

# FROM INNOVATION TO SOLUTION

OUR YEAR 2017



## RECORD PROFIT

CHF 649.0 MN NET PROFIT (+14.5%)  
CHF 896.3 MN EBIT (+12.7%)  
CHF 6,248.3 MN NET SALES (+8.7%)

## INNOVATION

217 NEW PATENTS AND AROUND  
1,200 PRODUCTS LAUNCHED  
IN THE LAST THREE YEARS

## GROWTH

STRATEGIC TARGETS 2020 CONFIRMED,  
GROWTH TARGET FOR 2018 RAISED TO  
MORE THAN 10%

## EXPANSION

3 NEW NATIONAL SUBSIDIARIES  
9 NEW FACTORIES  
7 ACQUISITIONS

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BUILDING TRUST





SIKA DEVELOPS SOLUTIONS THAT MAKE THE CONSTRUCTION AND VEHICLE INDUSTRIES MORE EFFICIENT, SAFER, AND MORE ENVIRONMENTALLY FRIENDLY. COVER: SIKA LABORATORY IN ZURICH, SWITZERLAND REAL-LIFE APPLICATIONS ARE THE NUMBER ONE PRIORITY. THIS PAGE: CONSTRUCTION SITE OF GIVAUDAN'S INNOVATION CENTER IN KEMPTTHAL, SWITZERLAND\*



29.8%

ROCE

19

KEY INVESTMENTS

+12.7%

OPERATING PROFIT (EBIT)

8%

LESS WORKPLACE ACCIDENTS

+14.5%

NET PROFIT

74

NEW PATENTS

+9.0%

NET SALES IN LOCAL CURRENCIES

117,000

CHF NET ADDED VALUE PER EMPLOYEE

\* Givaudan's new innovation center is realized with Sika solutions: Waterproofing: SikaProof®, Sika® Waterstops, Sika® Injection systems, Sikadur®-Combiflex®, SikaSwell®. Concrete construction: Sikament®, Sika® ViscoCrete®, Sika® Antifreeze, Sika® ColorCrete G, Sika® Mixer protection, Sika® Cosmetic, Sika® Antisol®. Grouting: SikaGrout®.

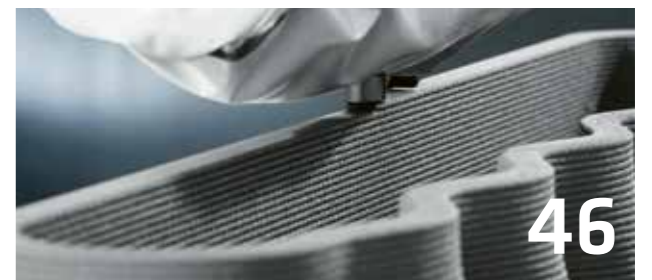




SIKA IS A SPECIALTY CHEMICALS COMPANY WITH A LEADING POSITION IN THE DEVELOPMENT AND PRODUCTION OF SYSTEMS AND PRODUCTS FOR BONDING, SEALING, DAMPING, REINFORCING AND PROTECTING IN THE BUILDING SECTOR AND MOTOR VEHICLE INDUSTRY. SIKA HAS SUBSIDIARIES IN 100 COUNTRIES AROUND THE WORLD AND MANUFACTURES IN OVER 200 FACTORIES. ITS MORE THAN 18,000 EMPLOYEES GENERATED ANNUAL SALES OF CHF 6.25 BILLION IN 2017.

Sika has been active in Vietnam since 1992 through a wholly owned national subsidiary. The country is experiencing a massive construction boom – in particular in its major cities. In the capital Hanoi, for example, new high-rises and infrastructure projects are taking shape every day. The cityscape is currently dominated by construction sites – and Sika is delivering the solutions.

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Dear Shareholders

The Sika success story continued in 2017 with another record year. In local currencies, 2017 sales increased by 9.0% to CHF 6,248.3 million. Strong growth momentum and disciplined cost management led to new record figures of CHF 896.3 million (+CHF 101.0 million, +12.7%) for operating profit and CHF 649.0 million (+14.5%) for net profit. In the reporting year, 19 key investments were realized with a view to driving future growth. The strategic targets for 2020 were confirmed, and the growth target for 2018 raised to more than 10%.

All regions reported higher sales and were able to further increase market share. Particularly high growth rates were achieved in the USA, Mexico, Argentina, China, Southeast Asia, the Pacific area, the Middle East, Eastern Europe, and Africa, as well as in the automotive area. In cumulative terms, sales were up 9.0% in local currencies. The strength of the franc led to conversion effects of -0.3%, and thus to an 8.7% increase in sales in Swiss franc terms to CHF 6,248.3 million.

