, particularly the slightly positive trend for the Euro, contributed 0.9 percentage-points to sales in terms of Swiss francs.

Significant ongoing investments

Investments in innovation, market reach and infrastructure once again increased in 2018. Expenditures in research and development rose by 14 percent to CHF 355 million. The worldwide sales team grew by approximately 1000 people in 2018 and the total number of Group employees at the end of 2018 was 29,004 (+8%). Altogether this further solidified the foundation for profitable long-term growth. Expanding the company's offering in terms of software and digitalization was also a focus in 2018, and resulted in the creation of two additional business units, which expanded the product portfolio to include further digital solutions and services. In Paris, Hilti began setting up a worldwide center for digital marketing. Hilti is also investing in its Group-wide IT infrastructure, for example by introducing the new ERP system SAP S/4HANA at the end of November.

Operating result and net income increase once again

The operating result was CHF 728 million (2017: CHF 681 million), an increase of 7 percent. Net income rose to CHF 546 million (2017: 521 million). Development of both return on sales (ROS), at 12.9 percent (2017: 13.3%), and return on capital employed (ROCE), at 20.6 percent (2017: 21.1%), were slightly lower than their previous-year levels due to the increased investment amount. Both of these results, however, remained above the target corridor established in the Champion 2020 corporate strategy of 10–12 percent for ROS and 15–20 percent for ROCE.
Free cash flow (before acquisition and disposal of subsidiaries) declined to CHF 245 million. The difference to the 2017 amount (CHF 325 million), is the result of disproportionate growth in fleet management and a Group-wide increase in warehouse capacities. The slight appreciation of the Euro had next to no influence on the operating result due to the very positive natural hedging established by the company. Various devaluations, primarily to the Russian ruble and Turkish lira, were more noticeable. These could only be partly compensated for by local price increases. Overall, currency effects negatively influenced the operating result by CHF 20 million.

Balance sheet and liquidity remain strong

The equity ratio increased in 2018 to 55 percent (2017: 53%). Cash and cash equivalents were at CHF 1031 million (2017: CHF 1140 million) while financial debt was at CHF 515 million (2017: CHF 595 million). The Board of Directors has proposed an ordinary dividend payout of CHF 272 million for the 2018 financial year (2017: CHF 264 million).

Outlook

After several very positive years, the market and currency environments look to become more challenging, particularly considering the ongoing political and trade tensions. Taking this into consideration, Hilti anticipates 2019 market growth in the low single digits and a market that will be characterized by increasing volatility. The Group maintains its strategic direction while continuing to invest in sales, products, services and digital solutions based on its solid financial situation. In light of this, Hilti expects an increase in sales in the mid-to-upper single digits and a growth level similar to that seen in 2018 for most key financial figures. The change to IFRS accounting principles, which will be applied for the first time in 2019, is forecast to have a negative influence on ROCE and equity ratio due to an increase in leasing liabilities.


HILTI
CPC

GROUP FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in CHF million	Note		31.12.2018	31.12.2017 Restated*	01.01.2017 Restated*
ASSETS					
Intangible assets	7		808.3	732.0	471.7
Property, plant and equipment	8		894.0	866.3	812.8
Investment property	9		1.9	1.9	1.9
Investments in associates and joint ventures	10		2.8	2.6	–
Deferred income tax assets	11		128.8	154.1	174.6
Other financial investments	12		12.2	11.5	11.0
Trade and other receivables	14		683.5	579.4	481.3
Derivative financial instruments	16		5.3	5.6	7.0
Total non-current assets			**2,536.8**	**2,353.4**	**1,960.3**
Inventories	13		678.6	637.6	548.3
Trade and other receivables	14		1,244.2	1,214.7	990.8
Current income taxes receivable	26		23.4	11.6	22.4
Accrued income and prepayments	15		68.4	55.4	47.9
Derivative financial instruments	16		6.6	5.7	5.9
Financial assets at fair value through profit or loss	17		23.0	25.0	23.5
Cash and cash equivalents	18		1,030.9	1,140.2	1,113.8
Total current assets			**3,075.1**	**3,090.2**	**2,752.6**
TOTAL ASSETS			**5,611.9**	**5,443.6**	**4,712.9**

* See note 2.2

The notes are an integral part of these Group financial statements.

in CHF million	Note		31.12.2018	31.12.2017 Restated*	01.01.2017 Restated*
EQUITY AND LIABILITIES					
Non-controlling interests			3.7	1.5	0.2
Equity attributable to equity holders of the parent			3,071.4	2,871.2	2,462.8
Total equity	20		**3,075.1**	**2,872.7**	**2,463.0**
Provisions	21		13.6	16.5	16.4
Employee benefits	22		522.8	550.9	582.4
Deferred income tax liabilities	11		116.0	91.9	48.3
Bonds	23		299.9	334.4	242.4
Long-term bank borrowings	24		27.6	30.9	28.4
Contract liabilities	29		71.6	64.2	55.6
Trade and other payables	25		36.9	40.6	21.9
Total non-current liabilities			**1,088.4**	**1,129.4**	**995.4**
Provisions	21		9.4	8.7	15.5
Employee benefits	22		105.6	8.7	6.6
Trade and other payables	25		479.0	479.1	377.3
Current income taxes payable	26		104.1	122.1	124.4
Accrued liabilities and deferred income	27		445.5	470.1	415.5
Contract liabilities	29		114.7	115.7	100.9
Bonds	23		33.2	111.7	117.1
Short-term bank borrowings	28		153.9	117.7	86.0
Derivative financial instruments	16		3.0	7.7	11.2
Total current liabilities			**1,448.4**	**1,441.5**	**1,254.5**
Total liabilities			**2,536.8**	**2,570.9**	**2,249.9**
TOTAL EQUITY AND LIABILITIES			**5,611.9**	**5,443.6**	**4,712.9**

* See note 2.2

The notes are an integral part of these Group financial statements.

CONSOLIDATED INCOME STATEMENT

in CHF million	Note		2018	2017 Restated*
Net sales	29		5,659.3	5,112.6
Other operating income	29		134.9	114.9
Total operating income			**5,794.2**	**5,227.5**
Change in inventory	30		56.7	50.5
Material costs	30		(1,648.9)	(1,484.1)
Personnel expenses	31		(2,340.5)	(2,109.9)
Depreciation and amortization	32		(202.4)	(173.5)
Losses on trade and other receivables			(44.8)	(36.0)
Other operating expenses	33		(885.9)	(793.9)
Total operating expenses			**(5,065.8)**	**(4,546.9)**
Operating result			**728.4**	**680.6**
Other income and expenses (net)	34		(29.7)	(9.3)
Finance costs	35		(31.1)	(27.6)
Net income before income tax expense			**667.6**	**643.7**
Income tax expense	36		(121.2)	(123.1)
Net income			**546.4**	**520.6**
Attributable to:				
Equity holders of the parent			545.0	519.3
Non-controlling interests			1.4	1.3

* See note 2.2

The notes are an integral part of these Group financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF million	Note		**2018**	2017 Restated*
Net income			**546.4**	**520.6**
Net movement on cash flow hedges	16		2.7	(4.5)
Deferred tax on net movement on cash flow hedges	20		(0.3)	0.6
Foreign currency translation differences	20		(59.3)	54.4
Deferred tax on foreign currency translation differences	20		0.8	(0.5)
Items that may be subsequently reclassified to the income statement			**(56.1)**	**50.0**
Remeasurements on employee benefits	22		(25.3)	96.1
Deferred tax on remeasurements on employee benefits	20		1.0	(13.7)
Items that will never be reclassified to the income statement			**(24.3)**	**82.4**
Other comprehensive income (OCI)			**(80.4)**	**132.4**
Total comprehensive income			**466.0**	**653.0**
Attributable to:				
Equity holders of the parent			464.8	651.7
Non-controlling interests			1.2	1.3

* See note 2.2

The notes are an integral part of these Group financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF million	Share and PS capital	Capital reserves	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Equity at January 1, 2018	**126.7**	**17.4**	**(376.8)**	**3.4**	**3,100.5**	**2,871.2**	**1.5**	**2,872.7**
Net income recognized in income statement	–	–	–	–	545.0	545.0	1.4	546.4
Cash flow hedges	–	–	–	2.4	–	2.4	–	2.4
Remeasurements on employee benefits	–	–	–	–	(24.3)	(24.3)	–	(24.3)
Foreign currency translation differences	–	–	(58.3)	–	–	(58.3)	(0.2)	(58.5)
Total comprehensive income	**–**	**–**	**(58.3)**	**2.4**	**520.7**	**464.8**	**1.2**	**466.0**
Dividend paid	–	–	–	–	(263.6)	(263.6)	–	(263.6)
Change in non-controlling interests	–	–	1.0	–	(2.0)	(1.0)	1.0	–
Equity at December 31, 2018	**126.7**	**17.4**	**(434.1)**	**5.8**	**3,355.6**	**3,071.4**	**3.7**	**3,075.1**

in CHF million	Share and PS capital	Capital reserves	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Equity at December 31, 2016	**126.7**	**17.4**	**(430.7)**	**7.3**	**2,786.9**	**2,507.6**	**4.6**	**2,512.2**
Effects of changes in accounting policies*	–	–	–	–	(44.8)	(44.8)	(4.4)	(49.2)
Equity at January 1, 2017*	**126.7**	**17.4**	**(430.7)**	**7.3**	**2,742.1**	**2,462.8**	**0.2**	**2,463.0**
Net income recognized in income statement	–	–	–	–	519.3	519.3	1.3	520.6
Cash flow hedges	–	–	–	(3.9)	–	(3.9)	–	(3.9)
Remeasurements on employee benefits	–	–	–	–	82.4	82.4	–	82.4
Foreign currency translation differences	–	–	53.9	–	–	53.9	–	53.9
Total comprehensive income	**–**	**–**	**53.9**	**(3.9)**	**601.7**	**651.7**	**1.3**	**653.0**
Dividend paid	–	–	–	–	(243.3)	(243.3)	–	(243.3)
Equity at December 31, 2017*	**126.7**	**17.4**	**(376.8)**	**3.4**	**3,100.5**	**2,871.2**	**1.5**	**2,872.7**

* Restated, see note 2.2

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

The notes are an integral part of these Group financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in CHF million	Note		2018	2017 Restated*
Net income			**546.4**	**520.6**
Depreciation and amortization	32		202.4	173.5
(Increase)/decrease in inventories	30		(56.7)	(50.5)
(Increase)/decrease in trade receivables	14		(13.6)	(56.1)
(Increase)/decrease in finance lease receivables	14		(188.2)	(143.2)
Increase/(decrease) in trade payables	25		(4.8)	65.6
Increase/(decrease) in contract liabilities	29		12.7	16.4
Change in other non-cash items and other net operating assets			75.2	84.4
Cash flow from operating activities			**573.4**	**610.7**
Capital expenditure on intangible assets	7		(169.9)	(157.4)
Capital expenditure on property, plant and equipment	8		(163.9)	(131.6)
Acquisition of subsidiaries	5		(3.7)	(127.0)
(Increase)/decrease in financial investments			1.5	(5.9)
Disposal of intangible assets			0.1	1.9
Disposal of property, plant and equipment			4.0	6.9
Cash flow from investing activities			**(331.9)**	**(413.1)**
Proceeds from long-term borrowings			1.5	4.6
Repayment of long-term borrowings			(0.5)	(3.1)
Proceeds from (repayment of) short-term borrowings	28		43.8	(20.8)
Proceeds from issuance of bonds	23		–	200.0
Repayment of bonds	23		(111.6)	(116.2)
Increase/(decrease) in liability to shareholder			0.2	0.1
Dividend paid	20		(263.6)	(243.3)
Cash flow from financing activities			**(330.2)**	**(178.7)**
Exchange differences			(20.6)	7.5
Total increase/(decrease) in cash and cash equivalents			**(109.3)**	**26.4**
Cash and cash equivalents at January 1			1,140.2	1,113.8
Cash and cash equivalents at December 31			**1,030.9**	**1,140.2**
Cash flow from operating activities includes				
Interest received			5.6	4.0
Interest paid			(31.3)	(29.3)
Income tax paid			(101.0)	(89.3)

* See note 2.2

The notes are an integral part of these Group financial statements.

(1) General information

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

The Hilti Corporation is a limited liability company incorporated and domiciled in the Principality of Liechtenstein. The Group's headquarters and the address of its registered office are at Feldkircherstrasse 100, 9494 Schaan, Liechtenstein. The Group's principal production and research and development location is Liechtenstein with further production and research and development locations worldwide. The Group operates in over 120 countries and has over 29,000 employees worldwide.

These consolidated financial statements were approved for issue by the Board of Directors on March 13, 2019.

(2) Summary of significant accounting policies

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

(2.1) Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The accounting estimates and judgments reflected in the 2018 consolidated financial statements that are critical in the context of the Group's financial position and financial performance are explained in note (3).

(2.2) Changes in accounting policies and estimates

With effect from January 1, 2018, the following new IFRS standards were applied, using the full retrospective method:

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with customers

As a result of the changes in the entity's accounting policies, prior-year financial statements had to be restated. The following tables show the adjustments recognized for each individual line item. The adjustments are explained in more detail by standard below.

Adoption of IFRS 9 Financial Instruments

On January 1, 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The impacts of IFRS 9 on the Groups financial statements are as follows:

Categories
The previous categories for financial assets and liabilities have been replaced by amortized costs and fair value through profit or loss (FVP&L). The classification depends on the related business model for managing the financial assets and the contractual terms of the cash flows. Following the Group's management assessment, no material changes were identified in the classification of financial assets and liabilities.

