

OUR YEAR 2016

WE ARE FUTURE



RECORD YEAR 2016

CHF 5,747.7 MN NET SALES (+4.7%)
CHF 795.3 MN EBIT (+18.1%)
CHF 566.6 MN NET PROFIT (+21.8%)

INVESTMENTS

9 NEW FACTORIES
4 NEW NATIONAL SUBSIDIARIES
4 ACQUISITIONS

STRATEGY 2020

GROWTH MODEL CONFIRMED
TARGETS RAISED
MORE THAN CHF 1 BILLION EBIT IN 2020

POTENTIAL

17,419 EMPLOYEES
72 PATENTS FILED
12 H TRAINING PER EMPLOYEE

SIKA.COM/ANNUALREPORT

BUILDING TRUST



HIGHLIGHTS

+5.5%

SALES GROWTH
IN LOCAL CURRENCIES

-6%

ENERGY CONSUMPTION

+21.8%

NET PROFIT GROWTH

72

PATENTS FILED

4

ACQUISITIONS

36%

OF SALES IN EMERGING MARKETS

216,220

HOURS OF TRAINING FOR EMPLOYEES

Precast elements Indonesia

With seven factories throughout the country, PT Wijaya Karya Beton is a major manufacturer of precast concrete elements in Indonesia, relying on Sika technology for constant high quality and efficiency. See project description on page 47.

Cover picture: Close to the customer

Sika sales representatives and construction specialists from Hyundai Engineering & Construction, assess the progress of building work on the Marina One project in Singapore. See project description on page 49.

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The Sika Annual Report is available in German and English, and can also be accessed on our website www.sika.com/annualreport.



WEBSITE

- Complete content
- PDF downloads
- Excel tables



PDF

- Complete content

Dear Shareholders

The Sika success story continued in 2016, another record year. In local currencies, sales increased by 5.5% to CHF 5,747.7 million. Growth momentum coupled with disciplined cost management led to new record figures of CHF 795.3 million (+18.1%) for the operating profit and CHF 566.6 million (+21.8%) for net profit. 17 key investments made in the period under review will drive future growth further forward. Since the targets for Strategy 2018 have been reached ahead of schedule, they are once again being revised upward.

Sika successfully continued its growth strategy in the 2016 business year, with sales up more than 5% and record figures for the operating profit and net profit. All regions managed to lift sales and gain further market share. Strong, above-average growth rates were recorded in the USA, Mexico, the UK, Africa, Southeast Asia, Australia and the automotive segment. In cumulative terms and in local currencies, sales were up 5.5%. The strength of the franc led to conversion effects of -0.8%, and thus to a 4.7% increase in sales in Swiss franc terms to CHF 5,747.7 million.

RECORD PROFIT ACHIEVED

The growth momentum produced disproportionately high increases in operating profit and net profit. The continual margin improvement for the 20th consecutive quarter and sustained cost management were the key positive drivers. As a result, Sika posted record EBIT (CHF 795.3 million, +18.1%) and net profit (CHF 566.6 million, +21.8%) for the 2016 business year. Operating free cash flow totaled CHF 586.5 million (+29.9%).

GROWTH IN ALL REGIONS

Sales in the EMEA region (Europe, Middle East, Africa) rose by 4.6% in local currencies. The core markets Germany, France, Spain and Italy achieved good growth rates. Strong above-average growth was reported in the UK, Russia, Eastern Europe and Africa.

Sales in the North America region rose by 7.8% in local currencies. This is due in particular to the accelerated expansion of the supply chain and the investments in the sales force in fast-growing metropolitan areas.

The Latin America region recorded a 5.1% sales increase in local currencies. Mexico, Argentina and Chile all developed strongly. By contrast, the continuing economic crisis in Brazil and a significant fall in the value of some local currencies led to a downturn in business activity in several countries in the region.

Growth in the Asia/Pacific region was reported at 3.6% in local currencies. The extremely dynamic performance of the markets in Southeast Asia and the Pacific area translated into substantial sales gains. Sika also posted stable second-half growth rates in China.

17 KEY INVESTMENTS AS GROWTH DRIVERS

The accelerated expansion into growth markets continued in 2016 as well, with a total of 17 key investments in nine new factories, four further national subsidiaries and four acquisitions.

In the EMEA region, a new concrete admixture plant was opened in the Ethiopian capital Addis Ababa and a mortar factory came on stream in Kyroni, near Athens. New national subsidiaries were established in Kuwait, Cameroon and Djibouti.

With the aim of generating momentum for future growth, three acquisitions were made in the North America region: L.M. Scofield, a leading producer of color additives for ready-mix concrete, and FRC Industries, a manufacturer of fibers for concrete, both joined the Group. The Rmax acquisition enables the expansion of the portfolio for building envelope, wall and roofing insulation technologies.

Investments in Latin America included a new plant for mortar products in Guayaquil, Ecuador, an automotive factory for adhesives and acoustic solutions in São Paulo, Brazil, as well as the establishment of a new national subsidiary in Nicaragua in the capital Managua.

In the Asia/Pacific region, leading mortar producer Ronacrete Ltd. in Hong Kong was acquired. New factories were also opened in Perth, Australia, in Saraburi, Thailand, in Phnom Penh, Cambodia, and in Yangon, Myanmar.

72 NEW PATENTS

Our 896 employees in R&D drive our innovative strength, many of them working on basic research and the development of new products at the 20 Global Technology Centers. In the 2016 financial year, 72 new patent applications were filed, and a large number of new products were launched in all target markets.

GROWTH STRATEGY CONFIRMED – 2020 TARGETS RAISED

Since the targets of Strategy 2018 had been achieved two years early, Sika's strategic goals were reviewed in the second half of 2016 in conjunction with senior managers worldwide. The Board of Directors subsequently reaffirmed the growth model and raised the targets. Sika is now aiming for an EBIT margin of 14–16% (previously 12–14%) and an operating free cash flow greater than 10% (previously more than 8%). The aim is to achieve a return on capital employed in excess of 25%. By 2020, 30 new factories are to be commissioned and 8 new national subsidiaries established. The annual sales growth target remains at 6–8%. Sika intends to increase EBIT to more than CHF 1 billion by 2020.

POSITION OF THE BOARD OF DIRECTORS UPHELD BY THE COURT

In its decision of October 27, 2016, the Cantonal Court Zug denied all requests of Schenker-Winkler Holding AG (SWH). The Court held that the share transfer restriction ("Vinkulie-



DR. PAUL HÄLG
Chairman of the Board

JAN JENISCH
Chief Executive Officer

rung," art. 4 of Sika's articles of association) applies to the sale of the Sika shares held by SWH to Saint-Gobain. This clear decision by the court of first instance reinforces the position of the independent members of the Board of Directors and legitimizes Sika's actions over the last two years.

DIVIDEND INCREASE OF 31% PROPOSED

At the Annual General Meeting, the Board of Directors will propose to shareholders a 31% increase in the dividend to CHF 102.00 per bearer share (2015: CHF 78.00) and CHF 17.00 per registered share (2015: CHF 13.00).

The 17 key investments, our well-filled product pipeline and our strong sales organization give us reason to look to the future with optimism. Our thanks go to the global management team and our more than 17,000 employees, whose efforts are responsible for Sika achieving another record year. We would like to thank all of them for their hard work and loyalty over the past year.

A special debt of gratitude is also due to our customers, business partners and suppliers for their outstanding cooperation and the strong business relations we enjoy with them.

We would particularly like to thank our shareholders for their great loyalty to Sika and the continuing trust they place in the Board of Directors and management.

Sincerely,

DR. PAUL HÄLG
Chairman of the Board

JAN JENISCH
Chief Executive Officer

RECORD YEAR AND CONTINUED INVESTMENTS

in CHF mn

5,747.7 net sales +4.7%

795.3 EBIT +18.1%

566.6 net profit +21.8%

586.5 operating free cash flow +29.9%

28.7% ROCE +18.1%

9 new factories

4 new national subsidiaries

4 acquisitions

72 new patents filed

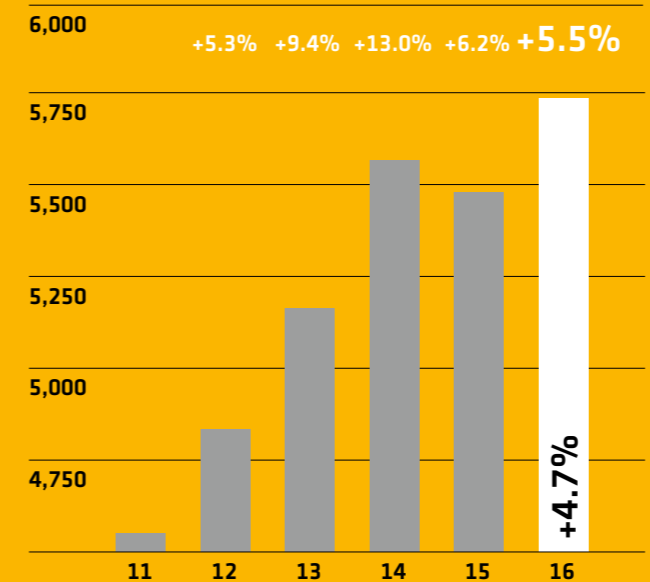
17,419 employees

12 hours of training per employee

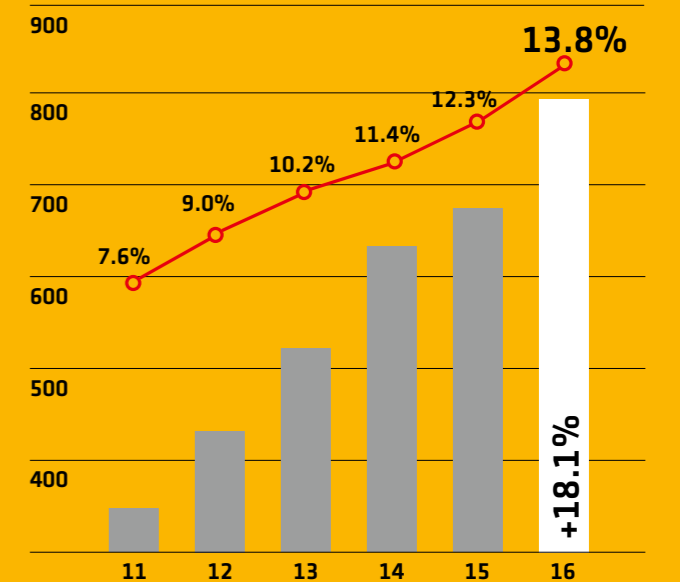
896 employees in R&D

20 Global Technology Centers

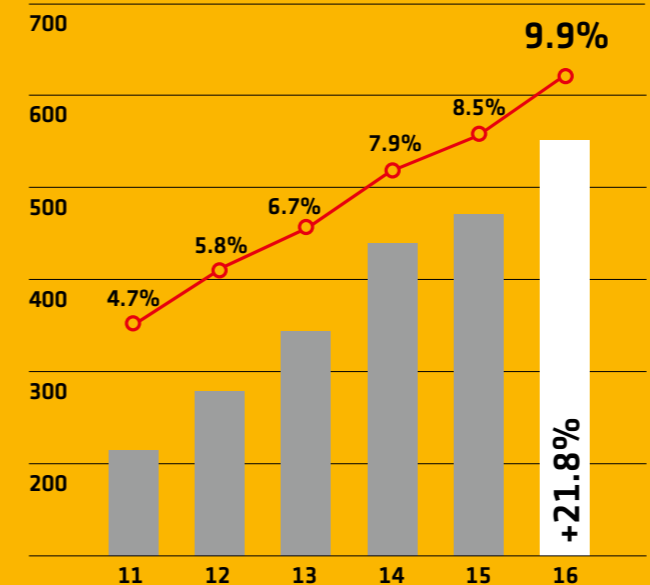
NET SALES (consolidated)
in CHF mn % growth in local currencies



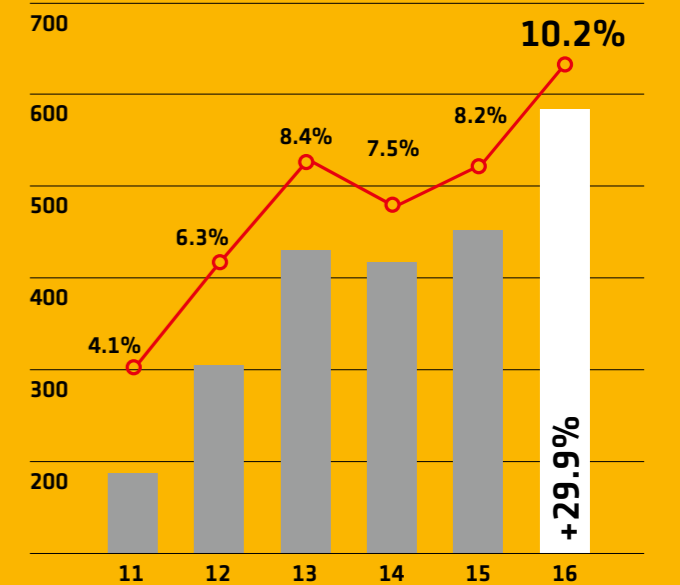
EBIT in CHF mn as % of net sales



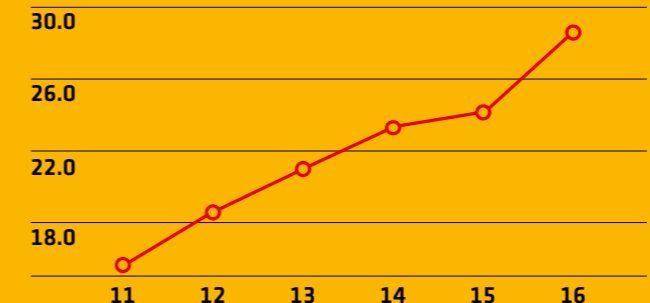
NET PROFIT in CHF mn as % of net sales



OPERATING FREE CASH FLOW in CHF mn as % of net sales



ROCE in %



FOCUS ON THE TOP

Sika is a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and the automotive industry. Business activity focus on the following seven target markets.