**Record profit**

The high growth momentum produced above-average increases in the operating result and profit. Raw material price increases and volatility posed a challenge, with access to raw materials in China, for example, being impaired by environmental constraints introduced by the government. Thanks to persistent cost management, margins were boosted further, while record figures were recorded for both EBIT (CHF 896.3 million, +12.7%) and net profit (CHF 649.0 million, +14.5%).

**Growth in all regions**

Sales in the EMEA region (Europe, Middle East, Africa) increased by 7.5% in local currencies (previous year: 4.6%). The major EU countries with the core markets of France, Italy, and the United Kingdom, recorded strong growth rates. The Middle East, Eastern Europe, and Africa all delivered double-digit growth.

At 18.4%, it was the North America region that posted the strongest growth (previous year: 7.8%), of which 8.5% was through acquisitions. Sika reported a significant increase in its business volume in the USA, growing much more rapidly than the local construction market in the reporting year. The positive development of the North American business was attributable in particular to the targeted investment in this region over the last few years.

The Latin America region increased sales by 3.3% (previous year: 5.1%). Both Mexico and Argentina generated above-average growth. By contrast, construction activity continued to develop modestly in the countries that are more dependent on the raw material sector, such as Brazil, Peru, and Chile.

Sales in the Asia/Pacific region rose by 5.2% (previous year: 3.6%). High growth rates were recorded in China, while double-digit growth was achieved in Australia, New Zealand, and Thailand.

**Continuity in the management**

Following the departure of Jan Jenisch, the Board of Directors appointed Paul Schuler as new CEO of the Group with effect from July 1, 2017. Paul Schuler has worked for Sika for some 30 years, and has been a Member of Group Management since 2007. His responsibilities have included the build-up of the industry business as well as management of the North America and EMEA regions.

**19 key investments and 74 new patents**

The Group's accelerated expansion into growth markets continued under Paul Schuler's leadership in 2017, with a total of 19 key investments in nine new factories, three additional national subsidiaries, and seven acquisitions.

More than 900 employees working on basic research and the development of new products at 20 regional technology centers are the key drivers of our innovative strength. 74 new patent applications were filed in the 2017 business year, and numerous new products were launched in all target markets. Heralded by the slogan "From patents to world-class products", more than 20 products and innovations from all target markets were presented on Capital Markets Day 2017, including products for higher building standards, 3D concrete printing, and electric vehicles.

**2020 strategic targets set to be met**

Along with its annual growth target of 6-8%, Sika is seeking to achieve an EBIT margin of 14-16% and operating free cash flow of more than 10% of net sales by 2020. At the same time, the return on capital employed (ROCE) should amount to more than 25%.

The Group's international expansion is to be further driven forward over the same period by 21 additional factories and five new national subsidiaries. The unknown outcome of Saint-Gobain's hostile takeover attempt remains an element of uncertainty for the future.



PAUL SCHULER

DR. PAUL HÄLG

**Dividend increase of 15.6% proposed**

For the Annual General Meeting of April 17, 2018, the Board of Directors is proposing to shareholders a 15.6% increase in the gross dividend to CHF 111.00 per bearer share (2016: CHF 96.00) and CHF 18.50 per registered share (2016: CHF 16.00).

Our strong sales organization, our well-filled product pipeline, and the 19 key investments give us reason to look to the future with optimism. Our thanks go to the global management team and our more than 18,400 employees, whose efforts are responsible for Sika achieving another record year. We would like to thank all of them for their great dedication and loyalty over the past year.

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

We would especially like to thank our shareholders for their enduring loyalty to Sika and the extraordinary trust they place in the Board of Directors and management.

Sincerely,

DR. PAUL HÄLG  
Chairman of the Board

PAUL SCHULER  
Chief Executive Officer

## NEW RECORD FIGURES

All regions were able to further increase market share. Due to strong growth momentum and disciplined cost management, operating profit and net profit increased at a disproportionately high rate – resulting in new record figures.

in CHF mn	Changes in %
6,248.3 Net sales	<b>+8.7%</b>
896.3 Operating profit (EBIT)	<b>+12.7%</b>
649.0 Net profit	<b>+14.5%</b>
496.8 Operating free cash flow	<b>-15.3%</b>
29.8% ROCE	<b>+1.1 pp*</b>

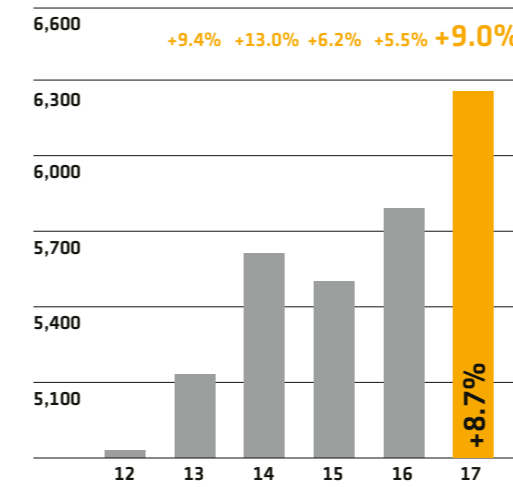
  

9 New factories
3 New national subsidiaries
7 Acquisitions
18,484 Employees
13 Hours of training per employee
905 Employees in R&D
20 Global Technology Centers
-8% Workplace accidents