Impairment
The impairment changed from an incurred loss model in IAS 39 into a forward-looking expected credit losses (ECL) model also considering the geographical region. The accounting policies on impairment for trade receivables are outlined in detail in note (2.8). That change had an impact on the valuation of trade receivables with significant financing component only. The impact on the trade receivables without significant financing composed was not material.

Adoption of IFRS 15 Revenue from Contracts with Customers

On January 1, 2018 (the date of initial application of IFRS 15), the Group has implemented a five-step model applicable to all contracts with customers. The new standard is based on the principle that revenue is recognized when control of a good or service is transferred to a customer.

The adoption of the standard resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules using the full retrospective method without using the practical expedients and has restated comparatives for the 2017 financial year.

The Group disaggregated revenue from contracts with customers into the following categories of revenue recognition patterns: sales contracts of goods, warranties (covering repairs) and services. These categories were analyzed with the five-step approach to identify all performance obligations and to allocate the transaction price to each performance obligation. The revenue related to the service warranty is considered as revenue recognized over a period of time, all other revenues are recognized at a point in time.

Net sales of goods and services
In the course of the IFRS 15 implementation the Group standardized the point in time when revenue for sold goods is recognized. Revenues are recognized at a point in time, upon delivery of goods or when the services are rendered, when the control of the product has been transferred to the customer and the Group satisfied the performance obligation. Revenues related to goods for which the control has not yet been transferred to the customer will be recognized only in the following period. Following the IFRS 15 implementation, certain deliveries were reconsidered and the related impact on inventory, account receivables, sales and cost of goods is illustrated in the table below.

Service warranty
The Group offers its customers a warranty covering all repairs for a certain period after the sale. These warranty obligations are considered as a separate performance obligation. While in the past a provision was recognized for the estimated cost of the warranty, upon adoption of the IFRS 15 the provision was fully released, the revenue related to the warranty is deferred and the contract liabilities are shown in a separate line item on the balance sheet and are split in current and non-current.

Summary of impacts
The following tables summarize the impacts resulting from the above changes in accounting policies on relevant positions of the Group's financial position, comprehensive income and cash flows.

CONSOLIDATED BALANCE SHEET AS AT JANUARY 1, 2017

in CHF million	Reported	Adjustment IFRS 15	Adjustment IFRS 9	Restated
ASSETS				
Intangible assets	471.7	–	–	471.7
Property, plant and equipment	812.8	–	–	812.8
Investment property	1.9	–	–	1.9
Deferred income tax assets	158.3	15.0	1.3	174.6
Other financial investments	11.0	–	–	11.0
Trade and other receivables	481.3	–	–	481.3
Derivative financial instruments	7.0	–	–	7.0
Total non-current assets	**1,944.0**	**15.0**	**1.3**	**1,960.3**
Inventories	542.5	5.8	–	548.3
Trade and other receivables	1,014.2	(18.7)	(4.7)	990.8
Current income taxes receivable	22.4	–	–	22.4
Accrued income and prepayments	47.9	–	–	47.9
Derivative financial instruments	5.9	–	–	5.9
Financial assets at fair value through profit or loss	23.5	–	–	23.5
Cash and cash equivalents	1,113.8	–	–	1,113.8
Total current assets	**2,770.2**	**(12.9)**	**(4.7)**	**2,752.6**
TOTAL ASSETS	**4,714.2**	**2.1**	**(3.4)**	**4,712.9**

in CHF million	Reported	Adjustment IFRS 15	Adjustment IFRS 9	Restated
EQUITY AND LIABILITIES				
Non-controlling interests	4.6	(4.4)	–	0.2
Equity attributable to equity holders of the parent	2,507.6	(41.4)	(3.4)	2,462.8
Total equity	**2,512.2**	**(45.8)**	**(3.4)**	**2,463.0**
Provisions	70.4	(54.0)	–	16.4
Employee benefits	582.4	–	–	582.4
Deferred income tax liabilities	48.3	–	–	48.3
Bonds	242.4	–	–	242.4
Long-term bank borrowings	28.4	–	–	28.4
Contract liabilities	–	55.6	–	55.6
Trade and other payables	21.9	–	–	21.9
Total non-current liabilities	**993.8**	**1.6**	**–**	**995.4**
Provisions	70.1	(54.6)	–	15.5
Employee benefits	6.6	–	–	6.6
Trade and other payables	377.3	–	–	377.3
Current income taxes payable	124.4	–	–	124.4
Accrued liabilities and deferred income	415.5	–	–	415.5
Contract liabilities	–	100.9	–	100.9
Bonds	117.1	–	–	117.1
Short-term bank borrowings	86.0	–	–	86.0
Derivative financial instruments	11.2	–	–	11.2
Total current liabilities	**1,208.2**	**46.3**	**–**	**1,254.5**
Total liabilities	**2,202.0**	**47.9**	**–**	**2,249.9**
TOTAL EQUITY AND LIABILITIES	**4,714.2**	**2.1**	**(3.4)**	**4,712.9**

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2017

in CHF million	Reported	Adjustment IFRS 15	Adjustment IFRS 9	Restated
ASSETS				
Intangible assets	732.0	–	–	732.0
Property, plant and equipment	866.3	–	–	866.3
Investment property	1.9	–	–	1.9
Investments in associates and joint ventures	2.6	–	–	2.6
Deferred income tax assets	141.1	11.4	1.6	154.1
Other financial investments	11.5	–	–	11.5
Trade and other receivables	579.4	–	–	579.4
Derivative financial instruments	5.6	–	–	5.6
Total non-current assets	**2,340.4**	**11.4**	**1.6**	**2,353.4**
Inventories	630.9	6.7	–	637.6
Trade and other receivables	1,243.4	(22.8)	(5.9)	1,214.7
Current income taxes receivable	11.6	–	–	11.6
Accrued income and prepayments	55.4	–	–	55.4
Derivative financial instruments	5.7	–	–	5.7
Financial assets at fair value through profit or loss	25.0	–	–	25.0
Cash and cash equivalents	1,140.2	–	–	1,140.2
Total current assets	**3,112.2**	**(16.1)**	**(5.9)**	**3,090.2**
TOTAL ASSETS	**5,452.6**	**(4.7)**	**(4.3)**	**5,443.6**

in CHF million	Reported	Adjustment IFRS 15	Adjustment IFRS 9	Restated
EQUITY AND LIABILITIES				
Non-controlling interests	6.0	(4.5)	–	1.5
Equity attributable to equity holders of the parent	2,926.0	(50.5)	(4.3)	2,871.2
Total equity	**2,932.0**	**(55.0)**	**(4.3)**	**2,872.7**
Provisions	70.6	(54.1)	–	16.5
Employee benefits	550.9	–	–	550.9
Deferred income tax liabilities	98.1	(6.2)	–	91.9
Bonds	334.4	–	–	334.4
Long-term bank borrowings	30.9	–	–	30.9
Contract liabilities	–	64.2	–	64.2
Trade and other payables	40.6	–	–	40.6
Total non-current liabilities	**1,125.5**	**3.9**	**–**	**1,129.4**
Provisions	78.0	(69.3)	–	8.7
Employee benefits	8.7	–	–	8.7
Trade and other payables	479.1	–	–	479.1
Current income taxes payable	122.1	–	–	122.1
Accrued liabilities and deferred income	470.1	–	–	470.1
Contract liabilities	–	115.7	–	115.7
Bonds	111.7	–	–	111.7
Short-term bank borrowings	117.7	–	–	117.7
Derivative financial instruments	7.7	–	–	7.7
Total current liabilities	**1,395.1**	**46.4**	**–**	**1,441.5**
Total liabilities	**2,520.6**	**50.3**	**–**	**2,570.9**
TOTAL EQUITY AND LIABILITIES	**5,452.6**	**(4.7)**	**(4.3)**	**5,443.6**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDING DECEMBER 31, 2017

in CHF million	Reported	Adjustment IFRS 15	Adjustment IFRS 9	**Restated**
Net sales	5,133.0	(20.4)	–	5,112.6
Other operating income	114.9	–	–	114.9
Total operating income	**5,247.9**	**(20.4)**	**–**	**5,227.5**
Change in inventory	49.6	0.9	–	50.5
Material costs	(1,493.0)	8.9	–	(1,484.1)
Personnel expenses	(2,109.9)	–	–	(2,109.9)
Depreciation and amortization	(173.5)	–	–	(173.5)
Losses on trade and other receivables	(35.1)	–	(0.9)	(36.0)
Other operating expenses	(793.9)	–	–	(793.9)
Total operating expenses	**(4,555.8)**	**9.8**	**(0.9)**	**(4,546.9)**
Operating result	**692.1**	**(10.6)**	**(0.9)**	**680.6**
Other income and expenses (net)	(9.3)	–	–	(9.3)
Finance costs	(27.6)	–	–	(27.6)
Net income before income tax expense	**655.2**	**(10.6)**	**(0.9)**	**643.7**
Income tax expense	(125.6)	2.3	0.2	(123.1)
Net income	**529.6**	**(8.3)**	**(0.7)**	**520.6**
Attributable to:				
Equity holders of the parent	528.0	(8.0)	(0.7)	519.3
Non-controlling interests	1.6	(0.3)	–	1.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING DECEMBER 31, 2017

in CHF million	Reported	Adjustment IFRS 15	Adjustment IFRS 9	Restated
Net income	**529.6**	**(8.3)**	**(0.7)**	**520.6**
Net movement on cash flow hedges	(4.5)	–	–	(4.5)
Deferred tax on net movement on cash flow hedges	0.6	–	–	0.6
Foreign currency translation differences	55.5	(0.9)	(0.2)	54.4
Deferred tax on foreign currency translation differences	(0.5)	–	–	(0.5)
Items that may be subsequently reclassified to the income statement	**51.1**	**(0.9)**	**(0.2)**	**50.0**
Remeasurements on employee benefits	96.1	–	–	96.1
Deferred tax on remeasurements on employee benefits	(13.7)	–	–	(13.7)
Items that will never be reclassified to the income statement	**82.4**	**–**	**–**	**82.4**
Other comprehensive income (OCI)	**133.5**	**(0.9)**	**(0.2)**	**132.4**
Total comprehensive income	**663.1**	**(9.2)**	**(0.9)**	**653.0**
Attributable to:				
Equity holders of the parent	661.7	(9.1)	(0.9)	651.7
Non-controlling interests	1.4	(0.1)	–	1.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF million	Reported	Adjustment IFRS 15	Adjustment IFRS 9	Restated
Equity at January 1, 2017	**2,512.2**	**(45.8)**	**(3.4)**	**2,463.0**
Net income recognized in income statement	529.6	(8.3)	(0.7)	520.6
Cash flow hedges	(3.9)	–	–	(3.9)
Remeasurements on employee benefits	82.4	–	–	82.4
Foreign currency translation differences	55.0	(0.9)	(0.2)	53.9
Total comprehensive income	**663.1**	**(9.2)**	**(0.9)**	**653.0**
Dividend paid	(243.3)	–	–	(243.3)
Equity at December 31, 2017	**2,932.0**	**(55.0)**	**(4.3)**	**2,872.7**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDING DECEMBER 31, 2017

in CHF million	Reported	Adjustment IFRS 15	Adjustment IFRS 9	Restated
Net income	**529.6**	**(8.3)**	**(0.7)**	**520.6**
Depreciation and amortization	173.5	–	–	173.5
(Increase)/decrease in inventories	(49.6)	(0.9)	–	(50.5)
(Increase)/decrease in trade receivables	(60.1)	4.0	–	(56.1)
(Increase)/decrease in finance lease receivables	(144.1)	–	0.9	(143.2)
Increase/(decrease) in trade payables	65.6	–	–	65.6
Increase/(decrease) in contract liabilities	–	16.4	–	16.4
Change in other non-cash items and other net operating assets	95.8	(11.2)	(0.2)	84.4
Cash flow from operating activities	**610.7**	**–**	**–**	**610.7**
Cash flow from investing activities	**(413.1)**	**–**	**–**	**(413.1)**
Cash flow from financing activities	**(178.7)**	**–**	**–**	**(178.7)**
Exchange differences	7.5	–	–	7.5
Total increase/(decrease) in cash and cash equivalents	**26.4**	**–**	**–**	**26.4**
Cash and cash equivalents at January 1	1,113.8	–	–	1,113.8
Cash and cash equivalents at December 31	**1,140.2**	**–**	**–**	**1,140.2**

(2.3) Method of consolidation

Subsidiaries

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

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

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

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

Disposal of subsidiaries

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

Associates

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

Joint operations and joint ventures

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

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

The Group has a joint venture arising from the changes in the organizational structure of Hilti South Africa and as a joint venturer accounts for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

(2.4) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board (EB) that makes strategic decisions. With the Group's Multi-Channel-Service (MCS) approach, all products and services are relevant for all customers and the EB steers the business on Group level as one unit. In accordance with IFRS 8 Operating Segments the Group therefore operates in only one single operating segment. The single operating segment disclosure is accordingly set out in the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and the cash flow statement. Breakdown of the segment information in terms of products, services and geographical areas is provided in note (37).

(2.5) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Translation on consolidation

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

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

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

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

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

in CHF	Average rates		Closing rates	
	2018	2017	**2018**	2017
1 CAD	0.755	0.759	0.722	0.778
1 EUR	1.155	1.112	1.127	1.170
1 GBP	1.307	1.269	1.260	1.319
100 JPY	0.886	0.878	0.895	0.867
100 RUB	1.554	1.684	1.414	1.686
1 USD	0.978	0.984	0.984	0.976

(2.6) Intangible assets

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

Development costs are recognized as an asset only when the prerequisite criteria under IAS 38 Intangible Assets are met. In substance, these criteria include the condition that there will be probable future benefits that are directly attributable to the costs. In practice, only costs on certain product development projects that are subjected to a stringent review process, meet this condition. Such assets are normally amortized on a straight-line basis over a five-year period. All other development costs are recognized directly as an expense when incurred.