CONCRETE

Sika develops and markets a complete range of admixtures and additives for use in concrete, cement, and mortar production. These products enhance specific properties of the fresh or hardened concrete, such as workability, watertightness, durability, load-bearing capacity, or early and final strength. The demand for admixtures and additives is currently on the rise, particularly due to the increased performance requirements placed on concrete and mortar, especially in urban areas and for infrastructure construction. Furthermore, the growing use of alternative cementitious materials in cement, mortar, and therefore also in concrete, is increasing the need for admixtures.



WATERPROOFING

Sika's system solutions for waterproofing cover the full range of technologies used for below and aboveground waterproofing: flexible membrane systems, liquid-applied membranes, waterproofing admixtures for mortars, joint sealants, waterproofing mortars, injection grouts, and coatings. Key market segments include basements, underground parking garages, tunnels, and all types of water-retaining structures (for example reservoirs, storage basins, and storage tanks). Waterproofing systems are faced with increasingly stringent requirements regarding sustainability, ease of application, and total cost management. Therefore the selection of appropriate waterproofing systems to suit the needs and requirements of owners as well as the treatment of specific project-related details are key for long-lasting and watertight structures.



ROOFING

Sika provides a full range of single-ply and built-up flat roofing systems incorporating both flexible sheet and liquid applied membranes as well as thermal insulation and various roofing accessories. A more than 50-year history has documented that Sika roofing solutions are outstanding performers, reliable, sustainable, and long-lasting. Demand in this segment is driven by the need for eco-friendly, energy-saving solutions such as green roof systems, cool roofs, and solar roofs, which simultaneously help to reduce CO₂ emissions. While refurbishment projects continue to gain in significance in the mature markets, the emerging markets are moving towards higher-quality roof solutions.

POSITION



FLOORING

Sika's flooring solutions are based on synthetic resin and cementitious systems for industrial and commercial buildings, for example pharmaceutical and food-sector production plants, public buildings such as educational and health care facilities, parking decks, and private residential properties. Each market segment is subject to its own particular requirements in terms of mechanical properties, safety regulations (for example slip resistance), antistatic performance, and chemical or fire resistance. Trends in the flooring market are being dictated by the growing significance of safety and environmental regulations, as well as customized technical requirements. The high volume of building alteration and conversion projects nowadays has boosted the importance of efficient solutions for the refurbishment of existing flooring systems.



SEALING & BONDING

Sika offers a wide range of high-performance and durable sealants, tapes, spray foams, and elastic adhesives for the building envelope, for interior finishing and for infrastructure construction. Typical applications include the sealing of movement joints between facade elements to make buildings weatherproof, the bonding of wood floors to reduce noise, or the sealing of joints in airport aprons. The growing demand in this market is fueled by an increasing awareness of the importance of high-performance sealants for the overall durability and energy efficiency of buildings, the increasing volume of high-rise projects, and the continued replacement of mechanical fastening systems by adhesives due to better performance.



REFURBISHMENT

This segment features concrete protection and repair solutions, for example repair mortars, protective coatings, grouts, and structural strengthening systems. It also includes products for interior finishing, such as leveling compounds, tile adhesives, and tile grouts. Sika provides technologies for the entire life cycle of commercial buildings, residential properties, and infrastructure constructions. Especially in developed markets, many structures are decades old and need to be refurbished. The present uptrend in demand is attributable to a rising volume of infrastructure rehabilitation projects in the transport, water management, and energy sectors. The global urbanization trend and the increasing need for renovation in developed markets are also fueling demand.



INDUSTRY

The markets served by Sika include automobile and commercial vehicle assembly (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (auto glass replacement, car body repair), marine vessels, industrial lamination, renewable energies (solar and wind), and facade engineering (structural glazing, sealing of insulating glass units). Sika is a technology leader in elastic bonding, structural adhesives, sealants, reinforcing, and acoustic applications serving the world's leading manufacturers. Customers rely on Sika solutions to enhance product performance and durability while optimizing manufacturing efficiency. For example, Sika's solutions address key megatrends in vehicle design, leading to lighter, stronger, safer, quieter, and more efficient vehicles, while fast-processing materials and compatibility with automation optimize productivity.

GROWTH STRATEGY CONFIRMED – TARGETS RAISED

The Sika Growth Model is synonymous with long-term success and profitable growth. By focusing on market penetration, innovation, emerging markets, and acquisitions, and driven by its strong corporate values, Sika is growing successfully. Since the targets of Strategy 2018 had been achieved two years early, Sika's strategic goals were reviewed in the second half of 2016 in conjunction with senior managers worldwide. This review resulted in a confirmation of the growth model and a raising of the strategic targets.

Sika is now aiming for an EBIT margin of 14-16% (previously 12-14%) and an operating free cash flow greater than 10% (previously over 8%). The aim is to achieve a return on capital employed in excess of 25%. By 2020, 30 new factories are to be commissioned and 8 new national subsidiaries established. The annual sales growth target remains at 6-8%. Sika intends to increase EBIT to more than CHF 1 billion by 2020.

STRATEGY IMPLEMENTATION SINCE 2012

Market Penetration

- ✓ - Successful Target Market concept
- ✓ - Megatrends driving growth

Innovation

- ✓ - 370 new patents filed
- ✓ - 20 Global Technology Centers

Emerging Markets

- ✓ - 51 new plants opened
- ✓ - 20 new national subsidiaries

Acquisitions

- ✓ - 21 acquisitions in all regions
- ✓ - CHF 671 million sales added.

Values

- ✓ - Strong corporate culture
- ✓ - High employee loyalty

STRATEGIC TARGETS 2020

Market Penetration

6-8% annual growth

Innovation

30 new plants

Emerging Markets

105 national subsidiaries

Acquisitions

14-16% EBIT margin per year

Values

>10% operating free cash flow per year

>25% ROCE per year

SUSTAINABILITY ON TRACK

Sika has been a successful manufacturer of specialty chemicals for over 100 years. Sustainability has long been a core element of its strategy, business operations and corporate culture. Sika's sustainability strategy is therefore closely linked to its corporate strategy and encompasses six targets that cover the economic, ecological and social dimensions.

MAJORITY OF TARGETS ACHIEVED

As part of its "More Value - Less Impact" sustainability strategy, Sika has been measuring six parameters for the last four years. In 2016, the majority of targets were met, with only waste utilization and occupational safety falling short of their goals. Measures have been initiated to bring about an improvement.



WE ARE FUTURE

The past and the future are inextricably linked. Adopting the right course in the past is the key to a good position in the future. Since its foundation, Sika has grown into an internationally leading specialty chemicals manufacturer. The rollout of Strategy 2018 started in 2012 and since then the growth model has been systematically implemented – at a faster pace and with more ambitious goals than originally planned.

Since 2012, Sika has made **92 key investments** and will continue to benefit from this strong growth momentum in the future. **20 national subsidiaries** have been established in highly promising markets and **51 plants** have been opened. In the same period, Sika has grown externally by acquiring **21 companies**, and has created platforms for growth by rounding out and expanding its product portfolio, combining distribution channels and launching joint marketing activities. These key investments combined with a well-filled product pipeline and a strong sales organization give reason to look ahead with optimism. **We are Sika, we are future.**

INNOVATION NEW TRENDS DEMAND NEW SOLUTIONS



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3D PRINTING IN CONSTRUCTION

In future, additive manufacturing will make it possible to manufacture large-size concrete elements in a short time, and in any shape. To achieve this, the concrete must firstly have sufficient initial strength to carry the weight of the material, while still providing sufficient open time to apply more concrete and create a complete connection between each layer – in the same way as if the building element came from a mold. Sika is at the forefront of this development. Once it has reached market maturity, 3D printing will offer the benefit of flexibilizing and speeding up production processes immensely.

SCOPE FOR INDIVIDUAL DESIGN

Sika also works with universities and research institutes such as ETH Zurich on projects involving forward-looking technologies in the area of digitalization and automatization of construction. One of these is the innovative new building technology “Mesh Mould.” Thanks to this technology it is now possible to produce concrete elements in individualized shape without the help of framework by using a steel wire mesh produced by robots. Sika provided the concrete admixture know-how for the project and, together with ETH, holds a patent on the construction technique.



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AUTOMATIZATION ON CONSTRUCTION SITES

There is also a growing trend to make use of robotic technology on construction sites as a way of increasing productivity. In tiling, for example – currently a slow, manual process – Sika is a development partner of ETH Singapore, providing processing know-how and mortar technology for the development of a prototype tiling robot.

PARADIGM SHIFT IN MULTI-MATERIAL DESIGN

New lightweight materials such as aluminum, carbon fiber or other composites are increasingly being used in automotive production as a way of reducing CO₂ emissions. Mixed-material car body construction requires the use of high-tech adhesives capable of joining components with differing surfaces and varying thermal expansion. Sika is setting new standards by developing innovative “curing on demand” solutions: adhesives that combine extended workability times with fast curing – a paradigm shift in multi-material design. This will help car manufacturers and other industries to significantly speed up their processes

Sika’s success and reputation are built on its capacity for innovation. “Courage for Innovation” is not only anchored in its corporate values and principles - active innovation management makes it a tangible presence. The focus is always on a sound understanding of market and customer needs as well as the fundamental structural changes that are taking place in the form of megatrends. Innovations by Sika often drive forward new branches of industry, turning yesterday’s visions of the future into tomorrow’s reality.

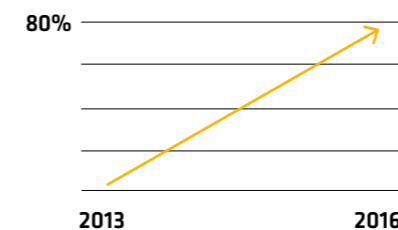


SIKA INNOVATIONS ARE SUCCESSFUL IN THE MARKET

SikaPower® Structural adhesive for the automotive industry

- +77% sales growth since 2013
- Lightweight construction and multi-material design are the megatrends in the automotive industry
- Adhesive bonding is becoming the supreme joining technology
- More safety, less weight, optimum stiffness: SikaPower® enables the body structure to absorb more energy

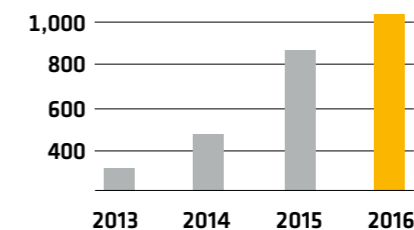
SALES DEVELOPMENT
Growth in %



SikaProof® A Waterproof sheet membrane

- +30% sales growth in 2016 – four years after the market launch
- Ensures long-lasting, secure waterproofing
- Allows the use of below-ground building spaces
- SikaProof® A has added a new dimension to space planning in urban centers

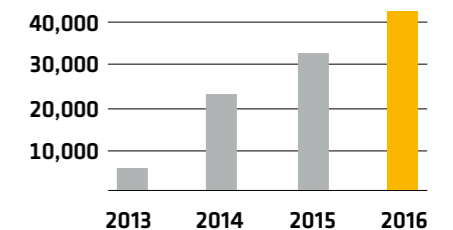
SALES DEVELOPMENT
in 1,000 m²



Sika® ViscoFlow® Admixture for controllable concrete workability times

- More than 40,000 tons sold in the product’s fourth year on the market
- Flowability of ready-mix concrete can be programmed for a period of between 2 and 8 or more hours
- Allows long transportability coupled with short setting times
- Meets the challenges of construction in urban environments

SALES DEVELOPMENT
in t



OUR PEOPLE KNOWLEDGE SECURES THE FUTURE



SIKA NEW ZEALAND - FLOORING TEAM

When new colleagues join our organization, we share knowledge and help to grow their skills. We want to create an empowering environment and we want them to succeed. The success of all our colleagues is not only rewarding to each of us – it also helps Sika to grow. Our co-operative corporate culture gives us a real advantage in a competitive market.



SIKA GERMANY - R&D TEAM INDUSTRIAL COATINGS

Our lab manager, who has accumulated significant expertise in coatings development in a career spanning over 45 years, will retire at the end of 2017. The transfer of his know-how is essential. To retain this knowledge, a successor was appointed in early 2016. Due to the long duration of their know-how transfer they can cover all the relevant subjects and ensure a smooth transition.



SIKA TEAM ETHIOPIA

We are a multicultural team that shares a passion for Sika's ideals. For us, as one of the newest Sika countries, not only the transfer of knowledge related to products, strategy, processes and production technology is important, but also the conveyance of Sika's values such as the empowerment and involvement of all employees, and a strong customer focus.



SIKA RUSSIA - PRODUCTION AND WAREHOUSE TEAM MOSCOW

We recently opened our plant for polymer production. The engineering support provided by corporate experts and specialists from other subsidiaries enabled us to design the plant according to the latest technical standards. Our dedicated team is now excellently equipped to offer innovative local products on the Russian construction market.



SIKA PAKISTAN - MARKETING AND HR TEAM

Sika invests in the continuous professional development of its employees in order to pass on know-how within the organization. This, together with the experience gained by our people during personal contact with customers in the market, offers the most solid foundation to build on for the future.



SIKA AUSTRIA - FLOORING TEAM

We regularly organize application training for new and existing sales representatives. Not only theoretical knowledge is important. Practical training is needed to learn how the materials behave under real conditions on the building site. With this hands-on approach we can give the best support to our customers in their daily work.



SIKA CHINA - IT TEAM

We integrated all the entities of Sika China into a unified management and controlling system in line with the corporate guidelines. This enables a country-wide alignment of the business processes and allows for a more efficient flow of information and knowledge within the whole Sika organization.