\* percentage points

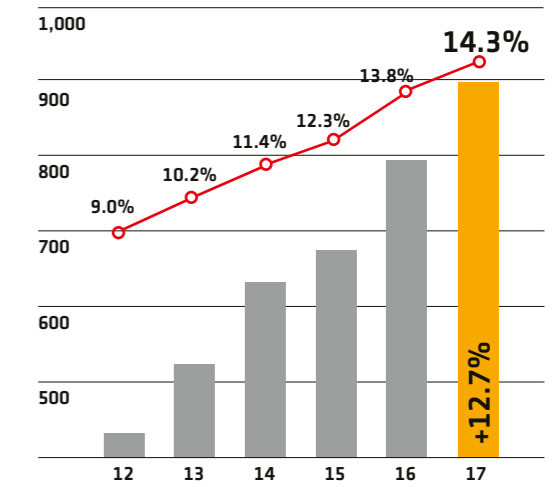
### NET SALES (CONSOLIDATED)

in CHF mn      Growth in % in local currencies



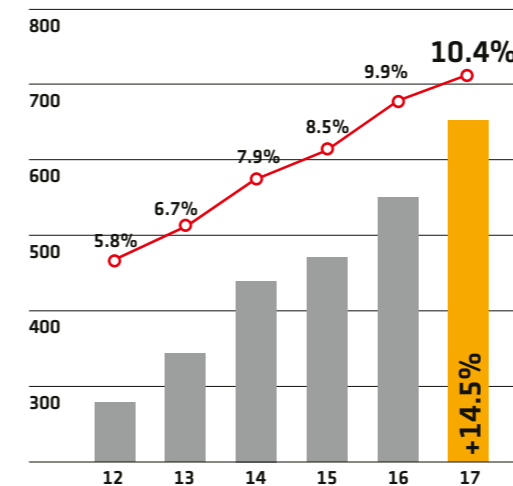
### OPERATING PROFIT (EBIT)

in CHF mn      — in % of net sales



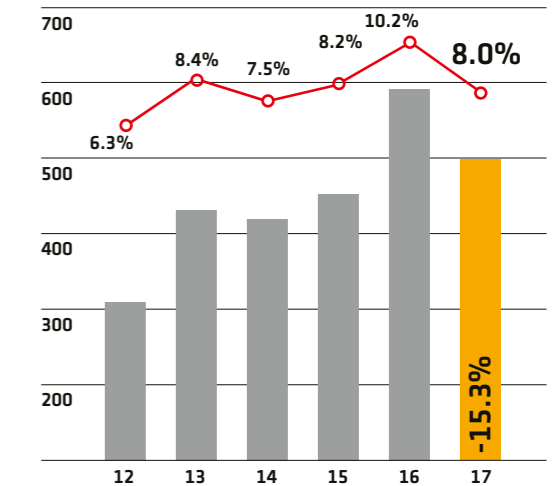
### NET PROFIT

in CHF mn      — in % of net sales



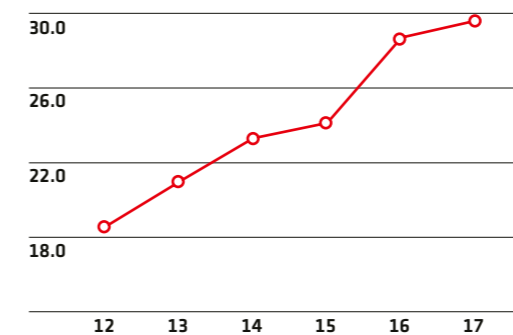
### OPERATING FREE CASH FLOW

in CHF mn      — in % of net sales



### ROCE

in %





## STRONG STRATEGY EXECUTION

The cornerstones of Sika's growth strategy include investments in new national subsidiaries, new factories, and acquisitions. Sika positions itself early on in emerging economies and is well established in mature markets. This enables the company to harness potential at all stages in the development of local construction sectors and sell the entire product portfolio for new-build projects, in the application of higher building standards through to refurbishment work.



### WELL POSITIONED FOR THE CONSTRUCTION BOOM IN TEXAS

In 2017, Sika expanded its presence in the high-growth US market with the start of operations at a new factory for concrete admixtures and mortar products near Houston. Also serving as a strategic distribution center, Sika's 22nd production facility in the USA will supply customers in the greater Texas area and the southwest of the country. With a total population of 20 million and home to a booming construction industry, the region also contains four of North America's fastest-growing cities: the major megacities Houston, Dallas, Austin, and San Antonio.