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

(2.7) Property, plant and equipment

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

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

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

(2.8) Financial assets

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

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

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

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if:

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

This category includes loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when, in the ordinary course of business, the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in 'trade and other receivables' (see note (2.10)).

Financial assets measured at fair value through profit or loss

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

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

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

Accounting policies applied to financial assets

The accounting policies applied to financial assets are as follows:

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

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

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

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

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

For trade receivables and contract assets that do not contain a significant financing component in accordance with IFRS 15, the Group elected to adopt the simplified approach, which allows entities to use a provision matrix to recognize lifetime ECL. The provision matrix is based on historical loss patterns, reflecting the customers' payment behavior in the different countries, adjusted for forward-looking estimates.

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

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

(2.9) Inventories

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

(2.10) Trade receivables

Trade receivables (see the financial assets measured at amortized cost category of financial assets in note (2.8) above) are recognized initially at their transaction price and subsequently measured at amortized cost using the effective interest method, less allowances for the expected credit losses.

(2.11) Cash and cash equivalents

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

(2.12) Borrowings

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

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

(2.13) Income taxes

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

Current income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes

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

(2.14) Employee benefits

Pension obligations

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

Long-service benefits

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

Variable compensation

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

(2.15) Provisions

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

(2.16) Trade and other payables

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

(2.17) Revenue recognition and contract liabilities

The Group manufactures and develops a range of products and services for the construction and energy sectors. Further detailed information concerning the revenue recognition and contract liabilities is given in note (2.2). Revenue from the sale of goods is recognized in the income statement at a point in time, when control of the products has transferred, typically when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Revenue from services rendered is recognized at a point in time, or over a period of time depending if the performance obligation is satisfied at a point in time or over a period of time. All revenues from sales of goods and services rendered are recognized at normal selling price less applicable trade discounts and rebates, individually determined in the markets.

Service warranty offered to customers is considered a separate performance obligation and recognized over a period of time. A portion of the transaction price is allocated to the service warranty and recognized as a contract liability. Revenue is recognized over the period in which the service warranty is provided based on the time elapsed.

Revenue from sales of goods with significant financing component relates to finance lease and is recognized, in accordance with IAS 17 Leases, in the period the lease commences while the applicable interest income is recognized on an actuarial basis over the lease term. Revenue from operating leases is recognized over the lease term.

(2.18) Dividend distributions

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

(2.19) Financial risk management

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

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

Market risk

Currency risk

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

Currency risk arising from future operating transactions (sales and purchases of goods and services) and recognized assets and liabilities is managed by Corporate Treasury using hedging instruments, primarily forward contracts. Corporate Treasury's general risk management practice is to hedge between 50% and 100% of the Group's anticipated net cash inflows or outflows in each major foreign currency for the subsequent 12 months. For hedge accounting purposes, forward contracts are designated against the relevant amounts of projected intercompany sales by the parent company and 100% (2017: 100%) of projected sales qualify as 'highly probable' forecast transactions.

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

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

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

in CHF million	Swiss franc strengthened (+10%)		Swiss franc weakened (–10%)	
	2018	2017	**2018**	2017
USD	(2.6)	(4.7)	2.6	4.7
EUR	(0.9)	0.3	0.9	(0.3)
All other currencies	(2.5)	(5.1)	2.5	5.1

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

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

in CHF million	Swiss franc strengthened (+10%)		Swiss franc weakened (–10%)	
	2018	2017	**2018**	2017
USD	2.2	1.5	(2.2)	(1.5)
EUR	–	–	–	–
All other currencies	7.8	6.2	(7.8)	(6.2)

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

Interest rate risk

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

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

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

in CHF million	Increase of hundred basis points		Decrease of hundred basis points	
	2018	2017	**2018**	2017
All currencies	6.9	8.1	(6.9)	(8.1)

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

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

in CHF million	Increase of hundred basis points		Decrease of hundred basis points	
	2018	2017	**2018**	2017
CHF	(5.5)	(5.8)	5.5	5.8

Credit risk

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

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

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

Liquidity risk

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

Surplus cash held by the operating companies over and above the balance required for working capital management is transferred to Corporate Treasury. Corporate Treasury deposits surplus cash in current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held liquid funds of CHF 1,030.9 million (2017: CHF 1,140.2 million).

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

in CHF million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2018				
Bonds and borrowings	190.6	19.2	118.4	204.3
Finance lease liabilities	0.1	0.9	0.7	–
Trade and other payables	478.9	4.0	23.3	8.0

in CHF million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2017				
Bonds and borrowings	234.0	59.0	17.6	304.3
Finance lease liabilities	0.1	0.8	0.5	–
Trade and other payables	479.0	8.1	26.5	4.7

Most of the non-trading Group's gross or net settled derivative financial instruments are in hedge relationships and are due to be settled gross or net within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of CHF 719.9 million (2017: CHF 714.8 million) and undiscounted contractual cash outflows of CHF 728.0 million (2017: CHF 728.1 million). All of the non-trading Group's derivative financial instruments are in hedge relationships and are disclosed in note (16).

NET DEBT RECONCILIATION

			Non-cash changes			
in CHF million	**January 1, 2018**	Cash flow	Change in scope of consolidation	Exchange differences	Other non-cash changes	**December 31, 2018**
Bonds	446.1	(111.6)	–	(1.4)	–	333.1
Long-term borrowings	30.9	–	–	(1.1)	(2.2)	27.6
Financial leasing liabilities	1.6	0.1	–	–	–	1.7
Other long-term loans	22.3	0.9	–	(1.3)	–	21.9
Short-term bank borrowings	117.7	43.8	0.3	(10.2)	2.3	153.9
Total liabilities from financing activities	**618.6**	**(66.8)**	**0.3**	**(14.0)**	**0.1**	**538.2**

			Non-cash changes			
in CHF million	**January 1, 2017**	Cash flow	Change in scope of consolidation	Exchange differences	Other non-cash changes	**December 31, 2017**
Bonds	359.5	83.8	–	3.0	(0.2)	446.1
Long-term borrowings	28.4	–	–	2.5	–	30.9
Financial leasing liabilities	1.2	0.2	0.1	–	0.1	1.6
Other long-term loans	4.5	1.3	–	(0.5)	17.0	22.3
Short-term bank borrowings	86.0	(20.8)	52.2	0.4	(0.1)	117.7
Total liabilities from financing activities	**479.6**	**64.5**	**52.3**	**5.4**	**16.8**	**618.6**

The notes are an integral part of these Group financial statements.

(2.20) Capital structure risk management

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

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

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

in CHF million	**2018**	2017*
Total equity	3,075.1	2,872.7
Total equity and liabilities	5,611.9	5,443.6
Total equity in % total equity and liabilities	**54.8%**	**52.8%**

* Restated, see note 2.2

Based on the Group's credit profile and outlook as assessed by the Credit Suisse Banking Group during 2018 on the basis of the Group's 2017 Financial Report a credit rating of 'High A stable' was assigned (2017: 'High A stable') (see Credit Suisse: Swiss Corporate Credit Handbook September 2018).

(2.21) Fair value estimation

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

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

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

in CHF million	Level 1	Level 2	Level 3	**Total**
At December 31, 2018				
Assets				
Financial assets at fair value through profit and loss	23.0	–	–	**23.0**
Derivatives used for hedging	–	11.9	–	**11.9**
Liabilities				
Derivatives used for hedging	–	3.0	–	**3.0**

in CHF million	Level 1	Level 2	Level 3	Total
At December 31, 2017				
Assets				
Financial assets at fair value through profit and loss	25.0	–	–	**25.0**
Derivatives used for hedging	–	11.3	–	**11.3**
Liabilities				
Derivatives used for hedging	–	7.7	–	**7.7**

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

(2.22) Accounting for derivative financial instruments and hedging activities

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

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

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

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

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

(3) Critical accounting estimates and judgments

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

(3.1) Trade receivables

Losses on trade receivables are recognized when they are expected, which requires management's best estimate of probable losses. Such estimates require consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including financial health of specific customers and market sectors or collateral values.
Detailed information concerning trade receivables is given in notes (2.8) and (14).

(3.2) Inventories

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

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

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

(3.4) Employee benefits

The status of various defined benefit plans depends on long-term actuarial assumptions that may differ from actual future developments. The calculation of the discount rate, future increases in salaries/wages and pensions, and mortality are important assumptions in actuarial valuations. Detailed information concerning the defined benefit plans is given in note (22).

(3.5) Income taxes

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

(3.6) Other critical accounting estimates and judgments

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

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

During 2018, the Group has not early adopted the requirements of the following IFRS standards, which at December 31, 2018, have been issued but are not effective for the 2018 Group financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

Standard/ Amendment to Standard	Effective date	Content	Importance for the Group
IFRS 16 Leases	January 1, 2019	IFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases for lessees has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay lease payments are recognized. Short-term and low-value leases may be exempted.	The Group intends to apply the simplified transition approach. Based on the assessment undertaken to date, upon adoption of the IFRS 16, the Group expects assets and liabilities to increase by approximately CHF 400 million.
IFRS 17 Insurance Contracts	January 1, 2021	IFRS 17 applies to all types of insurance contracts, as well as certain guarantees, regardless of the type of entities that issue them, and defines clear and consistent rules that will increase the comparability of financial statements of insurers. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows and the contractual service margin.	Based on the assessment undertaken, no impact is expected.
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	January 1, 2019	The interpretation clarifies the accounting for income taxes when tax treatments involve uncertainty. The interpretation particularly addresses: (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates; and (iv) how an entity considers changes in facts and circumstances.	Based on the assessment undertaken to date, no significant impact is expected but actual implications are currently further evaluated.
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	January 1, 2019	The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when such an event occurs during the annual reporting period, an entity is required to use updated assumptions to determine current service cost and net interest for the remainder of the period. The amendments also clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.	Based on the assessment undertaken to date, no impact is expected.

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

(5.1) Business combinations

On February 8, 2018, the Hilti Group has acquired the Austrian 'bst Brandschutztechnik Döpfl GmbH' (bst) as well as its sales organization in Germany effective January 31, 2018. With this, Hilti has expanded its offering of fire protection system solutions for the energy and industry sectors. Bst, headquartered near Vienna, Austria, employed 15 people in development, manufacturing and sales and since 2011 had supplied Hilti with sealing solutions for cable penetrations. This transaction had no material impact on the Groups financial statements.

With regards to prior-year business combinations, on August 23, 2017, Hilti AG acquired 100% of the share capital of Oglaend System Group, a leading manufacturer of cable management solutions and multidiscipline support systems headquartered in Kleppe, Norway with a headcount of 400 in 15 subsidiaries around the world. The acquisition further strengthens Hilti's position and differentiation in the offshore market. The acquired business contributed revenues of CHF 38.0 million and a net loss of CHF 4.6 million to the Group for the period from August 23, 2017 to December 31, 2017. This loss includes negative one-time effects mainly due to the market valuation of inventory for the opening balance sheet. If the acquisition had occurred on January 1, 2017, Group revenue would have increased by further CHF 107.4 million and net income would have been increased by CHF 6.9 million.

Details of net assets acquired are as follows:

in CHF million	2017
Purchase consideration	
Cash paid	154.5
Deferred payment of purchase price to sellers	19.0
Total purchase consideration	**173.5**

The instruments for hedging the foreign exchange risks were released on the closing and reflected in the acquisition price.

Acquisition-related costs (included in other operating expenses in the consolidated income statement for the year ended December 31, 2017)	4.9

The assets and liabilities as of August 23, 2017, arising from the acquisition are as follows:

in CHF million	2017
Fair value	
Cash and cash equivalents	27.5
Property, plant and equipment	7.5
Intangible assets	69.4
Inventories	34.9
Deferred tax assets	1.4
Trade and other receivables	22.6
Other assets	6.0
Bank loans	(52.2)
Trade and other payables	(18.4)
Other liabilities	(18.0)
Deferred tax liabilities	(15.7)
Fair value of net assets	**65.0**
Goodwill	**108.5**
Total purchase consideration	**173.5**
Purchase consideration settled in cash	(154.5)
Cash and cash equivalents in subsidiaries acquired	27.5
Cash outflow on acquisition	**(127.0)**

The goodwill is attributable to the assembled workforce, commercial synergies and access to the offshore market. It will not be deductible for tax purposes. The fair value of acquired trade and other receivables is CHF 22.6 million. The gross contractual amount for trade and other receivables due is CHF 23.8 million, of which CHF 1.2 million is expected to be uncollectible.

(5.2) Transactions with non-controlling interests

Effective from September 27, 2018, to strengthen the Broad-Based Black Economic Empowerment in South Africa, the organizational structure of Hilti South Africa has been changed, resulting in no material impact in the non-controlling interests recognized. The Hilti Group has established Hilti Africa Holding (Pty) Ltd ('HAH – HoldCo'), a wholly owned holding company, and Hilti SA Holding (Pty) Ltd ('HSH – BEECo'), which own respectively 75% and 25% of Hilti South Africa Pty Ltd (Hilti SA – OpCo), the existing operating company, previously wholly owned by Hilti AG. As HAH – HoldCo has a joint control over HSH – BEECo with the Hilti Empowerment Trust South Africa, which owns 51% of HSH – BEECo, this arrangement was classified as a joint venture. Further details on method and scope of consolidation are given in notes (2.3) and (44).

During 2017 there were no transactions with non-controlling interests.