SIKA USA - TEAM WATERPROOFING

Our production technology is constantly developing. To accomplish the critical transfer of information it begins with the onboarding process of each new employee and committed mentoring by our more seasoned employees. A combination of technical training with on-the-job coaching ensures that our innovative processes are continuously implemented.



SIKA COLOMBIA - DEVELOPMENT PROGRAM

The Regional Development Program was an enriching experience for us. It conveys technical knowledge and gives young talents an opportunity to learn from senior employees - which is rewarding for both parties. We all aspire to grow within the company, and this type of program gives us the chance to make it possible.



SIKA MEXICO - TEAM OPERATIONS AND R&D

We believe that new ideas brought in by young people can make a solid contribution to the further development of formulations and production processes. Combined with the knowledge acquired over the years by the senior Operations and R&D staff, this creates a strong foundation for the future.

GLOBAL SikaPower® TEAM: CORPORATE TEAM (1), SIKA USA (2), SIKA CHINA (3), SIKA BRAZIL (4)

As demand for SikaPower® structural adhesives is growing fast all over the world, we transferred the technology to all regions. A team of representatives from the local R&D and Operations departments, together with the Corporate SikaPower® experts, transferred the technology to Brazil, China and the USA. Now we are able to serve our Automotive customers with locally produced SikaPower® adhesives at constant quality in all regions. The parallel roll-out in a very short time was only possible thanks to excellent collaboration between the dedicated project teams.

SIKA ITALY - TECHNICAL SERVICE TEAM

Through detailed technical communication, laboratory tests and personal advice, we pass on our extensive know-how and the passion for our company to our Italian customers. Our aim is to help them be successful with their projects.





SIKA PORTUGAL - TEAM INDUSTRY

When you start at Sika you experience the Sika Spirit from the beginning. Later on, you yourself pass it on to new colleagues joining the company. The cooperative mentality and willingness to share information across management levels, departments, and national borders are part of the DNA of Sika's corporate culture.



SIKA JAPAN - MANAGEMENT, COMMUNICATION AND HR

Sika is like a large family, but it can be challenging to reach everyone. "Coffee with the GM" is a great way of communicating our company's know-how and values to all our employees; in smaller groups and in a more personal way. Our "Kick-Off Company Meeting" is another platform we use to spread the Sika Spirit.



SIKA URUGUAY - LOGISTICS TEAM

It is extremely valuable to our team that our Logistics Supervisor has been with Sika for more than 30 years. We can learn a lot from him. He not only passes on professional knowledge, but also his ideas about work ethics - always acting as a role model for us all.



SIKA COLOMBIA - WOMEN IN SALES PROGRAM

The sales program was key for our development. We were trained by senior members of the company to enhance our technical and professional skills. Our participation in this program gave us an excellent opportunity to gain experience and build a network. Now we are planning initiatives for the rest of Latin America - we would like to make an impact on the whole company.



SIKA IRELAND - SIKA EVERBUILD TEAM

The integration and knowledge transfer following the acquisition of Everbuild in 2014 has run smoothly thanks to the support and dedication of both the Everbuild and Sika teams. The operation has benefited immensely from adopting the Sika strategy and we are delighted to have fully embraced the Sika Spirit.



SIKA TUNISIA - MANAGEMENT TEAM

A dynamic and enthusiastic organization is key in a fast-moving market such as Tunisia. In our aim to achieve this, we consider it a strength to be a highly diversified team. The motivation and commitment of our employees come from the feeling of being part of a team you can rely on, across cultures, educational level and gender diversity.



SIKA SWITZERLAND - CORPORATE HR TEAM

HR strives to provide the business with programs designed to attract, motivate and retain highly qualified and dedicated employees, and to support Sika's growth strategy. The Head of Corporate HR brings many years of experience from Sika's concrete business, and can share his know-how in designing HR activities to suit the needs of the business.



SIKA CHILE - EHS AND QUALITY TEAM

Our team is guided by Sika's values and principles. We pursue operational excellence and can profit from the good cooperation between different areas within the company. The top priorities are our customers and assuring our products' high quality standards.

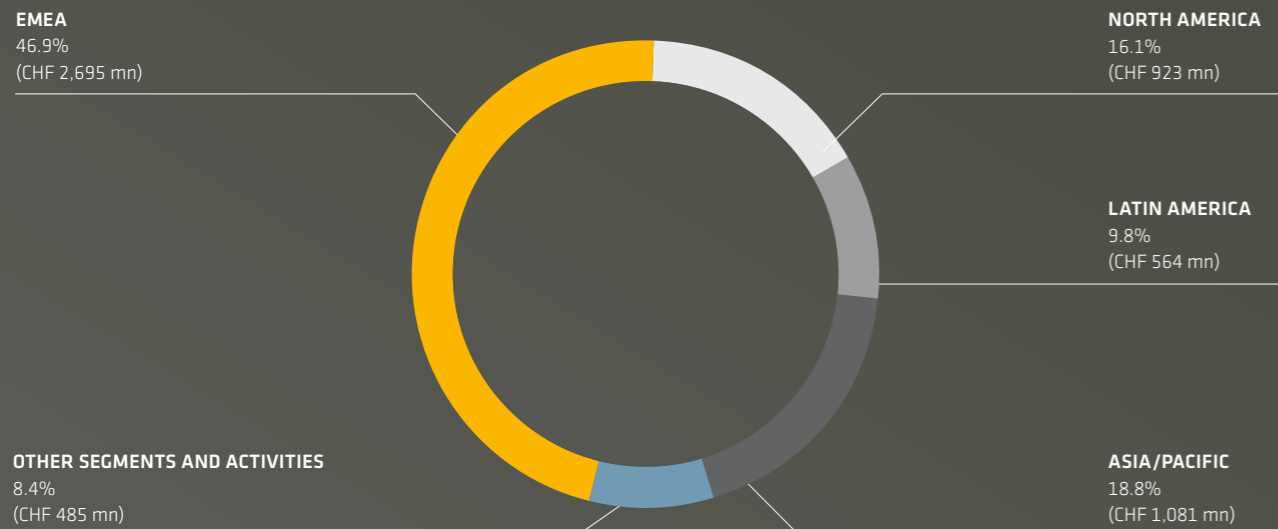


SIKA CANADA - PRODUCTION TEAM VANCOUVER

Sika's strong growth has given us the chance of a career change. Having worked for several years in production in Montreal, we were offered the opportunity to set up the factory in Vancouver. We are now applying our knowledge to the production of concrete admixtures and mortar products and transferring it to our new colleagues.

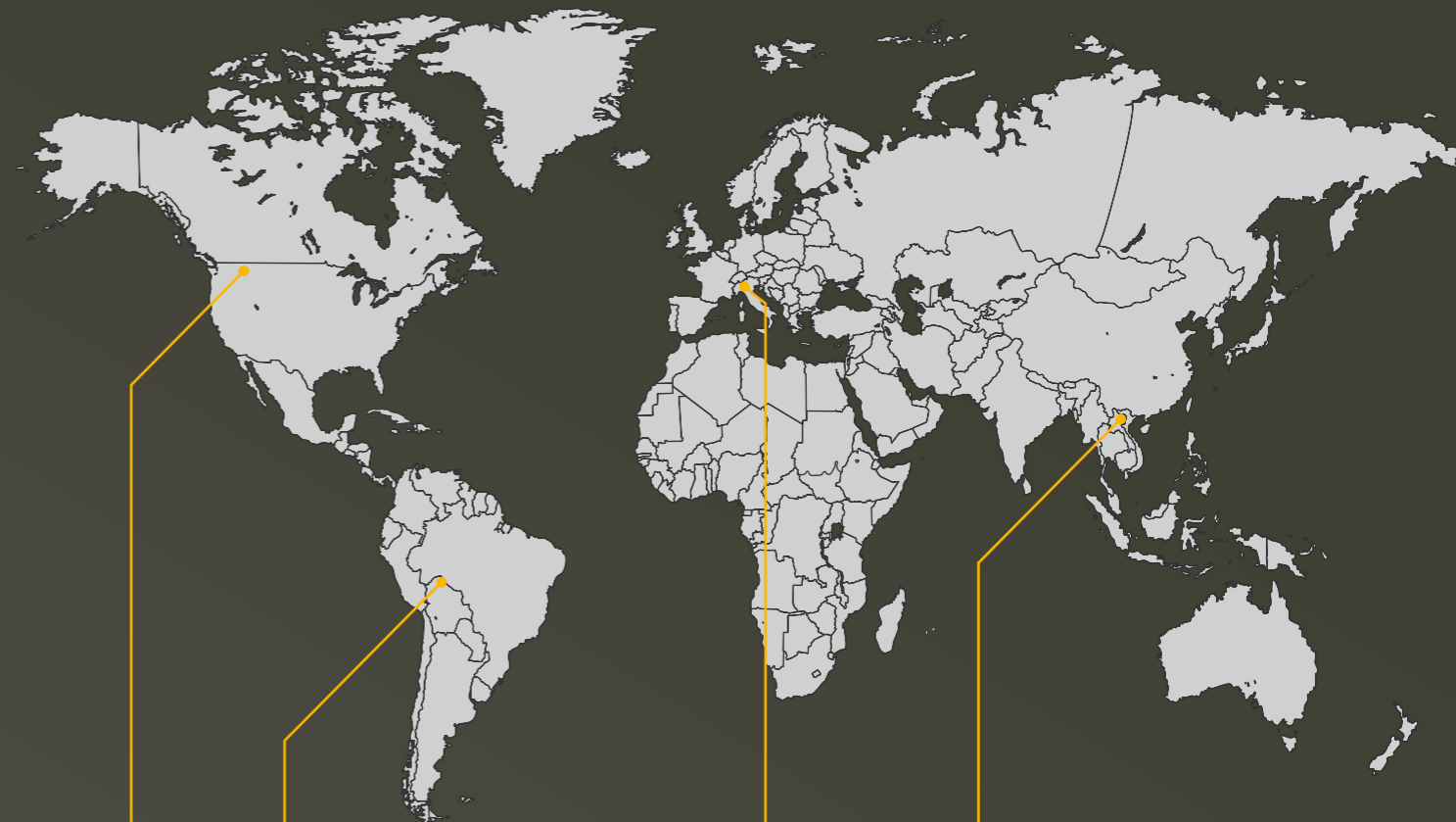
REGIONS CREATING THE FOUNDATION FOR FUTURE GROWTH

NET SALES BY REGIONS
(CONSOLIDATED)



OTHER SEGMENTS AND ACTIVITIES
8.4%
(CHF 485 mn)

	EMEA	North America	Latin America	Asia/Pacific	Other Segments and Activities
Net sales in CHF mn (previous year)	2,695.3 (2,600.2)	922.6 (839.2)	564.3 (600.2)	1,080.7 (1,017.3)	484.8 (432.3)
Growth in local currencies	4.6%	7.8%	5.1%	3.6%	11.7%
Currency impact	-0.9%	2.1%	-11.1%	2.6%	0.4%
Acquisition effect	1.1%	2.0%	0%	0.5%	0%
Employees	9,083	1,818	2,349	4,169	



LATIN AMERICA
KEY INVESTMENTS SINCE 2012:
11 NEW PLANTS
2 NEW NATIONAL SUBSIDIARIES
3 ACQUISITIONS
+5.1% GROWTH IN LOCAL CURRENCIES 2016

ASIA/PACIFIC
KEY INVESTMENTS SINCE 2012:
16 NEW PLANTS
3 NEW NATIONAL SUBSIDIARIES
7 ACQUISITIONS
+3.6% GROWTH IN LOCAL CURRENCIES 2016

NORTH AMERICA
KEY INVESTMENTS SINCE 2012:
5 NEW PLANTS
4 ACQUISITIONS
+7.8% GROWTH IN LOCAL CURRENCIES 2016

EMEA
KEY INVESTMENTS SINCE 2012:
19 NEW PLANTS
15 NEW NATIONAL SUBSIDIARIES
7 ACQUISITIONS
+4.6% GROWTH IN LOCAL CURRENCIES 2016

20
NEW NATIONAL
SUBSIDIARIES
SINCE 2012

2,186
NEW EMPLOYEES
SINCE 2012

51
NEW PLANTS
SINCE 2012

20
GLOBAL
TECHNOLOGY CENTERS

21
ACQUISITIONS
SINCE 2012

370
PATENTS FILED
SINCE 2012

41	9,083	2,695.3	+4.6%
KEY INVESTMENTS SINCE 2012	EMPLOYEES	MN CHF NET SALES	GROWTH IN LOCAL CURRENCIES

EMEA ADDED VALUE THROUGH LOCAL PRESENCE

In the region Europe, Middle East and Africa (EMEA), Sika has invested in 19 new factories, 15 additional national subsidiaries and 7 acquisitions since 2012. As one of the world's largest economies, Russia in particular is showing huge potential. The construction sector contributes 6.5% of the gross domestic product. By pursuing a strategy of systematically expanding the local value chain, Sika creates advantages for itself and its customers: timely production, short delivery periods, and optimized cost structures.





462 M

WILL BE THE HEIGHT OF THE LAKHTA TOWER, MAKING IT EUROPE'S TALLEST BUILDING

◀ **Lakhta Center, Saint Petersburg**

The Lakhta Center is destined to be a crowd-puller with an observation deck at almost 400 meters above ground.

▼ **High standards**

Quality Control Analyst Elena Slotina in the R&D laboratory at the Sika facility in Lobnya.

When Peter the Great began building Saint Petersburg over 300 years ago, he laid the foundation stone for a city of grandiose architecture. Horizontal lines dominate the historic city center with its impressive array of 2,300 palaces, mansions and other magnificent buildings. The only city in the world that can surpass Saint Petersburg in this respect is Venice. It was all the more crucial to take steps to protect this cultural heritage. This prompted the decision to build the new, multifunctional Lakhta Center – with its tower as a vertical counterpoint – nine kilometers outside the center of the city. A division of Gazprom will be headquartered there. Numerous public amenities are to be housed within the Center. The Lakhta Tower will be the tallest building in Europe.