On a 16-hectare site Sika manufactures concrete admixtures, mortar products, and polymers – the backbone of high-performance additives used in concrete.



### 100TH NATIONAL SUBSIDIARY ESTABLISHED IN BANGLADESH

With the establishment of a new national subsidiary in Bangladesh, Sika reached a further milestone in the implementation of its growth strategy and is now represented in 100 different countries. Bangladesh has over 163 million inhabitants. It is one of the most densely populated countries in the world and has a flourishing construction industry. The new headquarters in Bangladesh's capital Dhaka enable Sika to tap into the potential available in the local construction market, which has a total volume equivalent to CHF 15 billion and an annual growth rate of 12%. Local and foreign investments are channeled primarily into the construction of transport and energy infrastructures.

The construction industry is booming in Bangladesh. With its new headquarters in Dhaka, Sika is well positioned to capture the potential in this growing market.

### IN THE FAST LANE THANKS TO FAIST CHEMTEC ACQUISITION

Through the takeover of Faist ChemTec Group, a leading manufacturer of high-performance engineered, structure-borne acoustic solutions in vehicles, Sika consolidates its position as a strong supplier which meets the demands of tomorrow's automotive construction sector. Headquartered in Worms, Germany, the company generates annual sales equal to CHF 190 million with a workforce of 840 and has six production sites in Europe, North America, and Asia, as well as a pan-European distribution network. Similar to Sika, its innovations are driven by megatrends such as the increased need for comfort and lightweight construction of vehicles. The acquisition brings technology and know-how that will accelerate Sika's growth and drive market penetration via the strong synergies between the two companies.



Christoph Röttges, CEO of Faist ChemTec (left), and Thomas Hasler, Head of Industry and Automotive at Sika, discuss ultralight acoustic solutions for energy-efficient vehicles.



At their robotics center in Frankfurt, Faist ChemTec's experts are developing automated assembly concepts tailored to the customers' production processes.



Quality you can hear. Testing solutions for reducing structure-borne noise in the BMW i3 at the acoustics center in Worms.

### SikaFiber® Force-60 FOR THE ULTIMATE IN CONCRETE REINFORCEMENT

In the year under review, Sika started producing high-performance concrete reinforcing fiber for customers in the Europe, Middle East, and Africa region at its manufacturing facility in Troisdorf, Germany, and invested in a new plant. Made of a thermoplastic material (polypropylene), the fibers are used to increase the structural strength of concrete in highly demanding applications. Macro fibers such as Sika's newly developed product line SikaFiber® Force-60 are mainly used instead of steel reinforcements for strengthening concrete or shotcreted structures with demanding performance requirements.



Production of innovative fibers for concrete at the Troisdorf site for customers in the EMEA region.



## GROWTH STRATEGY

The Sika growth model is synonymous with long-term success and profitable growth. By focusing on market penetration, innovation, expanding emerging markets, and acquisitions – and driven by its strong corporate values – Sika is growing successfully. With the positive development of business in 2017, the establishment of three further national subsidiaries, and the commissioning of nine new factories and seven acquisitions, Sika took a further major step forward in the implementation of its strategic targets for 2020.



## SUCCESSFUL STRATEGY IMPLEMENTATION SINCE 2015

<b>Market Penetration</b>	<ul style="list-style-type: none"> <li>✓ - Successful Target Market concept</li> <li>✓ - Megatrends driving growth</li> </ul>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>✓ - 217 new patents filed</li> <li>✓ - 20 Global Technology Centers</li> </ul>
<b>Emerging Markets</b>	<ul style="list-style-type: none"> <li>✓ - 26 new plants opened</li> <li>✓ - 10 new national subsidiaries</li> </ul>
<b>Acquisitions</b>	<ul style="list-style-type: none"> <li>✓ - 17 acquisitions in all regions</li> <li>✓ - CHF 705 million sales added</li> </ul>
<b>Values</b>	<ul style="list-style-type: none"> <li>✓ - Strong corporate culture</li> <li>✓ - High employee loyalty</li> </ul>

## STRATEGIC TARGETS 2020

<b>Market Penetration</b>		6-8% annual growth
<b>Innovation</b>		30 new plants
<b>Emerging Markets</b>		105 national subsidiaries
<b>Acquisitions</b>		14-16% EBIT margin per year
<b>Values</b>		>10% operating free cash flow per year
		>25% ROCE per year

# SUSTAINABILITY STRATEGY

As a successful global corporation, Sika is committed to sustainability. The company honors its responsibilities by offering sustainable solutions for energy-efficient construction and environmentally friendly vehicles, as well as by means of numerous projects and measures aimed at boosting economic, social, and ecological sustainability.