(6) Financial assets and liabilities

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

in CHF million	2018	2017*
Financial assets		
Financial assets at fair value through profit or loss		
Held for trading	23.0	25.0
Mandatorily measured at fair value through profit or loss	12.2	11.5
Derivative financial instruments		
Used for hedging	7.3	7.3
Held for trading at fair value through profit or loss	4.6	4.0
Financial assets measured at amortized cost		
Trade and other receivables	1,927.7	1,794.1
Cash and cash equivalents	1,030.9	1,140.2
Total financial assets	**3,005.7**	**2,982.1**
Financial liabilities		
Derivative financial instruments		
Used for hedging	0.8	3.0
Held for trading at fair value through profit or loss	2.2	4.7
Financial liabilities measured at amortized costs		
Trade and other payables	515.9	519.7
Bonds	333.1	446.1
Bank borrowings	181.5	148.6
Total financial liabilities	**1,033.5**	**1,122.1**

* Restated, see note 2.2

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

(7) Intangible assets

in CHF million	Goodwill	Development costs	Other intangible assets	Total
Cost 2018				
Opening balance at January 1, 2018	**105.6**	**878.1**	**204.5**	**1,188.2**
Change in scope of consolidation	–	–	3.5	3.5
Additions	–	158.1	11.8	169.9
Disposals	–	(0.9)	(12.6)	(13.5)
Currency translation adjustment	(5.0)	–	(4.4)	(9.4)
Closing balance at December 31, 2018	**100.6**	**1,035.3**	**202.8**	**1,338.7**
Accumulated amortization 2018				
Opening balance at January 1, 2018	**–**	**(339.9)**	**(116.3)**	**(456.2)**
Additions	–	(73.8)	(14.3)	(88.1)
Impairment losses	–	(0.9)	–	(0.9)
Disposals	–	0.9	12.5	13.4
Currency translation adjustment	–	–	1.4	1.4
Closing balance at December 31, 2018	**–**	**(413.7)**	**(116.7)**	**(530.4)**
Net book values at December 31, 2018	**100.6**	**621.6**	**86.1**	**808.3**

in CHF million	Goodwill	Development costs	Other intangible assets	Total
Cost 2017				
Opening balance at January 1, 2017	**–**	**751.8**	**125.8**	**877.6**
Change in scope of consolidation	108.5	0.6	68.8	177.9
Additions	–	144.7	12.7	157.4
Disposals	–	(19.0)	(2.1)	(21.1)
Currency translation adjustment	(2.9)	–	(0.7)	(3.6)
Closing balance at December 31, 2017	**105.6**	**878.1**	**204.5**	**1,188.2**
Accumulated amortization 2017				
Opening balance at January 1, 2017	**–**	**(297.1)**	**(108.8)**	**(405.9)**
Change in scope of consolidation	–	–	–	–
Additions	–	(59.6)	(8.7)	(68.3)
Impairment losses	–	(0.3)	–	(0.3)
Disposals	–	17.1	2.1	19.2
Currency translation adjustment	–	–	(0.9)	(0.9)
Closing balance at December 31, 2017	**–**	**(339.9)**	**(116.3)**	**(456.2)**
Net book values at December 31, 2017	**105.6**	**538.2**	**88.2**	**732.0**

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

The goodwill of CHF 100.6 million (2017: CHF 105.6 million) arises from the acquisition of the Oglaend Group in 2017. In accordance with IAS 36, goodwill is tested annually for impairment or when indicators of impairment exist. Based on the assessment made in 2018, no impairment loss has been recognized in the Group's 2018 financial statements.

For impairment testing purposes, goodwill is solely allocated to the Group's offshore business as the cash-generating unit (CGU). To test for possible impairment of goodwill, the recoverable amount, calculated as discounted value of the estimated future cash flows of the CGU (its 'value in use'), is compared with its carrying amount. The future cash flows are estimated on the basis of the business plan approved by management in general covering a four-year forecast period – 2019 to 2022 – and a constant growth rate assumption of 2.0% for the terminal value beyond 2022. The value in use of the CGU is based on a post-tax discount rate of 9.6%.
The calculation of value in use is most sensitive to the below assumptions that were tested for sensitivity by applying a reasonably possible change.

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

Under all scenarios, reasonably possible changes in key assumptions did not result in an impairment of goodwill.

(8) Property, plant and equipment

in CHF million	Land and buildings	Plant and machinery	Other operating assets	Assets under con-struction	Total
Cost 2018					
Opening balance at January 1, 2018	**850.5**	**826.0**	**581.0**	**53.3**	**2,310.8**
Change in scope of consolidation	–	–	0.1	–	0.1
Additions	9.6	26.1	50.0	78.2	163.9
Disposals	(8.7)	(23.7)	(62.8)	–	(95.2)
Other transfers	14.2	15.3	25.9	(55.4)	–
Currency translation adjustment	(14.6)	(18.3)	(18.4)	(1.8)	(53.1)
Closing balance at December 31, 2018	**851.0**	**825.4**	**575.8**	**74.3**	**2,326.5**
Accumulated depreciation 2018					
Opening balance at January 1, 2018	**(356.2)**	**(668.9)**	**(419.4)**	**–**	**(1,444.5)**
Change in scope of consolidation	–	–	–	–	–
Additions	(22.4)	(38.8)	(52.2)	–	(113.4)
Disposals	8.3	22.9	60.8	–	92.0
Other transfers	0.1	–	(0.1)	–	–
Currency translation adjustment	6.9	13.9	12.6	–	33.4
Closing balance at December 31, 2018	**(363.3)**	**(670.9)**	**(398.3)**	**–**	**(1,432.5)**
Net book values at December 31, 2018	**487.7**	**154.5**	**177.5**	**74.3**	**894.0**

in CHF million	Land and buildings	Plant and machinery	Other operating assets	Assets under construction	Total
Cost 2017					
Opening balance at January 1, 2017	**820.4**	**795.7**	**539.4**	**30.4**	**2,185.9**
Change in scope of consolidation	–	4.8	2.4	0.3	7.5
Additions	12.7	26.0	53.7	39.2	131.6
Disposals	(17.6)	(41.2)	(40.0)	–	(98.8)
Other transfers	5.0	10.7	6.3	(18.6)	3.4
Currency translation adjustment	30.0	30.0	19.2	2.0	81.2
Closing balance at December 31, 2017	**850.5**	**826.0**	**581.0**	**53.3**	**2,310.8**
Accumulated depreciation 2017					
Opening balance at January 1, 2017	**(332.7)**	**(643.7)**	**(396.7)**	**–**	**(1,373.1)**
Additions	(22.0)	(38.1)	(44.8)	–	(104.9)
Disposals	12.4	40.2	37.7	–	90.3
Other transfers	–	(3.7)	0.3	–	(3.4)
Currency translation adjustment	(13.9)	(23.6)	(15.9)	–	(53.4)
Closing balance at December 31, 2017	**(356.2)**	**(668.9)**	**(419.4)**	**–**	**(1,444.5)**
Net book values at December 31, 2017	**494.3**	**157.1**	**161.6**	**53.3**	**866.3**

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

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

(9) Investment property

The Group has no material investment property.

(10) Investments in associates and joint ventures

The Group has not acquired new ownership interests in associates during the reporting period. For joint ventures refer to note (5.2).

(11) Deferred income taxes

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

in CHF million	2018	2017*
Recovery of deferred tax balances		
More than 1 year	(124.5)	(84.0)
Less than 1 year	137.3	146.2
Total	**12.8**	**62.2**
Components of deferred tax balances		
Inventories	53.4	54.4
Fixed and intangible assets	(3.6)	3.2
Provisions and employee benefits	72.3	64.5
Receivables	(182.8)	(140.7)
Tax losses	9.5	9.1
Trade payables and contract liabilities	37.4	44.5
Other	26.6	27.2
Total	**12.8**	**62.2**
of which recognized as deferred tax assets	128.8	154.1
of which recognized as deferred tax liabilities	(116.0)	(91.9)

* Restated, see note 2.2

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

in CHF million	Inventories	Fixed and intangible assets	Provisions and employee benefits	Receivables	Tax losses	Trade payables and contract liabilities	Other	Total
Net deferred income tax assets/(liabilities)								
Opening balance at January 1, 2018	**54.4**	**3.2**	**64.5**	**(140.7)**	**9.1**	**44.5**	**27.2**	**62.2**
Changes in scope of consolidation	–	(0.9)	–	–	0.2	–	–	(0.7)
(Charged)/credited to income statement	1.0	(3.2)	7.7	(48.5)	0.5	(5.7)	0.1	(48.1)
(Charged)/credited to OCI	–	–	1.0	–	–	–	–	1.0
Currency translation adjustment	(2.0)	(2.7)	(0.9)	6.4	(0.3)	(1.4)	(0.7)	(1.6)
Closing balance at December 31, 2018	**53.4**	**(3.6)**	**72.3**	**(182.8)**	**9.5**	**37.4**	**26.6**	**12.8**
Opening balance at January 1, 2017*	**57.0**	**16.6**	**78.7**	**(107.9)**	**12.8**	**38.0**	**31.1**	**126.3**
Changes in scope of consolidation	0.2	(15.7)	0.6	0.3	–	–	0.3	(14.3)
(Charged)/credited to income statement	(3.2)	(4.0)	(2.9)	(21.0)	(3.8)	4.5	(3.8)	(34.2)
(Charged)/credited to OCI	–	–	(13.7)	–	–	–	–	(13.7)
Currency translation adjustment	0.4	6.3	1.8	(12.1)	0.1	2.0	(0.4)	(1.9)
Closing balance at December 31, 2017*	**54.4**	**3.2**	**64.5**	**(140.7)**	**9.1**	**44.5**	**27.2**	**62.2**

* Restated, see note 2.2

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

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

in CHF million	2018	2017
Tax loss carryforwards recognized in deferred tax	52.2	46.9
Unused tax loss carryforwards	23.8	34.7
Total tax loss carryforwards	**76.0**	**81.6**
Expiration of unused tax loss carryforwards:		
Expiration < 1 year	3.8	4.5
Expiration > 1 year to < 5 years	1.6	3.3
Expiration > 5 years or no expiration date	18.4	26.9
Tax effect of unused tax loss carryforwards	8.3	10.4
Unremitted earnings subject to withholding tax or other taxes	205.0	113.0

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaling CHF 205.0 million (2017: CHF 113.0 million). Such amounts are permanently reinvested.

(12) Other financial investments

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

(13) Inventories

in CHF million	2018	2017*
Raw materials	66.5	55.6
Work in progress	10.1	8.8
Finished goods	602.0	573.2
Total inventories	**678.6**	**637.6**

* Restated, see note 2.2

The change in inventories includes a currency translation adjustment which decreases the inventories by CHF 16.4 million in 2018. This is due to the change in closing rates in 2018 compared to those in 2017.

The allowance made for possible inventory losses due to age and obsolescence totals CHF 54.7 million (2017: CHF 45.9 million). The change in the allowance recognized in the income statement is CHF -10.6 million (2017: CHF -5.5 million). This change is included in the line 'change in inventory'.

(14) Trade and other receivables

in CHF million	2018	2017*
Trade receivables	1,928.6	1,780.9
Less adjustment for impairment of trade receivables	(127.0)	(121.6)
Trade receivables net	**1,801.6**	**1,659.3**
Other receivables	126.1	134.8
Total trade and other receivables	**1,927.7**	**1,794.1**
Current portion	1,244.2	1,214.7
Non-current portion	683.5	579.4
Total trade and other receivables	**1,927.7**	**1,794.1**
Maturity of non-current portion		
1 to < 2 years	345.1	290.9
2 to < 3 years	220.1	175.8
3 to < 4 years	95.3	80.0
4 to < 5 years	15.7	19.4
>= 5 years	7.3	13.3
Total non-current trade and other receivables	**683.5**	**579.4**

* Restated, see note 2.2

The closing loss allowances for trade receivables and receivables with significant financing component as at December 31, 2018 reconcile to the opening loss allowances as follows:

in CHF million	2018	2017*
Opening balance of adjustment for the impairment of trade receivables at January 1	**121.6**	**105.8**
Additional impairment adjustment charged to income statement during year	34.0	39.0
Write-offs of trade receivables charged to impairment adjustment account during year	(28.6)	(23.2)
Closing balance of adjustment for the impairment of trade receivables at December 31	**127.0**	**121.6**

* Restated, see note 2.2

in CHF million	2018	2017*
Currency denominations of the carrying amounts of trade and other receivables		
EUR	942.9	866.1
USD	233.7	210.9
Other	751.1	717.1
Total trade and other receivables	**1,927.7**	**1,794.1**

* Restated, see note 2.2

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

in CHF million	2018			2017*		
	Normal	Doubtful	**Total**	Normal	Doubtful	**Total**
Gross carrying amount receivables without significant financing component	827.5	62.4	**889.9**	849.1	56.1	**905.2**
Gross carrying amount receivables with significant financing component	1,146.0	18.8	**1,164.8**	993.4	17.1	**1,010.5**
Loss allowance provisions	52.8	74.2	**127.0**	49.6	72.0	**121.6**

* Restated, see note 2.2

The change in trade and other receivables includes a currency translation adjustment which decreases the trade and other receivables by CHF 67.0 million in 2018 (2017: increased by CHF 68.9 million). This is due to the change in closing rates in 2018 compared to those in 2017.

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

Receivables totaling CHF 62.7 million (2017: CHF 179.9 million) serve as security for bank borrowings of CHF 62.7 million (2017: CHF 77.8 million) (see notes (24) and (28)).

Other receivables primarily consist of VAT and tax refunds receivables totaling CHF 41.4 million (2017: CHF 56.0 million), deposits totaling CHF 33.0 million (2017: CHF 24.9 million), advances totaling CHF 19.8 million (2017: CHF 17.6 million) and vendors with debit balances totaling CHF 13.8 million (2017: CHF 15.9 million).