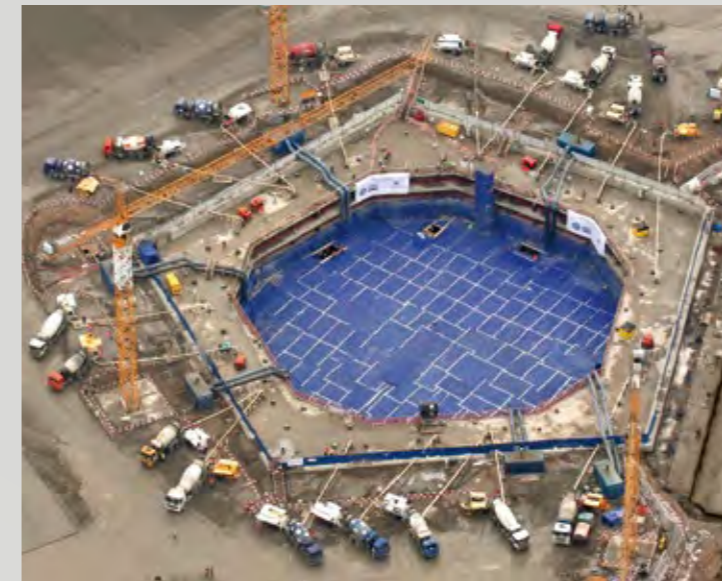
FLAWLESS QUALITY IN A SINGLE POUR

The task of firmly anchoring the 462-meter high Lakhta Tower posed particular challenges for the foundations. Mounted on 264 pillars reaching 82 meters below ground level, a 3.6-meter thick bottom slab covering an area of 5,700 m² was poured in a single seamless operation. Sika® ViscoCrete® was the technology of choice to achieve this logistical master stroke. Drawing on Sika's know-how and a specific formulation of Sika® ViscoCrete®, Sika® Retarder and Sika® Antisol®, a concrete was developed that matched the specifications exactly. This guaranteed the necessary constancy of the concrete's pump, flow and curing properties and a pot life of 8-10 hours. The ready-mixed concrete was manufactured in 13 different plants and transported to the construction site in a total of 2,540 trips. Thanks to Sika, the concrete could be poured in one continuous 50-hour period to form a solid, uniform foundation. This feat even earned an entry in Guinness World Records. The design by British architect Tony Kettle features a giant glass facade with an area the size of 28 soccer pitches. It has to satisfy the highest of aesthetic, structural and – above all – insulation requirements. The sustainability target for the LEED Gold precertified building is to meet the most rigorous standards in terms of energy conservation and reduced CO₂ emissions. This is why Sika solutions were chosen for the construction of the facade, as illustrated by the

use of the silicone sealant Sikasil® in the manufacture of the partially curved multiple insulated glazing. Other Sika solutions such as waterproof membranes and adhesives are used at the building site to seal and fix glass elements to the facade.

SIKA'S MODEL FOR SUCCESS

Thanks to anticyclical investments, Sika can also boast a success story in Russia. Established in 2003, the national subsidiary has constantly expanded. Now it numbers almost 200 employees, spread over the head office in Lobnya near Moscow, a major distribution site in Saint Petersburg, and sales and distribution centers in all of the country's densely populated regions.



20,000 M³

THE AMOUNT OF READY-MIXED CONCRETE POURED IN ONE CONTINUOUS OPERATION TO FORM THE FOUNDATION OF THE LAKHTA TOWER. A WORLD RECORD.

◀ **Foundation works for the Lakhta Tower**

A total of 2,540 trips had to be made to transport the concrete poured for the foundation.

▼ **Evolution Tower, Moscow**

Sika supplied adhesives and sealants for the facade of the multiple award-winning twisted building.

Sika relies on local production using raw materials from qualified Russian suppliers and on employees familiar with the market – in other words, on a domestic value chain with "Made in Russia" end products. This strategy not only has the advantage of optimizing costs by reducing transport distances and import duties, it also means protection from currency fluctuations and shortens delivery times. The Russian authorities are also promoting domestic production to create new jobs in the building sector. Already the number one producer of concrete admixtures in Russia today, Sika aims to increase its market share. By expanding existing local production capacity and scaling up distribution structures, the groundwork for future growth is being done.

POTENTIAL WITH FUTURE

BMI Research estimates Russian construction market potential in 2017 at around CHF 80 billion, with Moscow accounting for a significant part. In addition to large government investment projects directed, for instance, at extending long-distance transport networks, building or renovating stadiums and developing the necessary infrastructure for the 2018 FIFA World Cup, industrial construction is also driving demand. Goods that were previously imported are now being replaced by locally sourced products, as exemplified by the food industry. There is also a need for investment in the timber-processing, raw materials and energy sectors. And Sika is right there at the center of things. ■





THE MOST MODERN STADIUM IN THE WORLD

The new Zenit Stadium is being built on Saint Petersburg's Krestovsky Peninsula for the 2018 FIFA World Cup. 68,000 spectators will see the semi-final there. With its futuristic architecture, closable roof and mobile turf playing field that can be driven out of the stadium to accommodate other sporting events, concerts and exhibitions, it will be one of the world's most modern and versatile arenas – and with a total area of 300,000 m² and an exterior surface of 170,000 m², also one of the largest.

“There's no stadium you can compare it with anywhere in the world,” says Slobodan Kovachevich, General Manager of construction company MIR. Russia wants to take the World Cup as an opportunity to showcase itself as a modern venue for such events, he says. That means having the best stadiums built by top companies that manufacture their products locally and have an on-the-spot presence.

SIKA PRODUCTS AND KNOW-HOW

“For such a complex project, we only work with companies that step up to their responsibilities from the start and provide a high level of technical support,” explains Slobodan Kovachevich. Having already worked with Sika on other projects, he shares their high quality standards. Sika delivered a great deal of know-how and a broad range of products, including admixtures for more than 450,000 m³ of concrete for the building. Furthermore, Sika solutions were used to level the stand floors and to seal and protect the surface structure. Sika technologies were also adopted to reinforce the supporting concrete structures and waterproof the joins between the roof and the piles protruding above the roof. ■



▲ **Slobodan Kovachevich, General Manager MIR**
Reputable construction company MIR has been contracted to build the 68,000-capacity Zenit Stadium.

▲▲ **Zenit Stadium, Saint Petersburg**
Sika's Maxim Evsykov and Roman Tugarev discussing the next steps at the construction site of the new stadium in Saint Petersburg.

ESTABLISHING KEY TECHNOLOGIES TOGETHER

At its Lobnya plant near Moscow, Sika has installed the first polymer-manufacturing facility in Russia. Polymers are the backbone of modern chemical admixtures and engineered high-performance molecules, and with this new facility Sika has been able to strengthen its competitive advantage. Tailor-made solutions can now be introduced much faster to the Russian concrete producers. In addition, a significant cost improvement was achieved as raw materials are now sourced locally. This flexibility in the design of concrete admixtures will guarantee a steady increase in market share and will further strengthen Sika's technology leadership.

PASSING ON KNOW-HOW

The R&D and Procurement experts at Group level worked together to specify the type of high-performance polymers as well as to select the necessary high-quality raw materials and evaluate suitable local suppliers. Production Engineering designed the production facility and made sure it was operational on time. There was also a close exchange at the regional level, bringing expertise and know-how together. The support received from the Global Technology Center Leimen in Germany played a decisive role in the successful planning and construction of the facility. Local polymer production represents a further milestone for



the Russian national subsidiary, which can now assist other Sika organizations in the region with its know-how and with base materials produced on site. ■

▲ **The new polymer production facility in Lobnya near Moscow**
The result of effective cross-national and departmental collaboration within Sika.



SIKA AND SWISS TABLE – A LONG-TERM PARTNERSHIP

Since 2005, Sika has been a partner of Swiss Table (Schweizer Tafel), an organization that is dedicated to distributing food to people in need. In 2016, 4,074 tons of food worth CHF 26.6 million were distributed free of charge to social institutions such as homeless shelters, soup kitchens, emergency shelters and other relief organizations in Switzerland. The project, led by the foundation Hope for People in Need, exists in Switzerland since 2001 and follows the American example. For more information on this and additional projects please see: www.sika.com/responsibility ■



SIKA TAKES SOLAR REFLECTIVITY TO A NEW LEVEL

The benefits of solar-reflective materials and colors are well known: white highly reflective thermoplastic and liquid-applied membranes (LAM) increase reflectance and reduce both the heat-island effect and the cooling energy consumption of buildings. For an area totaling 20,000 m² the Sika SolaRoof® and the highly reflective Sarnafil® TS-77 RAL 9016 SR / SikaTherm® PIR roofing system were used for a new shopping center in Barcelona, Spain. The customer was convinced of Sika's sustainability approach and the BREEAM certification contribution package. For more information on this and additional projects please see: www.sika.com/responsibility ■

Vancouver, Canada

The west coast city is experiencing a veritable construction boom thanks to its high quality of life.

9
KEY INVESTMENTS
SINCE 2012

1,818
EMPLOYEES

922.6
MN CHF NET SALES

+7.8%
GROWTH IN LOCAL
CURRENCIES

NORTH AMERICA STRONGER POSITION AND PRESENCE ON THE WEST COAST

As megacities across the globe grow, Vancouver too is witnessing a building boom. Main growth drivers are residential construction, retail and industrial buildings, as well as infrastructure projects. Sika is speeding up expansion of its distribution structures and supply chain to be able to tap into the large market potential.

Numbering 2.5 million inhabitants, Vancouver is the largest metropolitan region on Canada's west coast. In global city quality-of-life rankings, Vancouver regularly earns a spot in the top three. Aside from the economic upturn that the region is enjoying, this is one of the reasons for the huge increase in residential construction seen here in recent years. New high-rises are being built in response to the growing scarcity of space and increasing land prices. Business is also strong in the renovation sector given the growing demand to reinforce old building structures in this earthquake-prone area. Housing construction also means government investment in infrastructure, including expansion of the SkyTrain network, in road bridges and tunnels, and in utility plants.

NEW PRODUCTION FACILITY IN SURREY

To guarantee fast delivery of Sika products to customers in the Pacific Northwest, which includes Vancouver, Seattle and Portland, the company's fourth production site in Canada was opened in Surrey. A good half hour away from Vancouver, the city of Surrey is located close to the border with the US. The new facility houses a modular mortar plant and equipment for the production of a wide range of concrete admixtures. Eliminating the sometimes high transport costs will help to make Sika products even more competitive. Customers very much appreciate the quality of the products now being produced nearby. In the construction industry, weather conditions can dictate that products are ordered at very short notice and picked up directly at the production facility. Delivery reliability also fosters trust in Sika. Numerous requests have been received from customers to view the ultramodern plant.

20 YEARS
ESTIMATED CONSTRUCTION TIME FOR THE NEW BRENTWOOD TOWN CENTRE NEAR VANCOUVER

▼ Brentwood Town Centre

An entire district under development in Burnaby near Vancouver. It is the largest construction site in British Columbia.

BACK-UP MARKETING ACTIVITIES

As well as expanding distribution structures in North America, Sika is also stepping up marketing activities. The Group is primarily known in the construction sector as a supplier of high-quality technologies for complex requirements. This prompted the company to run targeted promotions under a wide-scale campaign to inform specific dialog groups of its extensive port-



1,200 KM
SAVINGS IN PRODUCT TRANSPORT DISTANCES THANKS TO THE NEWLY OPENED PLANT IN SURREY

◀ Bob Matharu, Western Region Area Manager

Bob Matharu is in charge of Sika's regional waterproofing, sealing & bonding and refurbishment operations.

folio of products and the ways they can be used on the building site. Sika also invests a great deal in training its partners to ensure that architects, engineers and designers get an insight into the numerous applications for Sika's continually growing product mix. One particular focus of the marketing efforts in North America is key project management. The goal is to establish the Sika range as products of choice across entire construction projects. To make this happen, a significantly reinforced sales team uses an electronic platform to systematically record and track building projects. This serves to showcase the project potential of different products and solutions within the organization. Usually required at the start of a construction project, concrete admixtures thus open the door for Sika to identify opportunities to place its complete product portfolio.

BRENTWOOD TOWN CENTRE - A PROJECT 20 YEARS IN THE MAKING

The city of Burnaby borders to the west on Vancouver and enjoys excellent SkyTrain connections with the metropolis. It is also the site of an unparalleled construction project due to run for the next 20 years. The Brentwood Town Centre will house a new shopping complex with over 350 businesses and restaurants as well as ten high-rises up to 60 floors containing offices and 4,200 apartments. Brentwood is presently the largest construction site in British Columbia. The project is being completed in four different phases. The initial buildings going up are the mall and the first two high-rises. Three more have been approved by the relevant authorities. Sika products are being used in the projects now underway.



CLOSE TO THE HOT SPOTS

Sika chose Surrey as the location for its new ultramodern production site because of the city's geographic proximity to metropolitan region Vancouver and easier delivery to neighboring Northern US. The Greater Seattle area is within quick reach. As is the case in Vancouver, construction investments are presently at a high level. New office complexes and private residential construction are driving growth. Major companies which are based in this area, such as Amazon, Boeing, Microsoft or Starbucks, are investing a lot in in-house construction projects. And building professionals buying Sika products in building material stores are becoming increasingly numerous and significant. ■



+26%
 INCREASE IN SALES
 FORCE IN MEGACITY
 AREAS IN NORTH
 AMERICA SINCE 2012

◀ **Success through market knowledge**
 Members of the Canadian sales team
 discussing customer projects.