With its sustainability strategy geared to “More Value – Less Impact”, Sika’s aim – through its products – is to maximize long-term benefits and added value for all stakeholders and, at the same time, reduce resource consumption and the environmental impacts associated with production. In this way, Sika’s future will be secured through sustainable, profitable growth.





## STRATEGIC TARGET MARKETS

Sika's growth strategy is focused on seven target markets. Their varying requirements are precisely met on a global, regional, and local level. Sika strives for the top position in all 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 increasing use of alternative cementitious materials in cement, mortar, and therefore also in concrete, leads to a growth in the need for admixtures.



### WATERPROOFING

Sika's system solutions for waterproofing cover the full range of technologies used for below and above-ground 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 face 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, is 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 CO<sub>2</sub> emissions. While refurbishment projects continue to gain significance in the mature markets, the emerging markets are moving towards higher-quality roof solutions for new build structures.



### 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 healthcare 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), anti-static 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 urbanization including the larger volumes 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 as well as facade mortars for external use. 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

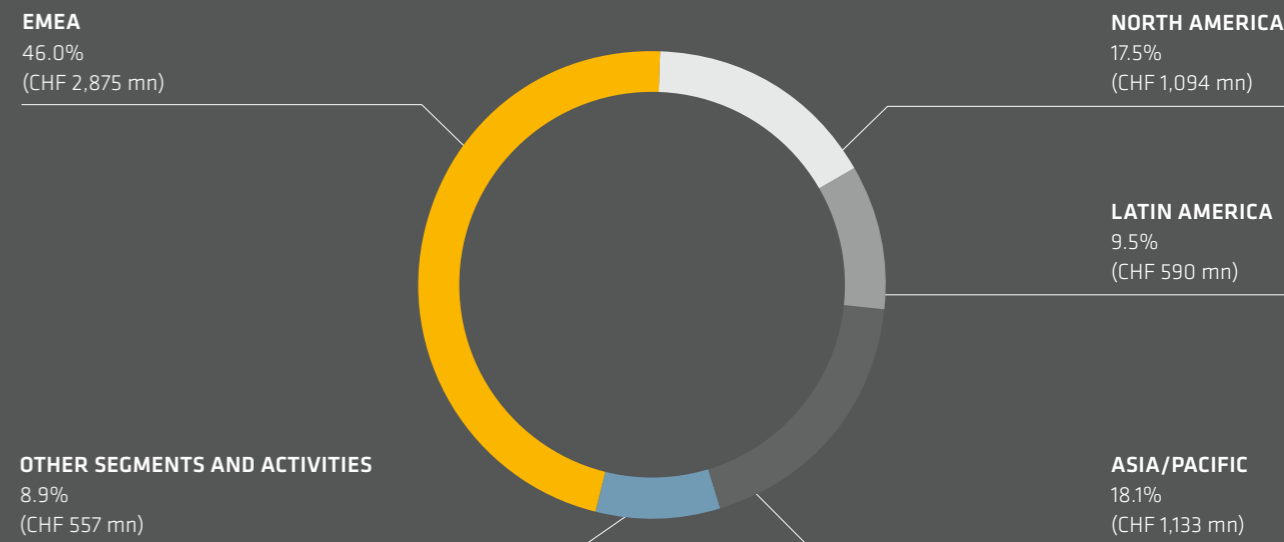
The markets served by Sika include automobile and commercial vehicle assembly (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (auto glass replacement, car body repair), marine vessels, industrial lamination, renewable energies (solar and wind), and 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 industrial 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.

# REGIONS

All regions reported higher sales and were able to further increase market share. Particularly high growth rates were achieved in the USA, Mexico, Argentina, China, Southeast Asia, the Pacific area, the Middle East, Eastern Europe, and Africa, as well as in the automotive area.



## NET SALES BY REGIONS (CONSOLIDATED)



	EMEA	North America	Latin America	Asia/Pacific	Other Segments and Activities
Net sales in CHF mn (2016)	2,874.9 (2,695.3)	1,094.0 (922.6)	590.0 (564.3)	1,132.7 (1,080.7)	556.7 (484.8)
<b>Growth in local currencies</b>	<b>7.5%</b>	<b>18.4%</b>	<b>3.3%</b>	<b>5.2%</b>	<b>14.0%</b>
Currency impact	-0.8%	0.2%	1.3%	-0.4%	0.8%
Acquisition effect	2.5%	8.5%	0.1%	0.6%	0%
Employees	9,822	2,142	2,479	4,041	

<b>10</b> NEW NATIONAL SUBSIDIARIES SINCE 2015	<b>1,203</b> NEW EMPLOYEES SINCE 2015	<b>26</b> NEW PLANTS SINCE 2015
<b>20</b> GLOBAL TECHNOLOGY CENTERS	<b>17</b> ACQUISITIONS SINCE 2015	<b>217</b> PATENTS FILED SINCE 2015



## REGIONAL REPORT

### EMEA

Reporting a sustained phase of solid growth, the eurozone countries saw positive momentum in 2017. Stable investment and export revenues, extremely low interest rates, and a dynamic global economy stimulated the majority of EU markets. Gross domestic product growth of more than 2% energized the European construction industry.