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

in CHF million	2018			2017*		
	Gross investment in the lease	Unearned finance income	Net investment in the lease	Gross investment in the lease	Unearned finance income	Net investment in the lease
< 1 year	564.9	84.7	480.2	510.6	66.1	444.5
1 to < 5 years	756.4	72.0	684.4	619.4	54.9	564.5
>= 5 years	0.2	–	0.2	1.5	–	1.5
Total at December 31	**1,321.5**	**156.7**	**1,164.8**	**1,131.5**	**121.0**	**1,010.5**
Accumulated allowance for uncollectible finance lease receivables with significant financing component			(38.7)			(35.2)

* Restated, see note 2.2

(15) Accrued income and prepayments

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

(16) Derivative financial instruments

(16.1) Derivative contracts to hedge the foreign currency risks

The Group enters into derivative contracts to hedge the foreign currency risks arising from forecasted foreign currency sales and purchases transactions and foreign currency investment positions. The applicable derivative contracts are designated as cash flow, fair value and net investment hedges, respectively. The accounting treatment is described in the accounting policies, notes (2.21) and (2.22). Details of derivative contracts outstanding at the balance sheet date are as follows:

in CHF million	USD	EUR	Other	Total
2018				
Contract face amounts				
Foreign currency forward contracts	350.0	29.1	335.2	714.3
Contract values				
Foreign currency forward contracts	1.2	(0.1)	2.5	3.6
Recognition of contract values				
Contract values recognized in income statement during current and prior years	1.0	(0.1)	1.4	2.3
Contract values recognized in the cash flow hedging reserve in equity	0.2	–	1.1	1.3
Total	**1.2**	**(0.1)**	**2.5**	**3.6**
Movements of contract values recognized in the cash flow hedging reserve in equity				
Opening balance at January 1	**–**	**–**	**(1.7)**	**(1.7)**
Gains/(losses) on cash flow hedges taken to equity	0.2	–	1.1	1.3
(Gains)/losses on cash flow hedges reclassified from equity to income statement	–	–	1.7	1.7
Closing balance at December 31	0.2	–	1.1	1.3
Movements of contract values recognized in the net investment hedge (CTA)				
Opening balance at January 1	**(0.5)**	**–**	**–**	**(0.5)**
Gains/(losses) on net investment hedge taken to equity (CTA)	(3.6)	–	–	(3.6)
(Gains)/losses recycled from equity to income statement during year	4.1	–	–	4.1
Closing balance at December 31	**–**	**–**	**–**	**–**

in CHF million	USD	EUR	Other	Total
2017				
Contract face amounts				
Foreign currency forward contracts	374.8	1.9	348.9	725.6
Contract values				
Foreign currency forward contracts	1.7	(0.1)	(3.6)	(2.0)
Recognition of contract values				
Contract values recognized in income statement during current and prior years	0.9	(0.1)	(1.9)	(1.1)
Contract values recognized in the cash flow hedging reserve in equity	–	–	(1.7)	(1.7)
Contract values from net investment hedge recognized in foreign currency translation reserve	0.8	–	–	0.8
Total	**1.7**	**(0.1)**	**(3.6)**	**(2.0)**
Movements of contract values recognized in the cash flow hedging reserve in equity				
Opening balance at January 1	**(0.8)**	**–**	**2.2**	**1.4**
Gains/(losses) on cash flow hedges taken to equity	–	–	(1.7)	(1.7)
(Gains)/losses on cash flow hedges reclassified from equity to income statement	0.8	–	(2.2)	(1.4)
Closing balance at December 31	**–**	**–**	**(1.7)**	**(1.7)**
Movements of contract values recognized in the net investment hedge (CTA)				
Opening balance at January 1	**(1.5)**	**–**	**–**	**(1.5)**
Gains/(losses) on net investment hedge taken to equity (CTA)	1.0	–	–	1.0
Closing balance at December 31	**(0.5)**	**–**	**–**	**(0.5)**

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

All contracts have a maturity of less than 12 months.

(16.2) Derivative contracts to hedge interest rate risks

The Group enters into derivative contracts to hedge the interest rate risks arising from loans with variable interest rates. The applicable derivative contracts are designated as cash flow hedges. Gains and losses recognized in the cash flow hedging reserve in equity on interest rate swap contracts will be continuously released to the income statement until the repayment of the bank borrowings. The accounting treatment is described in the accounting policies, notes (2.21) and (2.22). Details of the contract outstanding at balance sheet date, all denominated in Swiss francs, are as follows:

in CHF million	Total
2018	
Outstanding interest rate swaps	
Contract face amounts	60.0
Recognition of contract values	
Contract values recognized in the cash flow hedging reserve in equity	5.3
Movements of contract values recognized in the cash flow hedging reserve in equity	
Opening balance at January 1	**5.6**
Gains/(losses) on cash flow hedges taken to equity	1.2
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(1.5)
Closing balance at December 31	**5.3**

in CHF million	Total
2017	
Outstanding interest rate swaps	
Contract face amounts	60.0
Recognition of contract values	
Contract values recognized in the cash flow hedging reserve in equity	5.6
Movements of contract values recognized in the cash flow hedging reserve in equity	
Opening balance at January 1	**7.0**
Gains/(losses) on cash flow hedges taken to equity	0.1
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(1.5)
Closing balance at December 31	**5.6**

The fixed interest rate is 1.9% (2017: 1.9%) and the floating rate is LIBOR.

(16.3) Reconciliations

in CHF million	Foreign currency risks	Interest rate risks	Total
2018			
Current assets	6.6	–	6.6
Non-current assets	–	5.3	5.3
Current liabilities	(3.0)	–	(3.0)
Non-current liabilities	–	–	–
Total net book value derivative financial instruments at December 31	**3.6**	**5.3**	**8.9**
Cash flow hedging reserve in equity	1.3	5.3	6.6
Gains/(losses) on cash flow hedges taken to equity	1.3	1.2	2.5
(Gains)/losses on cash flow hedges reclassified from equity to income statement	1.7	(1.5)	0.2

in CHF million	Foreign currency risks	Interest rate risks	Total
2017			
Current assets	5.7	–	5.7
Non-current assets	–	5.6	5.6
Current liabilities	(7.7)	–	(7.7)
Non-current liabilities	–	–	–
Total net book value derivative financial instruments at December 31	**(2.0)**	**5.6**	**3.6**
Cash flow hedging reserve in equity	(1.7)	5.6	3.9
Gains/(losses) on cash flow hedges taken to equity	(1.7)	0.1	(1.6)
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(1.4)	(1.5)	(2.9)

The cash flow hedging reserve in equity net of tax amounts to CHF 5.8 million (2017: CHF 3.4 million).

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

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

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

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

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

(18) Cash and cash equivalents

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

The Group has legal or economic restrictions on CHF 5.8 million (2017: CHF 7.4 million).

(19) Assets classified as held for sale

At the 2018 and 2017 balance sheet dates no assets are classified as held for sale.

(20) Equity

As per year ending 2018 the share capital consists of 253,440 registered shares with a par value of CHF 500 each (2017: the share capital consists of 176,000 registered shares with a par value of CHF 500 each and the participation capital consists of 774,400 participation certificates with a par value of CHF 50 each. The participation capital has no voting rights).

The extraordinary General Meeting held at March 6, 2018 resolved to convert the participation capital of Hilti Corporation into share capital. The 774,400 participation certificates with a par value of CHF 50 each are converted to 77,440 registered shares with a par value of CHF 500 each. The share capital now consists of 253,440 registered shares with a par value of CHF 500 each. The total capital has not changed and continues to amount to CHF 126.7 million. All the capital is fully paid in and is entitled to dividends.

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

A dividend in respect of the year ended December 31, 2018, of CHF 1,075 per share, amounting to a total of CHF 272.4 million (financial year 2017: CHF 263.6 million), is to be proposed at the Annual General Meeting. This future proposed dividend is not recognized in these financial statements.

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

in CHF million	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Non-controlling interests	Total
2018					
Gains/(losses) on cash flow hedges taken to equity	–	2.5	–	–	2.5
Deferred tax on gains/losses on cash flow hedges taken to equity	–	(0.3)	–	–	(0.3)
(Gains)/losses on cash flow hedges reclassified from equity to income statement	–	0.2	–	–	0.2
Deferred tax on gains/losses on cash flow hedges reclassified from equity to income statement	–	–	–	–	–
Foreign currency translation differences	(59.1)	–	–	(0.2)	(59.3)
Deferred tax on foreign currency translation differences	0.8	–	–	–	0.8
Items that may be subsequently reclassified to the income statement	**(58.3)**	**2.4**	**–**	**(0.2)**	**(56.1)**
Remeasurements on employee benefits	–	–	(25.3)	–	(25.3)
Deferred tax on remeasurements on employee benefits	–	–	1.0	–	1.0
Items that will never be reclassified to the income statement	**–**	**–**	**(24.3)**	**–**	**(24.3)**
Total other comprehensive income 2018	**(58.3)**	**2.4**	**(24.3)**	**(0.2)**	**(80.4)**

in CHF million	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Non-controlling interests	Total
2017*					
Gains/(losses) on cash flow hedges taken to equity	–	(1.6)	–	–	(1.6)
Deferred tax on gains/losses on cash flow hedges taken to equity	–	0.2	–	–	0.2
(Gains)/losses on cash flow hedges reclassified from equity to income statement	–	(2.9)	–	–	(2.9)
Deferred tax on gains/losses on cash flow hedges reclassified from equity to income statement	–	0.4	–	–	0.4
Foreign currency translation differences	54.4	–	–	–	54.4
Deferred tax on foreign currency translation differences	(0.5)	–	–	–	(0.5)
Items that may be subsequently reclassified to the income statement	**53.9**	**(3.9)**	**–**	**–**	**50.0**
Remeasurements on employee benefits	–	–	96.1	–	96.1
Deferred tax on remeasurements on employee benefits	–	–	(13.7)	–	(13.7)
Items that will never be reclassified to the income statement	**–**	**–**	**82.4**	**–**	**82.4**
Total other comprehensive income 2017*	**53.9**	**(3.9)**	**82.4**	**–**	**132.4**

* Restated, see note 2.2

(21) Provisions

in CHF million	2018	2017*
Opening balance at January 1	**25.2**	**31.9**
Change in scope of consolidation	–	0.7
Additions	13.5	11.2
Amounts used	(9.6)	(16.0)
Unused reversals	(5.8)	(3.0)
Currency translation adjustment	(0.3)	0.4
Closing balance at December 31	**23.0**	**25.2**

* Restated, see note 2.2

in CHF million	2018	2017*
Current portion of total provisions	9.4	8.7
Non-current portion of total provisions	13.6	16.5
Total provisions at December 31	**23.0**	**25.2**

* Restated, see note 2.2

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

(22) Employee benefits

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

Defined benefit plans

Swiss pension plan

The Group's largest defined benefit pension plan is located in Switzerland: It covers employees of the parent company as well as of the Swiss and other Liechtenstein-based Group companies (the 'Swiss pension plan'). The Swiss pension plan accounts for 79.2% (2017: 77.8%) of the Group's total defined benefit obligation and 87.9% (2017: 87.2%) of the Group's plan assets.

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

The Swiss pension plan contains a cash balance benefit formula and is therefore accounted for as a defined benefit plan. Employer and employee contributions are defined in the pension fund rules in terms of an age-related sliding scale of percentages of remuneration. Under Swiss law, the pension fund guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the Board of Trustees (i.e. 1.0% in 2018 and 2.0% in 2017). At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the remaining balance converted to a fixed annuity at the rates defined in the fund rules. The Board of Trustees may change the conversion rate at their discretion subject to the plan's funded status and the requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plan (BVG).

Other defined benefit plans

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

Other long-term employee benefits

Other long-term employee benefits comprise jubilee and other long-service benefits, a long-term incentive and other long-term employee benefits. The relevant period for the long-term incentive is 2016–2018 with payment to be made in 2019. Historically the level of outflows concerning other long-term employee benefits (excluding the long-term incentive) has been constant each year.

Short-term employee benefits

Short-term employee benefits such as short-term variable compensation are included in 'accrued liabilities and deferred income' (see note (27)).

Defined contribution plans

The employer's contribution totals CHF 39.2 million (2017: CHF 35.4 million).