PARTNERS WITH EXPERIENCE AND KNOW-HOW

A project of this magnitude calls for competent partners such as Burnco. Established over one hundred years ago, the family-run concrete supplier has a strong presence in British Columbia and Alberta. The company has been placing its trust in Sika know-how and product solutions for years. "Sika is always prepared to develop and test new product formulations. That is a big help to us and gives us technical leverage," explains Mike Kask, Burnco's Regional Manager British Columbia. Logistics posed a huge challenge when the earthquake-proof foundations were

being poured for the first two high-rises at the Brentwood Town Centre. Because parts of the old shopping center are still open for business while the new mall is under construction, very little space is available. Each of the two 4,600 m³ foundations was poured in a single day. 80 vehicles fed a long system of pipes with highly flowable and pumpable concrete – properties made possible by Sika® ViscoCrete®. For the third high-rise the compressive strength of the concrete is the decisive factor, enabling narrower load-bearing piles in order to gain usable floor space. ■

DISCOVERING YOUNG PEOPLE'S POTENTIAL

Sika Corporation, USA, and its partners helped the YOUTH CAN headquarters to become a better place. YOUTH CAN's mission is to intervene in the lives of disadvantaged youth in the community by enriching their academic, cultural and social development through assistance, technology and cultural programs. In September 2016, 50 Sika volunteers spend one day improving the quality of a community center building in Chicago. The volunteers were replacing ceiling tiles, installing new carpets, cleaning the building's storage areas, installing shelves, painting and repairing the fence. Sika is also donating products and materials to add a new epoxy floor in the design room, wood floor in the computer room and sealant to fix the gaps for the exterior windows and masonry. So far, sponsors and volunteers have worked to improve over 200 community facilities in the Chicago area. All work is completed in one day, allowing volunteers to see their immediate impact. It's an outstanding opportunity for colleagues to work together outside of the



office and make a real difference. Teambuilding is an exciting by-product of a Give Back Day. For more information on this and additional projects please see: www.sika.com/responsibility ■



PROVIDING ROOFING SOLUTIONS TO BOEING

Boeing is one of the largest aircraft companies in the world. Located 40 kilometers north of Seattle, the Everett plant has a workforce of around 30,000 engaged in the manufacture of the wide-body Boeing 747, 767, 777 and 787 Dreamliner airliners. The production site was built in 1968 and has been continually expanded ever since. In addition to an airport with takeoff and landing runways reserved solely for Boeing test flights, the facility also includes the largest building in the world in terms of volume.

Sika Sarnafil® AS BENCHMARK

Troy Gamba works at Everett. He has been with Boeing for 29 years and is today an in-house roof consultant. His job is to prepare roof specifications and support the aircraft company when it comes to planning roof renovations and choosing materials. Troy Gamba is responsible for sourcing and installing the best solutions offering good value for money and he is familiar with virtually every roof at Boeing. Today most of the roofs are protected with thermoplastic membranes. Boeing first used Sika Sarnafil® roofing membranes in 1996, and since then 91 projects have been completed using Sika Sarnafil® products.

GOOD FOR BOEING

Sika must repeatedly prove itself since Boeing is required to put these projects out to tender. The reason that Sika Sarnafil® solutions are frequently chosen is because of the close project supervision and training that Sika provides. At Everett, no Sika Sarnafil® roofs have needed to be patched up or subsequently

modified. Furthermore, the first roof membrane, installed in 1996, is still functional. Other products from the wide range of Sika solutions are also used on the Boeing roofs in addition to waterproofing membranes, such as different types of accessories. Long service life, attractive cost-effectiveness, and flexible application of the roofing systems – along with quality customer service, are key attributes of Sika Sarnafil®. Troy Gamba is proud of his work and of his employer. He does what is good for the company, to ensure its success. And Sika feels honored to have been providing roofing solutions to Boeing in numerous projects for more than two decades. ■

91 BOEING PROJECTS
 USED Sika Sarnafil® ROOFING SYSTEMS

▲ **Customer support on site**

Kevin Vaughn, Sika, Troy Gamba, Boeing, and Steve Shaver from Sika on the roof of one of Boeing's Everett plants near Seattle.

16
KEY INVESTMENTS SINCE 2012

2,349
EMPLOYEES

564.3
MN CHF NET SALES

+5.1%
GROWTH IN LOCAL CURRENCIES

LATIN AMERICA LOCAL PRODUCTION MEANS FASTER DELIVERY

Sika has witnessed strong growth in Latin America over the past few years. And the prospects for the building sector continue to look good despite political and economic uncertainties in individual countries. More than 80% of the population is projected to live in cities by 2025 – a development that is driving the construction of housing, utilities and transport systems. Major infrastructure projects and private-sector investment are also bolstering building activity in Mexico, presenting attractive opportunities for Sika.

▲ High level of expertise for industrial flooring

The Audi press shop in San José Chiapa, Mexico, for which Sika supplied flooring solutions.

Mexico City is one of the largest cities in the world. And it is still growing, giving rise to huge investments in infrastructure construction, including the new airport expansion, which alone is estimated at the equivalent of CHF 4.6 billion. Mexico's high energy and commodity resources and its large domestic market with 120 million inhabitants are also attracting foreign private-sector investment. Recognizing this trend early on, Sika invested in additional factories, production lines and the distribution network. As well as expanding production capacity for products already manufactured in the country, Sika also produces new intermediate and end products in Mexico itself – and always as close as possible to the major business centers.

TARGETED INVESTMENTS TRANSLATE INTO MARKET ADVANTAGES

The new roof membrane factory in Altamira is a recent addition to Sika's Mexican network. Serving mainly the mining industry in Northwest Mexico, a new production site for concrete admixtures was built in Tijuana. New production lines were also commissioned for acrylic resins and acrylic-based sealants as well as interior finishing products. Two new polymer reactors in Querétaro, a mortar factory for the Sikafloor® and PurCem® flooring systems, and a second mortar plant for interior finishing also came on stream. A mortar factory in Coatzacoalcos in the southeast of the country will open in early 2017. With five large production sites in Mexico, Sika is currently equipped to manufacture and distribute flexible quantities of products at short notice in the country itself and deliver fast to customers and their projects.

AUDI PREMIERE

End of September 2016, Audi opened a new CHF 1 billion car plant on a 400-hectare site in San José Chiapa in the Mexican state of Puebla. This is the company's first such facility on this continent. The plant has 4,200 local workplaces and a production capacity of 150,000 premium SUVs per annum. The new generation of Audi Q5 is to be manufactured here for the global market.

SHARED QUALITY MINDSET

PSP Architects Engineers from Germany were contracted to design, tender and supervise the entire automotive plant project. Since PSP has experience of overseeing VW plant building works for the Volkswagen Group, they are well placed to ensure that Audi's key targets and standards are met when it comes to costs, deadlines and, above all else, quality, as qualified architect Alex Muñoz, PSP Architects' project manager at the Audi plant in Mexico, points out. The architects had recommended Sika flooring to Audi for the project and worked with Audi in the selection process. It proved an advantage that Sika products had already been specified for other Audi plants and had proven their worth. But what made Sika stand out was its international network plus the fact that the company manufactures its products in Mexico itself. To ensure everything went smoothly, Sika appointed a local project manager as soon as construction work started in 2012. His job was to interface between Sika and the customer and settle any questions fast and competently.

230,000 M²
FLOORS INSTALLED USING
Sikafloor® SYSTEMS IN THE
NEW AUDI PLANT

▶▲ **Close to the customer**

Nestlé's Edgar Fernando Barrientos and Sika's Eduardo Padilla check the surface structure of the new floor coverings.

▶▶ **Armando García Yáñez, Operations Manager Sika Mexico**



SIKA FLOORING SOLUTIONS FOR ALL REQUIREMENTS

A total area of more than 230,000 m², approximately equivalent to 32 soccer pitches, were installed with various products from the Sikafloor® systems range. Depending on where in the plant these products were being applied, they needed to satisfy different requirements. Sometimes they had to be anti-slip or resistant to heavy mechanical or chemical loads, in other cases electrostatic conductivity was the core property. Delivering the flooring in Audi's corporate design colors posed a particular challenge. For the press shop, for instance, Sika developed a customized Sikafloor® flooring system in a gray tone precisely matching the color specified by Audi. To ensure maximum fulfillment of the customer's requirement, part of the flooring was manufactured in Germany. What's more, the supplier companies that are setting up around the Audi plant have also opted for Sika flooring solutions.



NESTLÉ INVESTMENT

Nestlé opened its first subsidiary in Mexico 86 years ago in the vicinity of Guadalajara, near Ocotlán. This is the very location where the company built the first of six new factories in Mexico under a recently launched investment program worth a total of CHF 1 billion. It represents the largest single investment that the group has ever made in Latin America. At the plant near Guadalajara, Nestlé plans to produce baby foods for the Mexican market, as well as markets in the Caribbean and Central America.

SPEED, COORDINATION AND MAXIMUM STANDARDS

Edgar Fernando Barrientos is a project specialist with Nestlé. He remarks that keeping to the construction plan was the central challenge when building the plant because numerous operations were running in parallel. On top of that, the entire facility must at all times satisfy hygiene standard MR1, which is being increasingly applied in many branches of industry and reflects a general trend toward raising levels of cleanliness in manufacturing processes. This had implications for flooring requirements. The floors must have an extremely even surface with no pores, however small, since contaminants such as dust or bacteria could collect in uneven spots. But the flooring still needs to be anti-slip and electrostatically conductive. Sika fulfilled all these requirements. For an area totaling 24,000 m², it consistently delivered products from the Sikafloor® systems range that exactly met specifications. Sika also supplied energy-efficient Sika Sarnafil® waterproofing systems for the flat roofing. The systems' strong sun reflectivity properties reduce heat transmission to the building.

EXCELLENT COLLABORATION AND HIGH QUALITY

Also on this project a Sika manager was available to the customer at all times. Edgar Fernando Barrientos is full of praise for the fast, reliable and, as he puts it, "excellent collaboration." The invariably high quality of the Sika solutions makes him proud of the joint achievements. He sums up with a resounding "Sika, anytime again!" ■



PASSING ON KNOWLEDGE

In 2016, some 5,000 designers, architects and engineers attended Sika training courses in Mexico. These courses are an important component of local market development activities. “To be considered as supplier for major construction project in Mexico, architects and engineers need to know our products and systems,” explains Rubén Ramirez from the Mexican Specifications team, who is responsible for training. That way Sika products could feed into project specifications at an early stage and become the standard choice. At the same time, the training helps to develop construction expertise within the country. “The feedback from the people attending our courses, workshops and technical presentations is consistently positive,” says Ramirez. “For professionals, events of this quality offer a vital means of

keeping up-to-date with state-of-the-art product solutions and innovations.” Sika cultivates relations with the foremost universities and professional organizations in Mexico, and actively participates in their events and conferences. This enables students and graduates to familiarize themselves with Sika and its building solutions at the very start of their career. Sika is also present on construction sites and last year provided training for over 20,000 product users. ■

▲ Technical training

Civil engineer Maura Alejandra Hernández Correa from Sika explains Sika’s waterproofing and roofing product portfolio to a development team from Moyao Architects in Mexico City.

INDUSTRIAL WATER SUPPLY: 70% LESS WATER CONSUMPTION

Sika Colombia’s Tocancipá plant was able to fully close the water circuit from harvesting rainwater for production to reuse of wastewater as sanitary water, and after cleaning, reuse as irrigation water for crops. In addition, all organic materials are used for composting and fertilizing the garden crops. The specific water treatment filter system has led to a 70% reduction of total water consumption. More than 8,000 m³ of rainwater are collected and used annually, corresponding to 82% of water used. For more information on this and additional projects please see: www.sika.com/responsibility ■



SHORTER TRANSPORT ROUTES FOR HIGH-TECH PRODUCTS

By building its own polymer reactors at the Querétaro plant near Mexico City, Sika has secured a number of competitive advantages in Mexico: apart from cutting costs and speeding up delivery, it has increased customer confidence by guaranteeing supply reliability. The polymers manufactured in Mexico are important starting materials for the high-quality concrete admixtures Sika® ViscoFlow® and Sika® ViscoCrete®. Among other things, these enable significant water reduction and extended workability times for concrete mixes – crucial factors for work carried out in megacities such as Mexico City, with its many high-rise developments and long transport routes to the site. By eliminating import costs, local polymer production has increased the manufacturing efficiency of concrete admixtures. It has also slashed delivery times. As Armando Garcia, Op-

erations Manager for the Mexican plants, points out, decisions on whether to proceed with projects – in particular small and medium-sized infrastructure schemes – are sometimes made at very short notice. “Now it’s easy for us to react in such cases.” He also emphasizes that customers appreciate local production and that they frequently visit Sika’s factories to learn about the manufacturing process. ■

▼ Fast delivery times

The new polymer reactors at the Sika plant near Mexico City substantially shorten production times of the high-performance concrete admixtures.



▼ Singapore

The acquisition of LCS Optiroc has strengthened Sika's market position in the Singapore construction industry.

ASIA/PACIFIC GROWTH DYNAMIC IN SOUTHEAST ASIA

26	4,169	1,080.7	+3.6%
KEY INVESTMENTS SINCE 2012	EMPLOYEES	MN CHF NET SALES	GROWTH IN LOCAL CURRENCIES

Dynamic economic region Southeast Asia includes countries such as Vietnam, Indonesia, Malaysia and Singapore. Numbering 650 million inhabitants and covering an area of 4.4 million km², it is roughly as large as the EU. Sika established a foothold in this market at an early stage and, due also to the successful acquisition of Singapore-based LCS Optiroc, is benefiting from the region's economic growth. Additional production facilities, new national subsidiaries and targeted marketing efforts are part of Sika's drive to sustain the high growth momentum.



Southeast Asian gross national product has risen by an average of 6.5% per annum over the past decade. Thanks to direct foreign investment, ongoing urbanization, an increase in people's purchasing power and higher government spending on infrastructure and utilities, national construction markets in the territory will continue to enjoy strong growth potential. Recognizing this, Sika stepped up investments in the region in recent years and has witnessed average annual sales growth of above 20% since 2012.