In the 2017 financial year, Sika's sales in the EMEA region (Europe, Middle East, Africa) were up by 7.5% in local currencies (previous year: 4.6%). The major EU countries with the core markets of France, Italy, and the UK recorded strong growth rates. The Middle East, Eastern Europe, and Africa delivered double-digit growth.

In Africa, Sika's presence was further strengthened through the founding of a new national subsidiary in Senegal and the commencement of operations at three new factories. In both Dar es Salaam, Tanzania, and Douala, Cameroon, the first factories for concrete admixtures came into service, while a second factory for the local production of mortar products was established in Luanda, Angola. In Kazakhstan, concrete admixture and mortar production in Almaty was transferred to a larger site. In Russia, a new production line for PVC membranes was set up at the factory in Lobnya, near Moscow. Furthermore, manufacturing capacity was expanded at Lahore, Pakistan, with the opening of a new factory for mortar products and concrete admixtures. A new facility for the production of high-performance concrete fibers for customers in the EMEA region began operations at the Troisdorf site in Germany.

Bitbau Dörr, a leading supplier of waterproofing systems, was acquired in Austria, while ABC Sealants, a well-known manufacturer of sealants and adhesives for the interior finishing sector, was taken over in Turkey. Through the purchase of KVK Holding, which is based in the Czech capital, Prague, the Sika Group also acquired an established supplier of waterproofing and roofing systems as well as mortar products.

### North America

Economic growth and investment sentiment in the USA stayed strong in the year under review and remained at a high level. A significantly larger number of building projects than in the preceding years led to 4% growth in the construction industry. The tax reform is expected to provide sustained stimulus for the US economy and construction sector. Canada's construction industry found itself in slightly negative territory – a recovery is projected for 2018.

At 18.4%, it was the North America region that posted the strongest sales growth within the Sika Group (previous year: 7.8%), of which 8.5% was through acquisitions. Sika significantly boosted its business volume in the USA, thus growing at a much faster rate than the local construction market in 2017. Targeted investments in North America over the last few years contributed substantially to this positive business performance. These include the development of the sales organization, the implementation of the growth strategy through the acquisition of companies, and the significant expansion of the supply chain with new factories located close to fast-growing metropolitan areas. At the end of 2017, a new factory for concrete admixtures and mortar was opened near Houston, with a view to tapping into the huge growth potential of the construction market in Texas and the wider southwest of the USA.

The offering for concrete contractors was expanded with the takeover of Butterfield Color Inc., a leading manufacturer of decorative concrete floors and systems in the USA. At the end of the year, Sika also acquired Emseal Joint Systems, Ltd., a high-performance supplier of structural expansion joints.



Recognized for its outstanding architecture, the Harbin Opera House in China was constructed using Sika products to help it withstand the harsh local climate.

### Latin America

The markets in Latin America presented a very varied picture. Brazil, as the largest economy with a significant construction market in the region, saw a further downturn owing both to an absence of public and private investment as well as to continuing political instability. The Argentinian economy gained traction in the wake of political reforms, and Mexico and Colombia posted further growth.

The Latin America region increased sales by 3.3% (previous year: 5.1%). Both Mexico and Argentina generated above-average growth. Construction activity is still subdued in the countries within the region that are more dependent on the raw material sector, such as Brazil, Peru, and Chile. The supply chain in Mexico, a high-growth market, was further expanded through investment in a new factory for mortar products and concrete admixtures in Coatzacoalcos. Sika's presence in Central America was also reinforced by the foundation of a new national subsidiary in El Salvador.

The acquired brands of Grupo Industrial Alce have strengthened Sika's presence in Mexico in respect of both major projects and local specification capabilities. Moreover, the additional production site close to Mexico City facilitates the rapid supply of liquid-applied and bituminous membranes to this huge metropolis.



120,000m<sup>2</sup> of Sikaplan® waterproofing membrane is being used in the construction of the Brenner Base Tunnel. On completion, the 55 km long tunnel between Austria and Italy will be one of the longest underground railway connections in the world.



Following the collapse of the I85 road bridge in Atlanta, Georgia, Sika supplied its Sika® ViscoCrete® and Sika® Control-NS concrete admixtures to help complete the reconstruction a full month ahead of schedule.