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

in CHF million	2018			2017		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Switzerland						
Fair value of plan assets	870.0	–	870.0	871.5	–	871.5
Present value of defined benefit obligation	(1,153.5)	–	(1,153.5)	(1,111.8)	–	(1,111.8)
Net defined benefit (liability)/asset at December 31	**(283.5)**	**–**	**(283.5)**	**(240.3)**	**–**	**(240.3)**
Other plans						
Fair value of plan assets	119.4	–	119.4	128.0	–	128.0
Present value of defined benefit obligation	(241.0)	(61.4)	(302.4)	(260.2)	(57.3)	(317.5)
Net defined benefit (liability)/asset at December 31	**(121.6)**	**(61.4)**	**(183.0)**	**(132.2)**	**(57.3)**	**(189.5)**
Total						
Fair value of plan assets	989.4	–	989.4	999.5	–	999.5
Present value of defined benefit obligation	(1,394.5)	(61.4)	(1,455.9)	(1,372.0)	(57.3)	(1,429.3)
Net defined benefit (liability)/asset at December 31	**(405.1)**	**(61.4)**	**(466.5)**	**(372.5)**	**(57.3)**	**(429.8)**
Present value of other employee benefits	–	(161.9)	(161.9)	–	(129.8)	(129.8)
Total net book value employee benefits at December 31	**(405.1)**	**(223.3)**	**(628.4)**	**(372.5)**	**(187.1)**	**(559.6)**

in CHF million	2018	2017
Current portion of total net book value employee benefits	(105.6)	(8.7)
Non-current portion of total net book value employee benefits	(522.8)	(550.9)
Total net book value employee benefits	**(628.4)**	**(559.6)**

(22.2) Reconciliation of fair value of plan assets

in CHF million	2018			2017		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Opening balance at January 1	**871.5**	**128.0**	**999.5**	**819.6**	**115.5**	**935.1**
Interest income on plan assets	6.5	3.1	9.6	6.1	3.0	9.1
Return on plan assets excluding interest income	(13.6)	(3.9)	(17.5)	37.2	4.0	41.2
Contributions by employer	23.9	4.8	28.7	23.4	4.4	27.8
Contributions by plan participants	16.1	0.1	16.2	15.2	0.1	15.3
Benefits paid	(34.4)	(6.2)	(40.6)	(30.0)	(6.1)	(36.1)
Settlements	–	(1.2)	(1.2)	–	(0.3)	(0.3)
Currency translation adjustment	–	(5.3)	(5.3)	–	7.4	7.4
Closing balance at December 31	**870.0**	**119.4**	**989.4**	**871.5**	**128.0**	**999.5**

(22.3) Reconciliation of present value of defined benefit obligation

in CHF million	2018			2017		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Opening balance at January 1	**(1,111.8)**	**(317.5)**	**(1,429.3)**	**(1,142.4)**	**(294.8)**	**(1,437.2)**
Change in scope of consolidation	–	–	–	–	(1.2)	(1.2)
Current service cost	(27.5)	(9.3)	(36.8)	(28.5)	(8.1)	(36.6)
Interest expense on defined benefit obligation	(8.4)	(6.7)	(15.1)	(8.6)	(6.5)	(15.1)
Actuarial gains/(losses)	(20.6)	12.8	(7.8)	55.1	(0.2)	54.9
Contributions by plan participants	(16.1)	–	(16.1)	(15.2)	–	(15.2)
Benefits paid	34.4	8.9	43.3	30.0	10.3	40.3
Past service cost	(3.5)	(2.7)	(6.2)	(2.2)	1.1	(1.1)
Settlements	–	0.7	0.7	–	0.7	0.7
Currency translation adjustment	–	11.4	11.4	–	(18.8)	(18.8)
Closing balance at December 31	**(1,153.5)**	**(302.4)**	**(1,455.9)**	**(1,111.8)**	**(317.5)**	**(1,429.3)**

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

in CHF million	2018			2017		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Current service cost	(27.5)	(9.3)	(36.8)	(28.5)	(8.1)	(36.6)
Past service cost	(3.5)	(2.7)	(6.2)	(2.2)	1.1	(1.1)
Gains/(losses) on settlements	–	(0.5)	(0.5)	–	0.4	0.4
Total service cost	**(31.0)**	**(12.5)**	**(43.5)**	**(30.7)**	**(6.6)**	**(37.3)**
Interest income on plan assets	6.5	3.1	9.6	6.1	3.0	9.1
Interest expense on defined benefit obligation	(8.4)	(6.7)	(15.1)	(8.6)	(6.5)	(15.1)
Net interest income/(expense) on defined benefit plans	**(1.9)**	**(3.6)**	**(5.5)**	**(2.5)**	**(3.5)**	**(6.0)**
Total defined benefit costs recognized in the income statement	**(32.9)**	**(16.1)**	**(49.0)**	**(33.2)**	**(10.1)**	**(43.3)**

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

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

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

in CHF million	2018			2017		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Actuarial gains/(losses) arising from changes in demographic assumptions	–	(0.7)	(0.7)	–	0.2	0.2
Actuarial gains/(losses) arising from changes in financial assumptions	–	10.8	10.8	–	(3.8)	(3.8)
Actuarial gains/(losses) arising from experience adjustments	(20.6)	2.7	(17.9)	55.1	3.4	58.5
Total actuarial gains/(losses) on defined benefit obligation	**(20.6)**	**12.8**	**(7.8)**	**55.1**	**(0.2)**	**54.9**
Return on plan assets excluding interest income	(13.6)	(3.9)	(17.5)	37.2	4.0	41.2
Total remeasurements recorded in other comprehensive income	**(34.2)**	**8.9**	**(25.3)**	**92.3**	**3.8**	**96.1**

(22.6) Plan asset classes at December 31

in CHF million	2018				2017			
	Quoted market price	Non-quoted market price	Total	%	Quoted market price	Non-quoted market price	Total	%
Cash and cash equivalents	80.2	–	80.2	8.1%	82.3	–	82.3	8.2%
Equity instruments	265.7	–	265.7	26.9%	286.2	–	286.2	28.6%
Debt instruments (e.g. bonds)	194.4	–	194.4	19.6%	217.4	–	217.4	21.8%
Real estate	13.2	171.3	184.5	18.6%	11.5	158.1	169.6	17.0%
Investment funds	94.1	42.1	136.2	13.8%	98.9	44.2	143.1	14.3%
Others	–	128.4	128.4	13.0%	–	100.9	100.9	10.1%
Total plan assets at fair value	**647.6**	**341.8**	**989.4**	**100.0%**	**696.3**	**303.2**	**999.5**	**100.0%**

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

Cash and cash equivalents are primarily invested in money market funds and current accounts with financial institutions that mostly have at least an ‘A’ rating. The allocation to cash and cash equivalents of the Swiss pension plan is 9.1% (2017: 9.2%).

Equity instruments represent investments in equity funds and direct investments. They generally have quoted market prices in an active market. The allocation to equities of the Swiss pension plan is 28.4% (2017: 30.4%). The pension plans’ assets do not include any shares of Hilti Corporation.

Debt instruments (e.g. bonds) generally have a credit rating that is no lower than ‘BBB’, have quoted market prices in an active market and are primarily direct investments. The allocation to debt instruments of the Swiss pension plan is 22.3% (2017: 24.9%).

Real estate represents indirect and direct investments in residential and commercial properties. Indirect investments comprise listed and unlisted real estate funds, investment foundations and unlisted real estate fund of funds. Direct investments are primarily held in residential properties in Liechtenstein. Directly held real estate is periodically valued by an independent expert. The allocation to real estate of the Swiss pension plan is 21.2% (2017: 19.5%).

Investment funds represent investments with an insurance company and a mandate with a bank which invests in alternative asset classes (e.g. hedge funds and commodities). In case of investment funds, no quoted market prices in an active market are usually available. The allocation to investment funds of the Swiss pension plan is 4.2% (2017: 4.4%).

The position ‘others’ primarily includes private equity investments, mezzanine investments and insurance-linked securities, among others. Leveraging and short selling is prohibited. No quoted market prices in an active market are usually available. The allocation to ‘others’ of the Swiss pension plan is 14.8% (2017: 11.6%).

(22.7) Plan members at December 31

financial amounts in CHF million	2018				2017			
	Active	Deferred	Retired	Total	Active	Deferred	Retired	Total
Plan members	5,924	830	1,599	**8,353**	5,810	891	1,590	**8,291**
Defined benefit obligation	(715.0)	(122.4)	(618.5)	**(1,455.9)**	(674.7)	(125.7)	(628.9)	**(1,429.3)**
Share in %	49.1%	8.4%	42.5%	**100.0%**	47.2%	8.8%	44.0%	**100.0%**
Average weighted duration in years	20.0	22.8	12.7	**17.1**	20.6	22.7	13.1	**17.5**

The employer's best estimate of contributions expected to be paid to defined benefit plans for the financial year 2019 is CHF 24.7 million.

(22.8) Actuarial assumptions

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

in %	2018			2017		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Discount rate	0.75%	2.35%	**1.08%**	0.75%	2.16%	**1.06%**
Future salary increase	1.50%	1.39%	**1.48%**	1.50%	1.38%	**1.47%**
Future pension increase	0.00%	2.21%	**0.46%**	0.00%	2.22%	**0.49%**

Life expectancy is reflected in the defined benefit obligations by using mortality tables of the country in which the plan is located. The generational tables BVG/LPP 2015 (2017: BVG/LPP 2015) have been used for Switzerland.

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

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

- A 0.25% increase/decrease in the discount rate would lead to a decrease/increase of 4.32% in the defined benefit obligation.
- A 0.25% increase/decrease in expected future salaries would lead to an increase/decrease of 0.53% in the defined benefit obligation.
- A one-year increase/decrease in life expectancy would lead to an increase/decrease of 2.74% in the defined benefit obligation.

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

(23) Bonds

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

in CHF million	2018	2017
Maturity		
< 1 year	33.2	111.7
1 to < 2 years	–	34.5
2 to < 3 years	–	–
3 to < 4 years	–	–
4 to < 5 years	100.0	–
>= 5 years	199.9	299.9
Total bonds	**333.1**	**446.1**
Currency		
CHF	299.9	399.9
EUR	33.2	46.2
Total bonds	**333.1**	**446.1**
Further information		
Fair values	342.8	460.5
Average effective interest rates (in %)	1.0	1.0

The euro bonds (‘Schuldscheindarlehen’) are not tradable on any recognized stock exchange. The Group opted for an early redemption in 2018 of a nominal value of EUR 10.0 million.

The fair values of Swiss franc bonds totaling CHF 309.4 million (2017: CHF 412.8 million) are based on the quoted market prices and are within level 1 of the fair value hierarchy. The fair values of the euro bonds totaling CHF 33.4 million (2017: CHF 47.7 million) are based on the discounted cash flows using a market-based discount rate and within level 2 of the fair value hierarchy.

(24) Long-term bank borrowings

in CHF million	2018	2017
Maturity		
1 to < 2 years	16.7	20.8
2 to < 5 years	10.9	10.1
Total long-term bank borrowings	**27.6**	**30.9**

All of the total long-term bank borrowings are denominated in euro and secured by receivables in the same amount (see note (14)).

(25) Trade and other payables

in CHF million	2018	2017
Trade payables	300.1	309.8
Other payables	215.8	209.9
Total trade and other payables	**515.9**	**519.7**
Current portion	479.0	479.1
Non-current portion	36.9	40.6
Total trade and other payables	**515.9**	**519.7**
Maturity of non-current portion		
1 to < 2 years	4.9	8.9
2 to < 5 years	24.0	27.0
>= 5 years	8.0	4.7
Total non-current trade and other payables	**36.9**	**40.6**
Currency denominations of the carrying amounts of trade and other payables		
EUR	197.1	204.6
CHF	36.9	36.8
USD	66.7	65.1
Other	215.2	213.2
Total trade and other payables	**515.9**	**519.7**

The change in trade and other payables includes a currency translation adjustment which reduces trade and other payables by CHF 14.3 million in 2018. This is due to the change in closing rates in 2018 compared to those in 2017.

Other payables primarily consist of liabilities for personnel expenses totaling CHF 7.9 million (2017: CHF 7.8 million), liabilities for social contributions totaling CHF 28.7 million (2017: CHF 24.9 million), liabilities for source-deducted taxes and VAT totaling CHF 96.7 million (2017: CHF 99.0 million) and customers with credit balances totaling CHF 32.5 million (2017: CHF 30.7 million).

(26) Current income taxes payable and receivable

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

(27) Accrued liabilities and deferred income

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

(28) Short-term bank borrowings

in CHF million	2018	2017
Currency		
EUR	35.4	35.3
USD	31.1	14.6
RUB	27.7	28.9
SAR	17.1	–
JPY	12.1	4.3
Other	30.5	34.6
Total short-term bank borrowings	**153.9**	**117.7**

In 2018, CHF 35.1 million (2017: CHF 34.2 million) of the total short-term bank borrowings are secured by receivables in the same amount (see note (14)).

(29) Operating income

Categories of operating revenues are as follows:

in CHF million	2018	2017*
Net sales of goods	5,286.6	4,795.1
Net sales of services	372.7	317.5
Total net sales	**5,659.3**	**5,112.6**
Other operating revenues	134.9	114.9
Total operating revenues	**5,794.2**	**5,227.5**

* Restated, see note 2.2

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

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

The revenue recognized that was included in the contract liabilities balance at the beginning of the period totals CHF 109.6 million (2017: CHF 100.7 million, restated, see note (2.2)).

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

in CHF million	2018	2017
Opening balance at January 1	**179.9**	**156.5**
Additions	149.8	141.0
Amount released	(137.1)	(124.6)
Currency translation adjustment	(6.3)	7.0
Closing balance at December 31	**186.3**	**179.9**

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

in CHF million	2018	2017*
Revenue recognized at a point in time	5,522.2	4,988.0
Revenue recognized over a period of time	137.1	124.6
Total revenue recognized at December 31	**5,659.3**	**5,112.6**

* Restated, see note 2.2

(30) Material costs

in CHF million	2018	2017*
Materials	(1,630.6)	(1,466.1)
Outsourced manufacturing	(18.3)	(18.0)
Total material costs	**(1,648.9)**	**(1,484.1)**
Change in inventory	56.7	50.5
Total material costs including change in inventory	**(1,592.2)**	**(1,433.6)**

* Restated, see note 2.2

(31) Personnel expenses

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

in CHF million	2018	2017
Salaries and wages	(1,894.6)	(1,721.2)
Social contributions	(445.9)	(388.7)
Total personnel expenses	**(2,340.5)**	**(2,109.9)**

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

	2018	2017
Sales	22,446	21,010
Research and development	1,609	1,494
Production	3,564	3,271
Administration	1,385	1,106
Total employees (as at December 31)	**29,004**	**26,881**

(32) Depreciation and amortization

This position comprises depreciation, amortization and impairment losses on intangible assets as well as property, plant and equipment.