ACQUISITION OF LCS OPTIROC

Sika acquired LCS Optiroc in 2014. The Singapore-headquartered company, which has production facilities in its home market and Malaysia, specializes in cementitious powder products and boasts a wide range of mortars, including floor screeds, tile adhesives, plasters, grouts, as well as internal and external skim coats. These products ideally complement Sika Singapore's offering of high-performance construction chemicals established prior to the acquisition of LCS Optiroc. "From the very outset, it was important for me to know that my life's work was being placed in the hands of a credible partner that shares my goal of driving the company forward - not just in Singapore, but in the entire Southeast Asia region" explains Choong Fee Chong, Managing Director of Sika LCS Optiroc and Head of Building Mortar Asia/Pacific. He founded the company in 2004 with a partner

and has been leading it very successfully ever since. LCS Optiroc's broad product portfolio meant it was already the market leader in Singapore before being acquired by Sika. The firm has continued to expand its position by bringing new, innovative products to the market. Over the past few years, the portfolio has been augmented with sustainable mortars that have won Singapore's Green Label certification in recognition of their sustainable eco-friendly properties.

RESIDENTIAL CONSTRUCTION IN SINGAPORE

Acquiring the mortar specialist not only bolstered Sika's offering with new, high-quality volume products that are very much in demand in the region, it also ensured the company a strong market position in Singapore's regulated construction market. The majority of residential properties in the city state are built by the government-run Housing Development Board (HDB). Singapore established the HDB to provide affordable housing for the general population. Construction targets are set under a five-year program. In the 2011-2015 period, close to 25,000 dwelling units per annum were built. A good 10,000 new units per annum were funded by private investment in the same time span. Over 80% of Singapore's residents live in state-subsidized housing. LCS Optiroc enjoys an excellent reputation with the HDB and certified construction companies alike, and has supplied to numerous projects. "When it comes to quality and on-



>60%

THE PERCENTAGE OF THE POPULATION OF SOUTHEAST ASIA THAT PROJECTIONS SHOW WILL BE LIVING IN CITIES BY 2050

◀ Sika solutions

Bayu Budi Prasetyo, Construction Manager from the contractor PT Wijaya Karya, and Muhammad Anshori, Sales Engineer for Key Projects at Sika, examine the progress of the Semanggi Interchange 2. The project comprises the addition of an elevated road section at a length of 1.6 km, without supporting columns, which is built above the existing interchange in the heart of Jakarta to help relieve congestion. A comprehensive portfolio of Sika admixtures, mortars and adhesives helps to create this challenging structure.

◀ The megacity challenge

Jakarta, Indonesia.

time delivery, LCS Optiroc is a dependable partner," says Wilson Wong, General Manager of building contractor LC & T, one of the largest HDB contractors in Singapore. He remarks that LCS Optiroc responds fast and is solution oriented, which is in part attributable to the company's efficient, large-volume production.

COMBINED GROWTH PLATFORM

The Sika national subsidiary in Singapore is today located in the LCS Optiroc building and produces concrete admixtures for the local market in the LCS Optiroc plant. United as one company, LCS Optiroc and Sika also share product formulations and production know-how for their mortar products and round out each other's product ranges and distribution channels. Sika's international organization also provides a conduit to distribute LCS Optiroc products outside Singapore. Products from the LCS Optiroc portfolio are already being sold in Vietnam and Thailand. Local Sika staff are currently being trained up in preparation for market launches in Indonesia and China. Strong population growth and urbanization in Southeast Asia spell large potential for mortars, explains Choong Fee Chong. But it is not the region's macroeconomic development alone that holds out promise and prospects for structural growth. Technical developments in the mortar business also open up opportunities for Sika. Mounting wage costs, a heightened sense of quality, and a growing trend to build high-rises are bolstering demand for prepacked

mortar products such as those manufactured by Sika and Sika LCS Optiroc. This technology shift offers enormous potential: around 90% of the mortars used today in Southeast Asia are mixed at the construction site. This compares with developed markets such as Australia, where 85% of the mortar employed is prepacked. A mere 15% of mortar is mixed on site. This trend prompted Sika not only to acquire LCS Optiroc, but also to invest in further mortar plants in Thailand and Malaysia in the past few years. Beyond that, sales organizations have been upscaled in the interior finishing sector, and marketing efforts have been intensified with the primary goal of positioning Sika as the leading technology and solutions provider.

THE SIKA SPIRIT

Choong Fee Chong had originally intended to continue running Sika LCS Optiroc for just two years after the takeover. The fact he is still there has a lot to do with Sika's corporate culture. "The last three years have been enriching and new perspectives have opened up both for LCS Optiroc and for me as a person. For Sika employees, everything is possible," comments Choong Fee Chong, pointing out that Sika LCS Optiroc staff are in regular contact with colleagues in the region and throughout the world, and they benefit from lively technology discussions as well as training activities. "Sika was and still remains the best choice," reflects Choong Fee Chong. ■

NEW FACTORIES SUPPORT GROWTH

Sika has progressively strengthened its local supply chain in Southeast Asia in recent years, having invested in seven new factories – in Thailand, Vietnam, Cambodia, Singapore, Myanmar, Indonesia and Malaysia – since 2012. The company relies on a proven market development strategy based on the creation of local production capacities, which then pave the way for the supply of large product volumes to customers, continued growth and the expansion of market share. In most cases, the local supply chains begin with concrete admixtures and mortar products. Then, once markets reach a certain stage of maturity, further technologies, such as flooring systems or liquid membranes, are added. At present, the seven new factories primarily produce concrete admixtures and mortars. Government-launched infrastructure programs and energy supply projects plus an increasing volume of private investment in industrial and residential developments are fueling demand for these materials. Local production also involves a considerable amount of knowledge transfer within Sika, as well as developing local markets' use of new construction technologies and solutions. ■



▲ **Surabaya, Indonesia**
The new Sika factory, which opened in 2014, produces concrete admixtures and mortars.

A NATURE-BASED SOLUTION FOR SEWAGE TREATMENT

Following an innovative biomimicry approach, the so-called green filter is a cost-effective solution to sewage treatment based on natural processes of contaminant degradation in wetlands. Together with the Global Nature Fund (GNF), Germany, Sika supports the implementation of green filters that purify between 0.8 and 1.4 liters of water per second, removing 86% of polluting components hereby significantly contributing to protection of rivers and lakes. At Lake Sampaloc, Philippines,

a green filter cleans parts of the sewage of surrounding households. Sika and the GNF are supporting the use of Green Filters in further countries such as Colombia, Mexico and South Africa. Sika solutions for corrosion and concrete protection guarantee high durability of efficient wastewater systems. For more information on this and additional projects please see: www.sika.com/responsibility ■



NEW LANDMARK BUILDING IN SINGAPORE



At the heart of Singapore's new Marina Bay central business district, work is in progress on Marina One, one of the largest and most prestigious developments currently under construction in the city-state. The over 26,000 m² site will house four high-rise buildings with luxury apartments and prime office accommodation along with a shopping center and gardens. Even before its opening in 2017, the project, which is a joint venture between the Malaysian and Singapore governments, has obtained amongst others LEED Platinum pre-certification for its highly eco-friendly, resource-efficient and sustainable concept.

port offered by Sika LCS Optiroc during the construction period, reserving particular praise for the short response times and expert service. ■

RELIABLE SOLUTIONS FOR THE MOST CHALLENGING REQUIREMENTS

As one of the two main contractors, Hyundai Engineering & Construction is responsible, among other things, for project controlling. During the bidding procedure for the construction products, Sika LCS Optiroc scored points by providing high-quality solutions, competitive prices and active technical support. In the course of extensive in-depth advice sessions which drew on the company's project references, the best solutions for the prestigious project were discussed. Sika LCS Optiroc's contribution thus went beyond the simple provision of high-quality products to include wide-ranging technical support to help achieve the best solutions for the overall project. The Marina One project is now being supplied with the entire range of building mortars including premixed screed mortar, water-proofed floor screed, high specification tile adhesives, grouts, color tile grouts and skim coat. In expressing his satisfaction with Sika's products, Kim Dong Hwan, Planning & Engineering Manager at Hyundai, cited just one example: "During the quality checks, our engineers frequently recorded screed hardness that even exceeded the architects' specifications." He also voiced his appreciation of the wholehearted sup-

520,000 M²
USABLE FLOOR SPACE IN THE NEW MARINA ONE COMPLEX, WHICH WILL HOUSE OFFICES, APARTMENTS, A SHOPPING CENTER AND GARDENS

4,000
CONSTRUCTION WORKERS ARE IN ACTION AT THE MARINA ONE SITE

▲ **A forward-looking architectural concept**
The construction site of the Marina One development, a joint venture between the Singapore and Malaysian governments that has already received a number of awards for its sustainability.



STRONG POSITION IN THE WORLD'S LARGEST AUTOMOTIVE MARKET

As the world's largest automotive market, China accounts for 50% of the industry's global growth. And sales look set to continue rising with China's passenger car penetration rate still low and purchasing power on the increase. Targeting above-market growth, Sika Automotive is expanding its presence and supporting local and global automotive manufacturers in China with high-quality product technologies and outstanding technical service. China's biggest SUV manufacturer Great Wall Motors numbers among them.

Sika's automotive solutions make vehicles lighter, stronger, safer, more comfortable and more environmentally friendly. Trends such as lightweight design, electromobility and, at the same time, heightened passenger safety are feasible only with innovative sealants and adhesives as well as structural strengthening components. Sika products are already used in more than 50% of all vehicles manufactured in the world. And the declared aim is to achieve a 50% increase in the proportion of Sika materials per vehicle by 2020.

comfortable and offer a positive driving experience. In the cities, vehicles with alternative drive systems are also becoming increasingly popular. Financial incentives from the state, high registration fees for gasoline and diesel engines above 1.6-liter size, and heavy smog are bringing about a change in thinking among numerous inhabitants of large agglomerations. This attractive market is shared by Chinese and global auto groups: in 2016, 43% was held by Chinese manufacturers, and 57% by joint ventures with international automakers. The majority of vehicles sold in China are produced in the country itself. Sika already has business relationships with many of the global groups and their suppliers and is also contributing to rising quality standards in the country's auto construction sector. By expanding its organizational structure in China, introducing new technologies plus local production and opening a technical service center, Sika Automotive has also positioned itself as a dependable partner among up-and-coming Chinese manufacturers.

HIGH-QUALITY SOLUTIONS FOR CHINA

China is a key market for Sika. The Chinese automotive market is a growth sector, especially for SUVs. Many families still do not own a car, roads outside the population centers are underdeveloped, and purchasing power continues to grow. Quality is progressively becoming a more important consideration as well. More and more people in China want premium cars that are spacious,

11.6%

GLOBAL GROWTH SEEN BY SIKA AUTOMOTIVE IN 2016 – ON A 4.8% INCREASE IN CAR PRODUCTION

▲ **Number one in China**
Production line at Great Wall Motors, number one in the Chinese SUV market.

36%

AVERAGE SALES GROWTH PER ANNUM ACHIEVED BY SIKA AUTOMOTIVE IN CHINA SINCE 2012

- ▶ **Customer proximity**
Jianjiao Zhang from Great Wall Motors and Feng Gao from Sika discussing technical solutions for the Haval models.
- ▶▶ **Success model SUV**
The Haval brand from Great Wall Motors accounts for a market share of 20% of China's ever more popular SUV market.

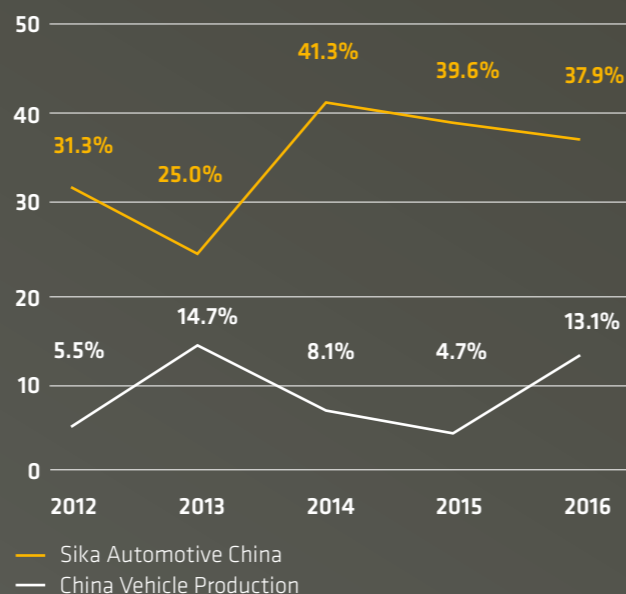




SIKA AND GREAT WALL MOTORS

Sika relies on its high level of technological and solution-led expertise as well as its broad portfolio. The fact that Sika products are manufactured locally is crucial in the Chinese auto market too. Having production capabilities in China allows Sika to respond optimally to changes to order quantities made at short notice by local automotive manufacturers. Long delivery times for imports are no longer an issue, and the advantages of production being costed in local currency help Sika to remain competitive. Another crucial factor is the excellent technical service provided. Jianjiao Zhang, Director Purchasing with China's biggest SUV maker Great Wall Motors, provides an example to confirm this. When the group was facing difficulties with the bodywork on one of its large models, Sika was there to help right away, calling in its own engineers from Europe and the US and very quickly resolving the problem by using SikaReinforcer® to partially strengthen the bodywork. Since fast response times are critical for Great Wall Motors, someone from the Sika team is permanently available to ensure that interfacing between the two companies is both consistent and flawless and that customer issues can be dealt with quickly. The trust that has been built up is reflected in the continual expansion of the business relationship between Great Wall Motors and Sika. ■

STRONGEST AUTOMOTIVE GROWTH RATES GENERATED IN CHINA

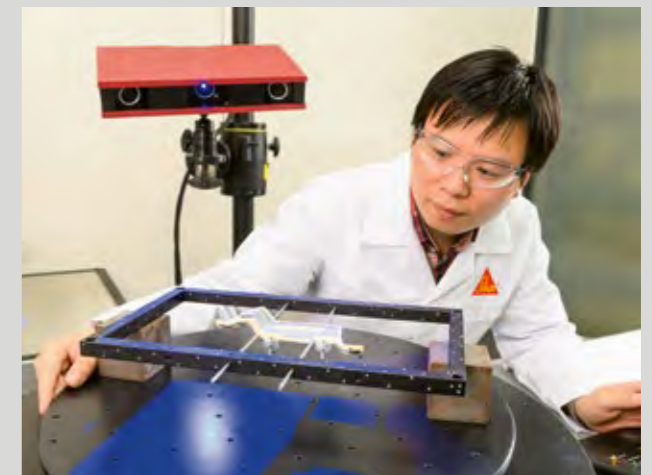


▲ Baoding, China

Assembly of SikaBaffles® in the car bodies of the Haval model line.