### Asia/Pacific

China's economy continued to grow in the year under review, thanks to a sound real estate market and continuous investments in infrastructure, both of which lifted demand in the construction supplies industry. In the Pacific area, Australia achieved a consistently positive performance owing to low interest rates, a stable economy, and investment in major projects. In Southeast Asia, further economic growth was, for example, reported by Malaysia, and Thailand, with investments in infrastructure expansion proving growth drivers in local construction markets.

Sales in the Asia/Pacific region rose by 5.2% (previous year: 3.6%). High growth rates were achieved in China, and double-digit increases in Australia, New Zealand, and Thailand.

Sika reached a major milestone in Asia: following the founding of a new national subsidiary in Bangladesh, the Group is now represented in 100 countries worldwide.

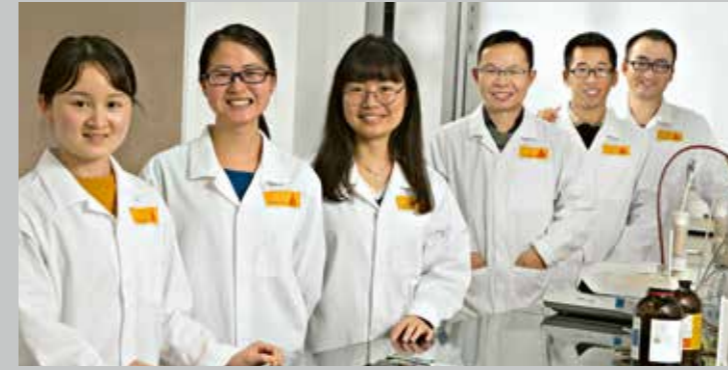
### Other segments

With 95 million new vehicles sold, global car production grew by 2.1% year on year. In 2017 as well, the automotive sector was dominated by the megatrends lightweight construction, electro mobility, eco-friendliness, and safety combined with increased comfort. Numerous automakers responded by making large-scale investments in the development of electric drive systems in readiness for the announced changes to the regulatory framework in various countries. Sika aims to profit more than average from the electro mobility megatrend and increase its share in components per vehicle by over 20%.

Sika's "Other segments and activities" generated sales growth of 14.0% in local currencies (previous year: 11.7%). The automotive business, which is managed centrally on a global basis, forms a key part of these areas of operation. Posting organic growth of 20.2% in the fourth quarter, Sika significantly exceeded market growth. At the end of the year, the acquisition of Faist ChemTec Group was announced. Headquartered in Worms, Germany, the company is a leading provider of acoustic systems for the automotive industry. The acquisition brings technology and know-how that will accelerate Sika's growth and further drive penetration of the automotive sector.



Sika's growth is driven to a large extent by innovation. Innovation can be the invention of a completely new molecule, or it can be identifying a new way to apply an existing technology. The key factor is that the innovation represents a benefit for customers, applicators, and those who live in and use buildings and vehicles. That is why Sika's employees listen very carefully and observe very closely – working together across teams and across regions to deliver timely solutions for the world of today and of tomorrow.



**SIKA CHINA – R&D TEAM**

“Face-to-face communication is the ideal way to understand the clients' needs. This is a dynamic process that continues throughout the entire project to ensure customer satisfaction, and adds value through innovation.”



**SIKA COLOMBIA – TEAM R&D AND SALES**

“Constantly working close to our clients is how we get ideas for new products. It helps us to realize innovative projects that really meet their expectations.”

**SIKA BRAZIL – TEAM R&D AND SALES WITH CUSTOMER**

“Both our sales and R&D teams strive to fully understand the design and objective of each project. We make regular visits to our large infrastructure project in São Paulo, together with our customer OAS Engenharia.”



**◀ SIKA – TEAM CORPORATE AND PRODUCTION, TROISDORF, GERMANY**

“We developed a best-in-class high-performance fiber for concrete reinforcement. To complement it, we came up with an innovative packaging that is water-soluble and therefore waste-free – customers love it and we have won several awards. Successful development was made possible by the excellent collaboration between corporate experts from Process Technology, Concrete and R&D as well as the local experts in Process Engineering and Quality Assurance. ▶▶

**SIKA JAPAN – TEAM TECHNICAL SERVICE, R&D, MARKETING, SALES**

“Last year we launched Sikaflex®-268 to the Japanese market. Working as a team has enabled us to meet customer expectations. We are proud that we received positive feedback from the rail vehicle manufacturers using this product.”







**SIKA NEW ZEALAND - TEAM R&D AND CONCRETE**

"Our lab team's skills ensure our concrete team can deliver the rock-solid certainty our customers demand."



**SIKA URUGUAY - R&D TEAM**

"Our dedication and research efforts are rooted in our profound knowledge of our customers' needs, leading us to outstanding and motivating results."