(33) Other operating expenses

Major items included in other operating expenses are the below:

in CHF million	2018	2017
Expenditures for rent	(194.2)	(172.4)
Travel	(167.9)	(145.0)
Outward freight	(137.4)	(123.3)
Maintenance & repairs	(100.9)	(90.7)
Legal & consulting	(87.1)	(72.7)
Marketing & communication	(63.5)	(61.5)
Other	(134.9)	(128.3)
Total other operating expenses	**(885.9)**	**(793.9)**

(34) Other income and expenses (net)

Other income and expenses (net) comprise:

in CHF million	2018	2017
Gains/(losses) on disposal of foreign operations and investments	(3.8)	–
Interest and dividend income	5.6	4.1
Gains/(losses) arising from valuation changes on financial assets and fair value hedging instruments	(0.3)	(0.2)
Gains/(losses) on foreign currency hedging instruments	(8.4)	(1.6)
Gains/(losses) on foreign currencies	(17.3)	(5.6)
Net interest income/(expense) on defined benefit plans	(5.5)	(6.0)
Total other income and expenses (net)	**(29.7)**	**(9.3)**

(35) Finance costs

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

(36) Income tax expense

in CHF million	2018	2017*
Current tax	(73.8)	(89.7)
Deferred tax	(47.4)	(33.4)
Total income tax expense	**(121.2)**	**(123.1)**

* Restated, see note 2.2

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

in CHF million	2018	2017*
Net income before income tax	**667.6**	**643.7**
Tax calculated at domestic tax rates applicable to profits in the respective countries	(114.2)	(106.6)
Income not subject to tax	3.9	4.1
Expenses not deductible for tax purposes	(8.4)	(9.5)
Utilization of previously unrecognized tax losses	1.5	11.3
Tax losses for which no deferred tax asset has been recognized	(0.5)	(0.2)
Tax attributable to prior years	2.3	8.7
Other effects	(5.8)	(30.9)
Income tax expense	**(121.2)**	**(123.1)**
Weighted average applicable tax rate	17.1%	16.6%

* Restated, see note 2.2

The line 'Other effects' includes the effects of changes in tax rates and expenses or incomes subject to different tax rates. In 2017, the effect of the change in tax rates in the Group's US companies resulted in a reduction of deferred tax assets of CHF 25.3 million.

(37) Segment information

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

(37.1) Net sales information about products and services

in CHF million		2018	2017*
Electric Tools & Accessories	Products	2,548.5	2,276.4
Electric Tools & Accessories	Services	328.7	277.4
Total Electric Tools & Accessories		**2,877.2**	**2,553.8**
Fastening & Protection Systems	Products	2,738.1	2,518.7
Fastening & Protection Systems	Services	44.0	40.1
Total Fastening & Protection Systems		**2,782.1**	**2,558.8**
Total Group		**5,659.3**	**5,112.6**

* Restated, see note 2.2

(37.2) Net sales information about geographical areas

in CHF million	2018	2017*	Change in CHF (%)	Change in local currencies (%)
Europe excl. Eastern Europe	2,808.5	2,459.8	14.2	10.6
North America	1,331.3	1,213.2	9.7	10.4
Latin America	129.3	128.1	0.9	8.6
Asia/Pacific	741.1	696.6	6.4	7.0
Eastern Europe/Middle East/Africa	649.1	614.9	5.6	9.3
Total Group	**5,659.3**	**5,112.6**	**10.7**	**9.8**

* Restated, see note 2.2

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

(37.3) Net sales information for major countries

in CHF million	2018	2017*
USA	1,124.6	1,024.5
Germany	794.1	688.9
France	453.3	400.8
Liechtenstein (country of domicile)	81.9	72.9
Other countries	3,205.4	2,925.5
Total Group	**5,659.3**	**5,112.6**

* Restated, see note 2.2

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

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

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

in CHF million	2018	2017
Liechtenstein (country of domicile)	997.7	910.7
Germany	199.8	185.7
Norway	157.5	174.1
Austria	78.0	80.1
Other countries	271.2	249.6
Total Group	**1,704.2**	**1,600.2**

* Excluding non-current financial assets and deferred taxes

(38) Contingent liabilities

in CHF million	2018	2017
Guarantees	6.9	7.0
Other contingent liabilities	1.8	2.0
Total contingent liabilities	**8.7**	**9.0**

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

(39) Other commitments

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

in CHF million	2018	2017
< 1 year	137.2	118.2
1 to < 5 years	275.5	218.1
>= 5 years	85.4	65.2
Total at December 31	**498.1**	**401.5**

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

in CHF million	2018	2017
Intangible assets	0.2	5.8
Property, plant and equipment	11.5	15.8
Total at December 31	**11.7**	**21.6**

(40) Financial assets pledged as collateral

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

(41) Research and development expenditure

Expenditure on research and development in the reporting period amounted to CHF 355.3 million (2017: CHF 310.6 million), thereof CHF 158.1 million (2017: CHF 144.7 million) were recognized as intangible assets (see development costs in note (7)).

(42) Related party disclosures

(42.1) Key management personnel compensation

Details of compensation of key management personnel are as follows:

financial amounts in CHF million	**2018**		2017	
	Number of members	Remuneration	Number of members	Remuneration
Board of Directors	7	3.1	7	3.4
Corporate Management (Executive Board and Executive Management Team)	28	47.6	27	54.8
Total	**35**	**50.7**	**34**	**58.2**
Salaries and other short-term employee benefits		33.6		38.0
Post-employment benefits		3.9		3.9
Other employee benefits, mainly related to long-term incentive		13.2		16.3
Total employee benefits to key management		**50.7**		**58.2**

Employee benefits to key management include both fixed and variable components. The variable components are performance-linked and include a long-term incentive which is payable only if certain predetermined specific financial targets linked to the sustainable development and growth of the Group's business are achieved. In accordance with IAS 19 Employee Benefits, the 2018 portion of the estimated ultimate amount payable has been recognized as an obligation at December 31, 2018, under the heading of other employee benefits (see note (22)).

(42.2) Ownership of parent

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

(42.3) Other transactions and balances with the shareholder

The Hilti Corporation rendered accounting, administration, rental and other support services to the Martin Hilti Family Trust. The amount invoiced was CHF 1.1 million (2017: CHF 1.1 million). These services were charged at cost. Additionally, the Hilti Corporation has a current liability to the Martin Hilti Family Trust of CHF 0.6 million (2017: CHF 0.4 million).

(43) Events after the reporting period

There were no significant transactions after the reporting period.

(44) Group companies and joint arrangements

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

Parent company

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

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

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

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

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

Less than 100% owned consolidated Group companies (subsidiaries)

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

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

Joint operations

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

Joint venture

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

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Hilti Aktiengesellschaft and its subsidiaries (the Group), which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes, including a summary of significant accounting policies (pages 10 to 74), and the consolidated management report (pages 6 to 7) for the year ended 31 December 2018.

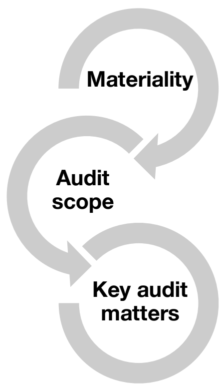
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Liechtenstein law.

Basis for opinion

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

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

Our audit approach



- Overall Group materiality: CHF 33 million
- We concluded full scope audit work at 20 reporting units in 19 countries.
- Our audit scope addressed over 78% of the Group's revenue and 75% of the Group's total assets.
- In addition, specified procedures were performed on a further 3 reporting units in 3 countries, representing a further 3% of the Group's revenue and 4% of the Group's total assets.
- Further, we performed additional procedures to address any residual risk at other locations as deemed appropriate.

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

- Capitalization of internal development costs

Materiality

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

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

Overall Group materiality	CHF 33 million
How we determined it	5% of profit before tax

Rationale for the materiality benchmark applied	We chose profit before tax because, this is the most commonly used performance measure for the industry in which the Group operates and it is a generally accepted benchmark.

Audit scope

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

The Group consolidated financial statements are a consolidation of over 100 reporting units, comprising the Group's operating businesses and market organisations, production plants, research and development centres, and centralised functions.
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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

The Group's reporting units vary significantly in size. We identified 20 reporting units where we require an audit of their complete financial information. These accounted for 78% of the Group's total revenue and 75% of the Group's total assets. Specific audit procedures on certain balances and transactions were performed at a further 3 reporting units, representing a further 3% of the Group's total revenue and 4% of the Group's total assets.

Key audit matters

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

Capitalization of internal development costs

Key audit matter	How our audit addressed the key audit matter
As set out in note 7, CHF 158.1 million of internal development costs have been capitalized under 'Intangible assets' in 2018. We focussed on this area due to the high amount of capitalized internal development costs (CHF 621.6 million as of 31 December 2018) and because significant judgement is involved in assessing whether costs are research or development in nature and whether the criteria set out in the accounting standards (as per IAS38) for the capitalization of such costs have been met, particularly: • Generation of probable future economic benefit; • Reliable measure of the attributable expenditure; and • Technical feasibility of the project.	We assessed and tested the design and operating effectiveness of the key controls relating to the capitalization process, particularly those that: • Address whether costs are research or development in nature. • Address the risks relating to the 'probable future economic benefit' and 'technical feasibility'. • Ensure the correct, timely and complete capitalization of the internal employee costs and any other project-related costs. • We held interviews with the business unit controllers and project managers, in particular to: • Gain an understanding of their development projects and why specific projects were considered to meet the requirements of the relevant accounting standards. • Discuss specific project topics and risks and critically assess the responses. Our work also included substantive audit procedures (e.g. reading the project documentation, evaluating the project's key assumptions, testing a sample of standard hourly rates). Overall, we could confirm that the capitalized costs meet the capitalization criteria set out in the accounting standards and we identified no significant findings in relation to this matter

Other information in the annual report

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

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

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

René Rausenberger

Gianluca Galasso

Auditors in charge

St. Gallen, March 13, 2019


HILTI
EPAL

FINANCIAL STATEMENTS HILTI CORPORATION

(INCLUDING BRANCHES)

BALANCE SHEET

in CHF million	Note		31.12.2018	31.12.2017
ASSETS				
Intangible assets	4		25.8	25.0
Property, plant and equipment	5		383.1	401.5
Financial investments	6		1,908.9	1,852.7
Total non-current assets			**2,317.8**	**2,279.2**
Inventories	7		174.2	126.2
Trade and other receivables	8		745.5	833.6
Accrued income and prepayments			42.6	30.8
Cash and cash equivalents			488.5	466.2
Total current assets			**1,450.8**	**1,456.8**
TOTAL ASSETS			**3,768.6**	**3,736.0**
EQUITY AND LIABILITIES				
Share capital			126.7	88.0
Participation capital			–	38.7
Legal reserves			108.4	108.4
Foreign currency translation reserve			(14.8)	(12.5)
Retained earnings brought forward			2,076.6	1,947.5
Net income			380.8	392.7
Total equity	9		**2,677.7**	**2,562.8**
Provisions	10		85.7	74.9
Borrowings, payables and other liabilities	11		909.9	990.2
Accrued liabilities and deferred income			95.3	108.1
Total liabilities			**1,090.9**	**1,173.2**
TOTAL EQUITY AND LIABILITIES			**3,768.6**	**3,736.0**

INCOME STATEMENT

in CHF million	Note		2018	2017
Net sales			2,984.4	2,731.2
Change in inventory of finished goods and work in progress			–	0.2
Capitalized own production			0.9	1.6
Other operating revenues			11.4	14.4
Total operating revenues			**2,996.7**	**2,747.4**
Material costs	12		(1,500.5)	(1,355.3)
Personnel expenses	13		(341.4)	(320.2)
Depreciation and amortization	14		(54.8)	(69.8)
Other operating expenses			(826.5)	(679.3)
Total operating expenses			**(2,723.2)**	**(2,424.6)**
Operating result			**273.5**	**322.8**
Financial revenues	15		173.0	142.0
Financial expenses	16		(32.4)	(36.5)
Financial result			**140.6**	**105.5**
Net income before income tax expense			**414.1**	**428.3**
Tax expense			(33.3)	(35.6)
Net income			**380.8**	**392.7**

(1) General information

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

(2) Accounting policies

(2.1) Overview

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

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

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

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

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

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

(2.3) Changes in accounting policies

There have been no material changes in accounting policies in the 2018 financial statements of Hilti Corporation from those adopted in 2017.