MAKING PRODUCT BENEFITS VISIBLE

Sika Automotive delivers innovative products for bodywork reinforcement, systems for reducing noise and vibration, as well as sealants and adhesives. These high-quality solutions are usually vehicle-specific and have to be tailored to the customer's production process. Under engineering partnerships, often going on for many years, Sika works together with customers – car manufacturers as well as their suppliers – on the development of specific components and materials for the respective model. Testing the product application, which needs to function perfectly on the customers' systems, and communicating Sika's technical expertise are central elements of the sales strategy. This is why, in 2016, a Technical Service Center was set up at the factory in Suzhou near Shanghai. The Center is used to demonstrate the high performance and long service life of Sika's products. For instance, product applications are carried out with original components, and then tested for strength or aging. And that pays off. The number of Sika components in cars in China is rising continually, and customer satisfaction is high. ■



▲ Suzhou, China

Before they are delivered to customers, the quality of Sika components is tested using state-of-the-art laser technology.

HIGH-QUALITY PRODUCTS AVAILABLE LOCALLY



The Chinese market is very dynamic," explains Dirk Brandenburger, Head Sika Automotive Asia/Pacific. To be able to respond fast to what are often time-critical inquiries and keep the quality of Sika products at a consistently high level, Sika Automotive has been continually expanding the factory that it opened in Suzhou near Shanghai in 2015. SikaBaffle® products for noise and vibration absorption as well as sealing body cavities against dirt or water are already being produced on four lines in two-shift operation. The innovative body shop adhesive SikaPower® has also been manufactured here for local Chinese automakers since 2016. According to Dirk Brandenburger, the goal is to market and produce other Sika technologies locally in China. Besides the substantial reduction in delivery times that this brings, other key factors are the elimination of import costs, and the general shelf life of chemical products. The local Engineering team worked closely with global experts on the design and construction of the factory in Suzhou as well as identifying suitable local raw material suppliers. ■

◀ New production line

Production of structural bonding adhesive Sika Power® for Chinese car manufacturers.

Sika's Group Management is made up of nine experienced managers, whose diverse careers led them to Sika companies across the globe. The photo shows the team in the Gotthard Base Tunnel in Switzerland. Sika played a significant role in the construction of the 57 km rail tunnel, the longest in the world, by supplying products such as concrete admixtures, waterproofing and joint sealing systems. In response to the extremely demanding requirements, Sika developed ground-breaking innovations throughout the 14 years the tunnel was under construction – innovations that today are influencing building techniques all around the world.

**HEINZ GISEL**

Asia/Pacific
With Sika for 26 years in Switzerland,
USA, Austria, and Asia

YUMI KAN

Building Systems & Industry
With Sika for 25 years in Switzerland
and Asia

CHRISTOPH GANZ

North America
With Sika for 21 years in Switzer-
land, France, and the USA

ERNESTO SCHÜMPERLI

Concrete & Waterproofing
With Sika for 30 years
in Colombia and Switzerland

THOMAS HASLER

Technology (CTO)
With Sika for 28 years in
the USA and Switzerland

JOSÉ LUIS VÁZQUEZ

Latin America
With Sika for 33 years in
Spain and Latin America

PAUL SCHULER

EMEA
With Sika for 29 years in
Switzerland, Germany, and the USA

JAN JENISCH

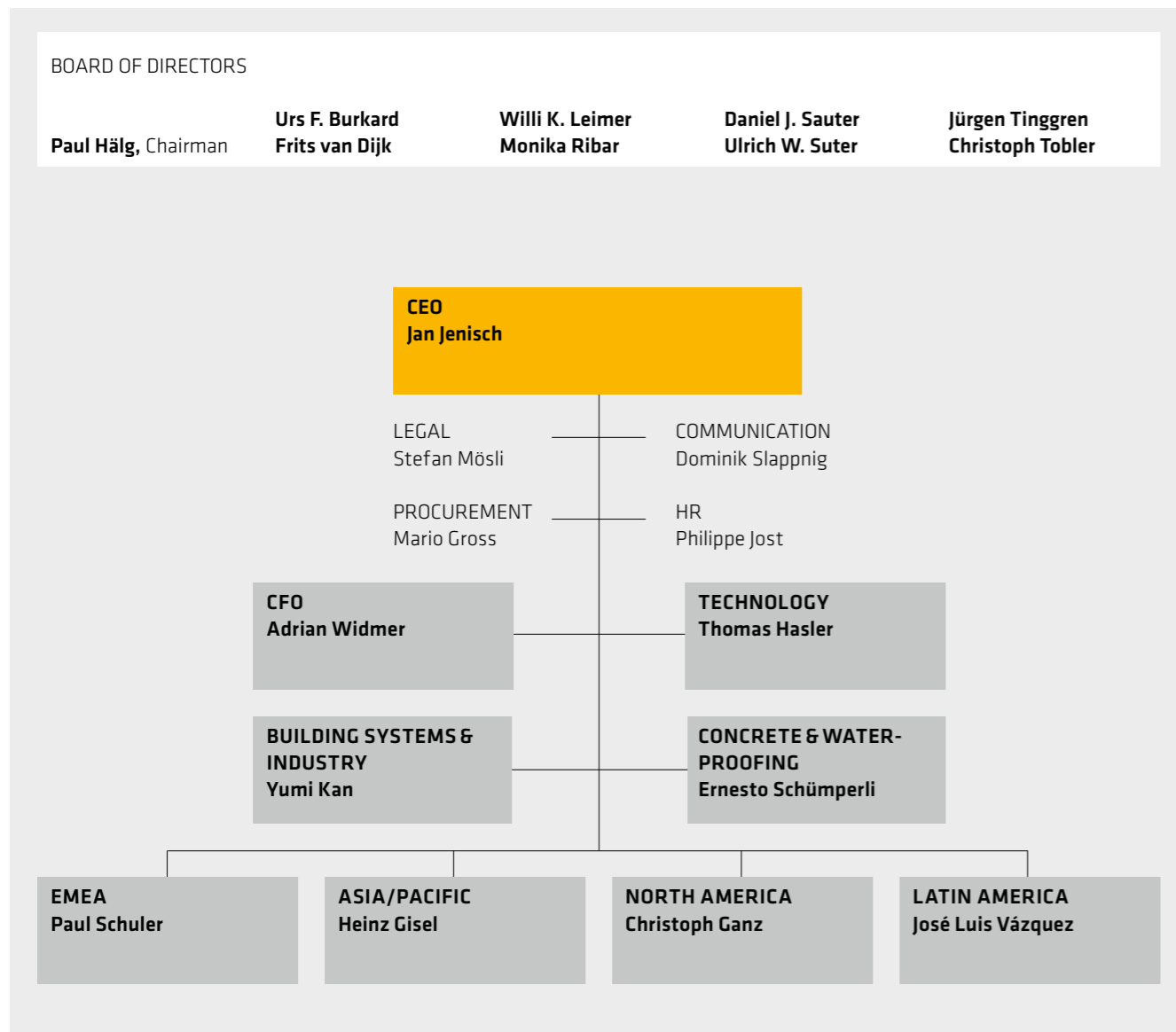
CEO
With Sika for 21 years in Switzerland,
Germany, and Asia

ADRIAN WIDMER

CFO
With Sika for 11 years in
Switzerland

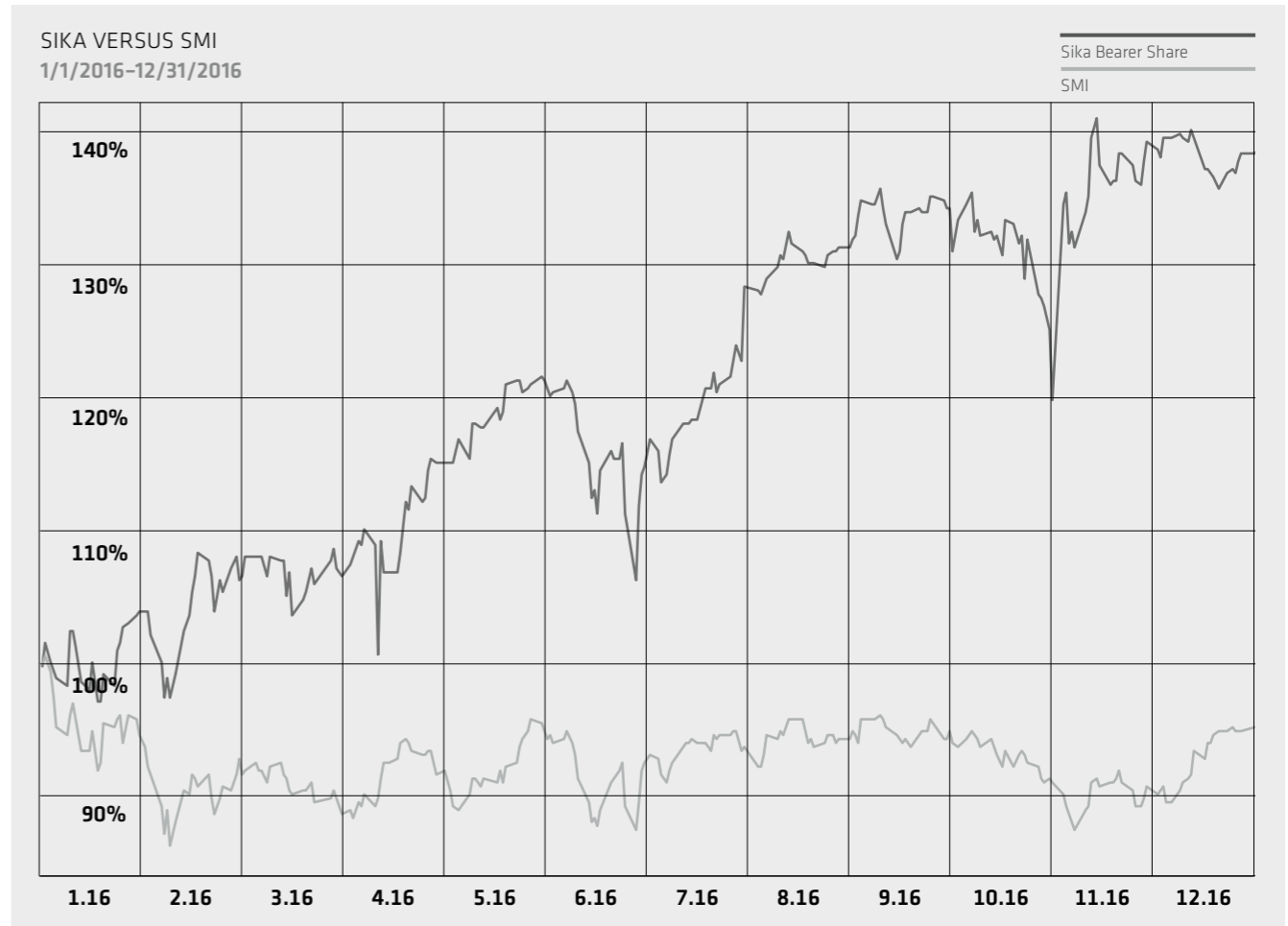
INTEGRATED MANAGEMENT, FLAT HIERARCHIES

We take the long view when it comes to developing our business. Our relationship with customers, employees and other stakeholders is shaped by respect and responsibility. Sika operates with a strong focus on safety, quality, environmental protection, fair treatment, social responsibility, responsible growth, and value creation.



MARKET CAPITALIZATION EXCEEDS CHF 10 BILLION FOR THE FIRST TIME

In 2016, the Sika share price showed an above-average performance (+35.1%) compared to the relevant stock indices, as for example the SMI (-6.8%).



OVERVIEW

- Performing at +35.1%, the Sika share price developed stronger than the SMI index (-6.8%).
- Closing price of the Sika share in 2015: CHF 3,620
Closing price of the Sika share in 2016: CHF 4,892
This corresponds to a performance of 35.1%.
- The key global share indices performed as follows:
 - SMI -6.8%
 - SLI -2.6%
 - DAX +6.9%
 - Dow Jones +13.4%
 - Nikkei +0.4%

STOCK EXCHANGE RATIOS SIKA

in CHF	2016
Market capitalization in CHF mn	12,427
Yearly high	5,000
Yearly low	3,409
Year-end stock price	4,892
Dividend 2015	78.00
Dividend 2016 ¹	102.00
Earnings per share (EPS)	221.81

1) Pursuant to proposal to Annual General Meeting

THE QUALITY OF THE CORPORATE CULTURE SHAPES THE QUALITY OF THE FUTURE

Sika's success is based on the expertise and entrepreneurial spirit of its employees. Decisions and responsibilities are delegated to the appropriate level of competence. Large numbers of employees describe the team atmosphere at Sika as open, friendly, and straightforward, and refer to it as the Sika Spirit. The company's strong growth derives directly from a dynamic corporate culture that is geared to knowledge transfer. Top priority is given to Sika's values, principles and leadership culture, training and professional development, talent management, diversity, and use of new media.