(3) Exchange rates

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

(4) Intangible assets

in CHF million	Rights	Other intangible assets	Prepayments or assets under development	Total
Cost 2018				
Opening balance at January 1, 2018	**12.5**	**97.4**	**–**	**109.9**
Currency translation adjustment	–	–	–	–
Additions	0.1	10.4	–	10.5
Disposals	(8.4)	(3.4)	–	(11.8)
Closing balance at December 31, 2018	**4.2**	**104.4**	**–**	**108.6**
Accumulated amortization 2018				
Opening balance at January 1, 2018	**(11.5)**	**(73.4)**	**–**	**(84.9)**
Currency translation adjustment	–	–	–	–
Additions	(0.2)	(8.5)	–	(8.7)
Disposals	7.8	3.0	–	10.8
Closing balance at December 31, 2018	**(3.9)**	**(78.9)**	**–**	**(82.8)**
Net book values at December 31, 2018	**0.3**	**25.5**	**–**	**25.8**
Net book values at December 31, 2017	1.0	24.0	–	25.0

(5) Property, plant and equipment

in CHF million	Land and buildings	Plant and machinery	Other operating equipment	Prepayments or assets under construction	Total
Cost 2018					
Opening balance at January 1, 2018	**467.8**	**465.7**	**146.0**	**30.0**	**1,109.5**
Currency translation adjustment	(2.2)	(3.5)	(0.7)	(0.2)	(6.6)
Additions	2.9	13.2	4.9	14.9	35.9
Disposals	(8.0)	(20.6)	(38.9)	(2.0)	(69.5)
Transfers	12.8	3.2	–	(16.0)	–
Closing balance at December 31, 2018	**473.3**	**458.0**	**111.3**	**26.7**	**1,069.3**
Accumulated depreciation 2018					
Opening balance at January 1, 2018	**(159.5)**	**(427.7)**	**(120.8)**	**–**	**(708.0)**
Currency translation adjustment	1.2	2.7	0.7	–	4.6
Additions	(21.6)	(16.7)	(7.8)	–	(46.1)
Disposals	5.6	20.3	37.4	–	63.3
Transfers	–	–	–	–	–
Closing balance at December 31, 2018	**(174.3)**	**(421.4)**	**(90.5)**	**–**	**(686.2)**
Net book values at December 31, 2018	**299.0**	**36.6**	**20.8**	**26.7**	**383.1**
Net book values at December 31, 2017	308.3	38.0	25.2	30.0	401.5

(6) Financial investments

in CHF million	Share-holdings	Loans to Group companies	Other financial investments	Total
Cost 2018				
Opening balance at January 1, 2018	**1,852.5**	**32.8**	**20.9**	**1,906.2**
Currency translation adjustment	–	–	–	–
Additions	59.7	–	–	59.7
Disposals	(0.1)	(6.3)	(2.3)	(8.7)
Closing balance at December 31, 2018	**1,912.1**	**26.5**	**18.6**	**1,957.2**
Accumulated valuation allowance 2018				
Opening balance at January 1, 2018	**(53.5)**	**–**	**–**	**(53.5)**
Currency translation adjustment	–	–	–	–
Additions	–	–	–	–
Disposals	5.2	–	–	5.2
Closing balance at December 31, 2018	**(48.3)**	**–**	**–**	**(48.3)**
Net book values at December 31, 2018	**1,863.8**	**26.5**	**18.6**	**1,908.9**
Net book values at December 31, 2017	1,799.0	32.8	20.9	1,852.7

A list of Group companies, directly or indirectly held by Hilti Corporation, is included in note (44) of this Financial Report. Pursuant to Article 1094 (3) of the PGR, some details relating to investments in Group companies have not been disclosed in this list.

(7) Inventories

in CHF million	2018	2017
Raw materials	20.4	19.1
Consumables	8.9	8.5
Production in progress	6.1	6.1
Finished products and goods held for resale	138.8	92.5
Total inventories	**174.2**	**126.2**

The increase in total inventories includes an increase in the provision for inventories of CHF 23.9 million (2017: CHF 6.8 million), which is optional under PGR and tax rules. The total amount for this provision amounts to CHF 86.2 million (2017: CHF 62.3 million).

(8) Trade and other receivables

in CHF million	2018 Short-term	2018 Long-term	2018 Total	2017 Short-term	2017 Long-term	2017 Total
Trade accounts receivables from third parties	25.2	–	25.2	28.4	–	28.4
Trade accounts receivables from Group companies	655.1	–	655.1	717.7	–	717.7
Total trade accounts receivables	**680.3**	**–**	**680.3**	**746.1**	**–**	**746.1**
Other accounts receivables from third parties	20.6	–	20.6	26.8	–	26.8
Other accounts receivables from Group companies	44.6	–	44.6	60.7	–	60.7
Total other accounts receivables	**65.2**	**–**	**65.2**	**87.5**	**–**	**87.5**
Total trade and other receivables	**745.5**	**–**	**745.5**	**833.6**	**–**	**833.6**

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

(9) Equity

in CHF million	Share and PC capital	Legal reserves	Foreign currency translation reserve	Retained earnings	Total equity
Equity at January 1, 2018	**126.7**	**108.4**	**(12.5)**	**2,340.2**	**2,562.8**
Dividend paid	–	–	–	(263.6)	(263.6)
Foreign currency translation differences	–	–	(2.3)	–	(2.3)
Net income	–	–	–	380.8	380.8
Equity at December 31, 2018	**126.7**	**108.4**	**(14.8)**	**2,457.4**	**2,677.7**

As per year ending 2018 the share capital consists of 253,440 registered shares with a par value of CHF 500 each (2017: the share capital consists of 176,000 registered shares with a par value of CHF 500 each and the participation capital consists of 774,400 participation certificates with a par value of CHF 50 each. The participation capital has no voting rights.).

The extraordinary General Meeting held at March 6, 2018 resolved to convert the participation capital of Hilti Corporation into share capital. The 774,400 participation certificates with a par value of CHF 50 each are converted to 77,440 registered shares with a par value of CHF 500 each. The share capital now consists of 253,440 registered shares with a par value of CHF 500 each. The total capital has not changed and continues to amount to CHF 126.7 million. All the capital is fully paid in and is entitled to dividends.

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

(10) Provisions

in CHF million	2018	2017
Provision for employee benefits	45.1	33.8
Tax obligations	30.5	35.8
Other provisions	10.1	5.3
Total provisions	**85.7**	**74.9**

Other provisions relate mainly to product liability.

(11) Borrowings, payables and other liabilities

in CHF million	2018			2017		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Euro bonds 2012/2015-2019	33.2	–	33.2	11.7	34.5	46.2
0.875% bond 2013/2018	–	–	–	100.0	–	100.0
1.875% bond 2013/2023	–	100.0	100.0	–	100.0	100.0
0.200% bond 2017/2024	–	100.0	100.0	–	100.0	100.0
0.400% bond 2017/2027	–	99.9	99.9	–	99.9	99.9
Total bonds	**33.2**	**299.9**	**333.1**	**111.7**	**334.4**	**446.1**
Bank borrowings	–	–	–	–	–	–
Trade accounts payables third parties	158.0	–	158.0	175.8	–	175.8
Trade accounts payables Group companies	140.5	–	140.5	118.1	–	118.1
Total trade accounts payables	**298.5**	**–**	**298.5**	**293.9**	**–**	**293.9**
Other liabilities owing to third parties	35.8	23.9	59.7	10.8	25.5	36.3
Other liabilities owing to Group companies	218.6	–	218.6	68.2	145.7	213.9
Total other liabilities	**254.4**	**23.9**	**278.3**	**79.0**	**171.2**	**250.2**
Total borrowings, payables and other liabilities	**586.1**	**323.8**	**909.9**	**484.6**	**505.6**	**990.2**

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

(12) Material costs

in CHF million	2018	2017
Raw materials, consumables and bought-in goods for resale	(1,486.3)	(1,340.9)
Outsourced manufacturing	(14.2)	(14.4)
Total material costs	**(1,500.5)**	**(1,355.3)**

(13) Personnel expenses

in CHF million	2018	2017
Wages and salaries	(285.0)	(268.3)
Pension contributions	(39.8)	(36.5)
Other social contributions	(16.6)	(15.4)
Total personnel expenses	**(341.4)**	**(320.2)**

(14) Depreciation and amortization

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

(15) Financial revenues

in CHF million	2018	2017
Recovery of depreciation on financial assets	**5.2**	**–**
Financial investment revenues from third parties	1.7	2.1
Financial investment revenues from Group companies	166.1	139.9
Total revenues from financial investments	**167.8**	**142.0**
Revenues from cash and marketable securities invested with third parties	–	–
Revenues from cash and marketable securities invested with Group companies	–	–
Total revenues from cash and marketable securities	**–**	**–**
Total financial revenues	**173.0**	**142.0**

(16) Financial expenses

in CHF million	2018	2017
Depreciation on financial assets	**–**	**(4.5)**
Interest and similar expenses incurred to third parties	(5.4)	(17.9)
Interest and similar expenses incurred to group companies	(3.2)	(3.6)
Total interest and similar expenses	**(8.6)**	**(21.5)**
Operating currency and hedge gains/(losses)	**(23.8)**	**(10.5)**
Total financial expenses	**(32.4)**	**(36.5)**

(17) Tax expense

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

(18) Derivative financial instruments

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

in CHF million	2018	2017
Contract face amounts		
Foreign currency forward contracts	711.0	714.7
Interest rate swaps	60.0	60.0
Total contract face amounts	**771.0**	**774.7**
Contract values		
Foreign currency forward contracts	3.7	(1.7)
Interest rate swaps	5.3	5.6
Total contract values	**9.0**	**3.9**
Reporting of contract values		
Contract values recognized (on-balance sheet)	9.0	3.9
Contract values unrecognized (off-balance sheet)	–	–
Total contract values	**9.0**	**3.9**

(19) Segment information

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

(20) Contingent liabilities

in CHF million	2018	2017
Guarantees third parties	–	–
Guarantees Group companies	131.8	134.4
Total contingent liabilities	**131.8**	**134.4**

(21) Commitments

Payment commitments arising from operating lease contracts are as follows:

in CHF million	2018	2017
Expiring within 1 year	0.6	0.5
Expiring between 1 and 5 years	0.9	0.6
Total commitments	**1.5**	**1.1**

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

For details of the remuneration of the Board of Directors and the Corporate Management, see note (42) of the Group's consolidated financial statements.

(23) Other transactions and balances with the shareholder

For details about other transactions and balances with the shareholder see note (42.3) within the notes to the consolidated financial statements.

(24) Number of employees

The breakdown of employees by nationality is as follows:

Country	2018	%	2017	%
Austria	868	40%	831	40%
Germany	414	19%	408	20%
Liechtenstein	153	7%	159	8%
Switzerland	229	11%	225	11%
Other countries	513	23%	452	21%
Total employees	**2,177**	**100%**	**2,075**	**100%**

(25) Management report

Pursuant to Article 1121 (3) of the PGR, the management report of Hilti Corporation has been combined with the consolidated management report. The consolidated management report is on pages 6 and 7 of this Financial Report.

(26) Appropriation of retained earnings

in CHF million	2018	2017
Profit brought forward	2,076.6	1,947.5
Net income	380.8	392.7
At the disposal of the General Meeting	**2,457.4**	**2,340.2**
Proposal by the Board of Directors		
Dividend of CHF 1075 (2017: CHF 1040) per share	272.4	263.6
Appropriation to other reserves	–	–
Balance carried forward	2,185.0	2,076.6
Total	**2,457.4**	**2,340.2**

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

Report on the audit of the financial statements

Opinion

We have audited the accounting records and financial statements of Hilti Aktiengesellschaft, which comprise the balance sheet, the income statement and notes (pages 81 to 91), and the management report (pages 6 to 7) for the year ended 31 December 2018.

In our opinion, the financial statements give a true and fair view of the financial position as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Liechtenstein law. Furthermore, the accounting records and financial statements and the management report comply with Liechtenstein law and the company's articles of incorporation.

Basis for opinion

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

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

Materiality

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

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

Overall materiality	CHF 20.5 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax because, this is the most commonly used performance measure for the company and it is a generally accepted benchmark.

Audit scope

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

Report on key audit matters

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

Responsibilities of the Board of Directors for the financial statements

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

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

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

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

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

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

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

The management report is in accordance with the financial statements.

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

PricewaterhouseCoopers AG

René Rausenberger Gianluca Galasso

Auditors in charge

St. Gallen, March 13, 2019


HILTI
TE 500-AVR
103dB

CORPORATE GOVERNANCE

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

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

Allocation of responsibilities and duties of the Board of Directors

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

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

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its supervisory responsibilities with respect to the accounting and financial reporting practices of Hilti Corporation and its subsidiaries, compliance with legal and regulatory requirements, the internal and external audit processes as well as with its oversight of the risk management. The overall responsibility for the tasks delegated to the Audit Committee remains with the Board of Directors. In 2018, the Audit Committee consisted of Dr. Michael Jacobi (Chairman of the Audit Committee) and Dr. Daniel Daeniker, who were appointed by the Board of Directors for a term of one year.

Internal audit

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

Risk management

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

Shareholders' rights

Details of share capital are given in the Group financial statements (see note (20)). In principle, resolutions of the General Meeting are passed by absolute majority of the voting shares represented. A majority of at least three quarters of the voting shares represented at the General Meeting is required for: an amendment to the Articles of Association, an increase in the share capital, the buyback of shares, the restriction or cancelation of the subscription right, mergers with other companies, transformation of the company into another legal form or the dissolution of the company.

Auditors

The examinations of the Group financial statements and the financial statements of Hilti Corporation are conducted by PricewaterhouseCoopers AG, St. Gallen (leading auditor). The company was reappointed in April 2018 for the 2018 year. The auditor-in-charge has been responsible for the mandate from 2012 following a partner rotation after the 2011 year. In respect of the 2018 year, audit fees of PricewaterhouseCoopers amount to CHF 1.9 million whereas the non-audit fees amount to CHF 0.1 million. Total audit fees of the Group, including audits not performed by PricewaterhouseCoopers, amount to CHF 2.4 million.

INVESTOR INFORMATION

Contact information

Investor relations

Felix Hess
Executive Vice-President
Finance & Controlling

Hilti Corporation
Feldkircherstrasse 100
9494 Schaan
Liechtenstein

Phone +423 234 4932
E-mail: felix.hess@hilti.com
www.hilti.group

Media relations

Matthias Hassler
Spokesperson

Hilti Corporation
Feldkircherstrasse 100
9494 Schaan
Liechtenstein

Phone +423 234 4949
E-mail: matthias.hassler@hilti.com
www.hilti.group

Key dates

Interim financial information January to April 2019	May 15, 2019
Interim financial information January to August 2019	September 20, 2019
Publication of the 2019 Financial Report	March 13, 2020
Annual results media conference	March 13, 2020