VALUES AS THE FOUNDATION

Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, and Manage for Results - these are the defining elements of the corporation. These values and principles provide a point of reference for the entire global workforce and are firmly enshrined in all Sika companies. Thus the Group's culture of trust, transparency and openness has a firm global foundation.

EMPLOYEES WORLDWIDE

The number of employees rose 0.8% during the year under review to 17,419 (previous year: 17,281). Regional distribution is as follows: EMEA: 9,083 (previous year: 9,079), North America: 1,818 (previous year: 1,653), Latin America: 2,349 (previous year: 2,437), Asia/Pacific: 4,169 (previous year: 4,112). The age structure at Sika is broadly balanced: 15% of employees are under 30 years of age and 23% over 50. Over 95% of employees have permanent employment contracts. Together, the workforce generated a net added value of CHF 1,935 million in 2016 (previous year: CHF 1,755 million). This corresponds to net added value per employee of CHF 112,000 (previous year: CHF 103,000).

RESPONSIBILITY FOR THE FUTURE

Sika gives preference to internal candidates for specialist and management appointments. In the last four years, for example, Sika's senior management roles have almost all been filled internally. The long-term nature of employees' career prospects is one reason why the labor turnover rate is just 6.2% (2015: 6.6%). Global and regional staff development programs not only convey know-how and skills, but also motivate employees by inspiring a strong sense of identity, which essentially reflects Sika's corporate values and principles.

Sika is proud to have a large number of long-serving employees. It sets great store by people who stay with the company and share their know-how and experience for as long as possible. Sika regards internal and external training courses as key development tools for its more than 17,000 employees. The range

of courses on offer also includes more extensive training programs, some of which are organized through partnerships with universities and scientific institutes. In the year under review, Sika spent approximately CHF 9.9 million (previous year: CHF 11.1 million) on staff development. The aim is to provide at least ten hours training per year for each employee. In 2016, this figure stood at 12.4 hours (2015: 11.9 hours).

LEARNING FOR LONG-TERM SUCCESS

The Sika Business School offers programs in the areas of management development and talent development. In the year under review, the school ran 12 courses for junior managers. Sika continued its partnership with the International Institute for Management Development (IMD) in Lausanne, Switzerland. Among other things, over 100 managers took part in a training course on leadership and strategy. The Sika Business School lays particular emphasis on the area of sales and marketing, offering numerous courses to develop the sales force. Furthermore, many training courses on Sika products and their applications take place at local and regional level. The company's expertise in advising customers is thus fostered worldwide. In the reporting year, various online and offline offerings plus a new, purpose-designed e-learning software application were launched as part of the overarching SikaLearn concept.

NEW FORMS OF COMMUNICATION

During the reporting year, the new "SikaWorld" digital communication and collaboration portal was launched in over 50 countries. This so-called "social intranet" serves as a combined forum for information, communication and collaboration. In tandem with the "SikaConnect" internal social media platform, it helps to ensure that information is turned into practical knowledge. The Group is also present on external social networks such as LinkedIn, where Sika had 45,000 followers in 2016. Both internal and external digital media play a key role in shaping Sika's corporate culture. This not only covers recruitment and training, but also extends to everyday communication, whether at the workplace or off-site.



VALUES AND PRINCIPLES

Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, and Manage for Results - these are the defining elements of our company.



MANAGEMENT COMPETENCE

Those who wish to lead must set an example. Sika both supports and challenges its managers at all levels. Long-term career prospects lead to low labor turnover rates.



TRAINING AND DEVELOPMENT

In 2016, Sika invested CHF 9.9 million in staff development. Company employees spent a total 216,220 hours attending training and development courses.



TALENT MANAGEMENT

The leadership program is directed at talented company employees at global and regional level. Over 250 people were taking part in the development program in 2016.



DIVERSITY

People of different origins bring new perspectives. At Sika, the assimilation of different ways of thinking and living serves to unlock new potential.



DIGITAL MEDIA

The company's extraordinary growth is additionally supported by media such as the social intranet, online learning programs and guidance apps.

WORLDWIDE RECOGNITION FOR OUR ACHIEVEMENTS

Our employees did a great job in 2016 – their competence and commitment have not only brought us another record result, but also allowed us to achieve many different awards. These awards show third-party recognition for the excellent work of our teams all around the world. This section highlights some of the approximately 50 awards won by Sika this year.



MESH MOULD INNOVATION RECEIVES SWISS TECHNOLOGY AWARD

With Sika as its industrial partner, researchers at ETH Zurich won the "Inventors" category of the Swiss Technology Award 2016 at the Swiss Innovation Forum in Basel. Developed in collaboration with Sika experts, "Mesh Mould" technology makes it possible to produce concrete elements of any shape without using formwork. This heralds the dawn of a digital future in the construction industry.



FOUR AWARDS FOR SIKA PROJECTS IN THE US

Sika can once again look back on a successful year with four awards from the prestigious International Concrete Repair Institute (ICRI). The ICRI recognizes outstanding concrete refurbishment projects. The renovation of the historic Hibernia Bank building in San Francisco was chosen as project of the year. Earthquake resistance and reinforcing the building structure played a decisive role in the project. Extensive preliminary structural testing and the way in which the historic building's features were maintained won over the jury. Sika supported the project with its technical expertise and products.

16 SUPPLIER AWARDS RECEIVED

Good performance is rewarded the world over. With the 16 supplier awards received by Sika organizations in EMEA, North America, Asia/Pacific and Latin America, customers have expressed their satisfaction with Sika as a supplier. International recognition has been given to the product range and innovations, supplier and customer service and training activities.



SIKA WEBSITE LEADS THE WAY IN SWITZERLAND

Following its third place last year, Sika is now front-runner in the 2016–2017 rankings of all websites of listed companies in Switzerland, and was awarded the first prize. Sika has also improved in European terms and now lies in 12th place out of the almost 500 websites that have been analyzed. The Web rankings were compiled for the 20th time by Comprend and Lundquist in Milan, and are seen as a benchmark in digital communication.



SIKA AWARDED STUTTGART CITY ENVIRONMENTAL PRIZE

With its "Construction of a solar park in Stuttgart" project, Sika Germany won the Stuttgart City Environmental Award in the "Businesses in the industrial, commercial, services and trading sectors." The solar park on the roofs of the production halls at the Stuttgart plant has been operational since 2008, with over 2,100 m² of solar panels generating a total of 650 MWh. The equipment is used not only as a test bed for in-house assembly systems, but also to supply power for the company's electric vehicle fleet.



SIKACERAM® SETS STANDARDS IN CHINA

Sika has received two awards under "Mortars of China 2016," organized by the China Building Material Market Association. SikaCeram® was honored as leading brand and SikaCeram® Wide-application – a product available in China – was recognized as one of the most innovative cementitious tile adhesive products. The Chinese tile adhesive market has maintained high double-digit growth rates during recent years, which has helped SikaCeram® to become widely recognized as a progressive tiling system in this region.



SIKA UK WINS AT THE UK ROOFING AWARDS IN THE SINGLE PLY CATEGORY

With truly stunning results, Sika Sarnafil®'s residential Project in London "Ewart Grove" impressed the judges of the prestigious UK Roofing Awards 2016, hosted by the NFRC (National Federation of Roofing Contractors). The project won in the Single Ply category due to its extremely intricate design – including two barrel roofs and a large, unique triangulated tower at the front – which presented a real challenge. Sika took roof installation to new frontiers and pushed the boundaries of what can be achieved with single-ply roofing.



AMATA BEST WASTE MANAGEMENT AWARD FOR SIKA FACTORY IN THAILAND

More value, less impact is a key priority for Sika, and the team in Thailand made a big contribution towards achieving that goal when they won the Amata Best Waste Management Award 2016 for the Sika factory on the Amata Nakorn Industrial Estate. Sika was one of the factories to take home the Gold Award. The award recognizes factories that have the best waste efficiency management, with a main focus on reduce, reuse and recycle. Companies must also meet or exceed Thailand's waste regulation requirements.



SIKA WINS EUROPEAN AUTOMOTIVE AWARD

Frost & Sullivan recognized Sika with the European BIW Automotive Adhesives Product Leadership Award. OEMs' use of lightweight materials in the BIW (body in white applications) segment presents growth opportunities for adhesives in vehicle manufacturing. To capture these opportunities, Sika Automotive focuses on innovative adhesives which allow a mix of materials to achieve weight reduction and at the same time an increase of the stiffness of the car bodies. SikaPower® and SikaSeal® are for Frost & Sullivan Research the most efficient BIW adhesives in the market. The award ceremony took place in summer 2016 in London.



SIKA SARNAFIL® RECOGNIZED FOR ITS TREMENDOUS CONTRIBUTION TO SKILLS TRAINING

Sika Sarnafil® was again recognized as the national training base for high-polymer membranes in the roofing and waterproofing industry in China. The award comes from the China National Vocational Skills Assessment 040 Station and has been received by Sika Sarnafil® for the third consecutive year. This means that the training base is a China National Government accredited vocational skills center for roofing and waterproofing. Training sessions at Sika Sarnafil® focus on both the theory and hands-on applications for high-polymer single-ply membranes and systems. As a technological pioneer and international player in the Chinese market, Sika Sarnafil® is also the first and only international company to receive the title in China.



SIKA GETS THE VOTE FROM BRAZILIAN BUILDING MATERIAL MERCHANTS

In 2016, Sika Brazil won the National Association of Building Material Merchants Anamaco Award for its waterproofing and bitumen membranes. This is a significant prize because it is voted for by the experts selling Sika's products, namely more than 1,600 construction material dealers in Brazil. When surveyed on the best companies, Brazil's dealers put Sika on top. The awards ceremony took place in São Paulo and brought together 2,000 people from the industry including distributors, industry entrepreneurs and leading construction authorities.

BALANCE SHEET AND INCOME STATEMENT

Strong balance sheet with an equity ratio of 57.8% (previous year: 51.8%).
Record figures for operating profit, net profit and operating free cash flow reaching CHF 795.3 million (+18.1%), CHF 566.6 million (+21.8%) and CHF 586.5 million (+29.9%) respectively.

CONSOLIDATED BALANCE SHEET

in CHF mn	12/31/2015	12/31/2016
Cash and cash equivalents	1,074.4	1,155.0
Accounts receivable	1,014.5	1,043.1
Inventories	584.9	600.8
Prepaid expenses and accrued income	87.0	89.0
Other current assets	17.3	9.1
Current assets	2,778.1	2,897.0
Property, plant, and equipment	924.3	959.2
Intangible assets	1,037.9	1,021.2
Investments in associated companies	6.4	6.3
Deferred tax assets	126.1	159.7
Other non-current assets	51.0	55.8
Non-current assets	2,145.7	2,202.2
ASSETS	4,923.8	5,099.2
Accounts payable	581.1	587.0
Accrued expenses and deferred income	217.3	223.9
Bond	249.9	0.0
Income tax liabilities	67.7	92.0
Current provisions	18.8	20.8
Other current liabilities	28.3	44.3
Current liabilities	1,163.1	968.0
Bonds	698.4	698.7
Non-current provisions	61.9	57.5
Deferred tax liabilities	109.8	110.2
Employee benefit obligation	298.9	274.6
Other non-current liabilities	39.6	42.5
Non-current liabilities	1,208.6	1,183.5
LIABILITIES	2,371.7	2,151.5
Capital stock	1.5	1.5
Treasury shares	-0.9	-11.0
Reserves	2,530.2	2,933.8
Equity attributable to Sika shareholders	2,530.8	2,924.3
Non-controlling interests	21.3	23.4
SHAREHOLDERS' EQUITY	2,552.1	2,947.7
LIABILITIES AND SHAREHOLDERS' EQUITY	4,923.8	5,099.2

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	%	2015	%	2016	Change in %
Net sales	100.0	5,489.2	100.0	5,747.7	4.7
Material expenses	-45.9	-2,518.4	-44.7	-2,566.6	
Gross result	54.1	2,970.8	55.3	3,181.1	7.1
Personnel expenses	-20.1	-1,106.5	-20.1	-1,159.1	
Other operating expenses	-18.7	-1,027.0	-18.4	-1,056.3	
Operating profit before depreciation	15.3	837.3	16.8	965.7	15.3
Depreciation and amortization expenses	-3.0	-164.0	-3.0	-170.4	
Operating profit	12.3	673.3	13.8	795.3	18.1
Interest income	0.1	3.5	0.0	2.6	
Interest expenses	-0.5	-25.5	-0.3	-20.4	
Other financial income	0.1	8.5	0.1	5.2	
Other financial expenses	-0.8	-41.3	-0.5	-27.4	
Income from associated companies	0.1	3.4	0.0	0.5	
Profit before taxes	11.3	621.9	13.1	755.8	21.5
Income taxes	-2.8	-156.8	-3.2	-189.2	
Net profit	8.5	465.1	9.9	566.6	21.8
Profit attributable to Sika shareholders	8.4	460.3	9.8	563.1	
Profit attributable to non-controlling interests	0.1	4.8	0.1	3.5	
Undiluted/diluted earnings per bearer share (in CHF)		181.37		221.81	22.3
Undiluted/diluted earnings per registered share (in CHF)		30.23		36.97	22.3

DETAILS TO STATEMENT OF CASH FLOWS

in CHF mn	2015	2016
Operating activities	585.8	735.7
Investing activities	-206.3	-172.7
Financing activities	-186.8	-473.3
Exchange differences	-17.1	-9.1
Net change in cash and cash equivalents	175.6	80.6
Operating activities	585.8	735.7
Investing activities	-206.3	-172.7
Free cash flow	379.5	563.0
Acquisitions/disposals less cash and cash equivalents	69.5	23.6
Acquisitions (+)/ disposals (-) of financial assets	2.5	-0.1
OPERATING FREE CASH FLOW	451.5	586.5

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