**SIKA USA - PRODUCTION TEAM HOUSTON**

"It has been an awe-inspiring experience working on an expansion project team with access to the breadth and depth of Sika's resources. Planning and execution have been methodical, and the very personal boots-on-the-ground approach to identifying and meeting customers' needs makes it evident that we have planned for success."

**SIKA UK - TEAM R&D, MARKETING, PRODUCT MANAGEMENT**

« In the UK we are the market leader in a number of different roofing sectors. Innovation and collaboration between our R&D, marketing, and product management teams is key to our success. »



**SIKA ARGENTINA - TEAM CONCRETE AND SUPPLY CHAIN WITH CUSTOMER**

« We put the customer first and give highest priority to the quality of our products and services. This results in trust and decade-long relationships. We have worked together with our highly esteemed customer José María Casas, a ready mix company, for more than 30 years. »

**SIKA SOUTH AFRICA - NATIONAL DISTRIBUTION TEAM**

"We meet our clients' needs all the way from R&D to procurement, production, and distribution. It is the job of our team to ensure that customers get our products on time, every time."



**SIKA GERMANY - TEAM R&D, MARKETING, SALES**

"When our researchers came up with a new flooring product, it was the collaboration between R&D, marketing, sales, and distribution that allowed us to highlight the innovative new features of the product, making it an instant success with our customers."





**SIKA SWEDEN - TEAM CONCRETE**

"In Sweden our Concrete team is working very closely with the customer and provides project-specific innovations and services. From our lab, office, and factory we develop, sell, and produce the concrete admixtures that are shipped out to our customers on a daily basis."



**SIKA ETHIOPIA - TEAM R&D, MARKETING, SALES**

"Sika was the first foreign construction chemicals company to establish a production facility in Ethiopia. All our teams, including sales, marketing, and R&D, are involved in finding the right Sika products for our clients. We are proud to bring Sika's values and know-how to the Ethiopian market."

**SIKA USA - SUPPLY CHAIN TEAM, PRODUCTION MARION**

"We support customers in all of our market sectors from R&D through to the finished project. Our goal is to produce the next generation of innovative ideas requested by R&D, while creating customer loyalty through continuous process improvements to ensure product availability and on-time shipping."



**SIKA CHILE - MARKETING TEAM**

"As a sales enabler, our mission is to communicate our leadership in technology. We work closely together with our regional R&D team, which is constantly developing and improving products for real-world applications in this demanding market."



**SIKA HONG KONG - TEAM R&D, OPERATIONS, SALES**

"R&D is all about communication, ideas, and innovation. We take advice from the customer and ideas from the sales team and turn them into new products and solutions. A strong team combining R&D, operations, and sales is key to our success."



**SIKA CAMBODIA - TEAM HR, FINANCE, SALES**

"Close cooperation between our HR, sales, and finance teams enabled the development of a new collaborative sales tool. This allows us to save time so that we can spend more of it with our customers - giving them a first-class service."



**SIKA CROATIA - TEAM TECHNICAL SERVICE**

"Our customers know that they can always contact us for help to find the best combination of products for their projects. To maintain this service we regularly test our products and educate our employees and partners."

**CANADA - SWITZERLAND: HOW TWO SIKA SUBSIDIARIES SUCCESSFULLY INTRODUCED THE NEW PowerCure® TECHNOLOGY**



**SIKA CANADA - TEAM R&D, SALES, TECHNICAL SERVICE**

"When Bombardier Canada was facing a sudden increase in orders, we were thrilled to introduce them to our new PowerCure® technology. It was the seamless cooperation between our sales, training, and technical departments that made it possible for Bombardier to apply PowerCure® within weeks."



**SIKA SWITZERLAND - TEAM PRODUCT ENGINEERING, TECHNICAL SERVICE AND SALES WITH CUSTOMER**

"When it comes to glazing in cable cars, every gram counts. When CWA built new cabins for the Stockhorn aerial tramway, we recommended Sikaflex®-223 PowerCure® - it met customer expectations unlike any other product."



# COMMITTED TO PERMANENT INNOVATION

Sika solutions and systems provide comfort and protection for people living and working in high-rise buildings.

Urbanization, sustainability, prosperity, and demographic development pose increasingly high demands in terms of construction. With its innovative product developments, Sika has secured a leadership role in meeting these specifications. Solutions delivered by Sika frequently become established as new standards in the building industry.

Anyone in construction faces growing challenges. Soundproofing is becoming more of a must in inner cities, legislators are imposing stricter exposure limits for solvents and other harmful substances, and investors are relying on LEED and other environmental standards to raise the residents' quality of life and the value of a building.

#### Numerous drivers

The more stringent specifications are a result of urbanization and the growing need for safety and sustainability. Increased wealth and population growth are also driving the further development of building standards. Building activity is frequently governed by civil law regulations drawn up by associations, organizations, and

insurance companies. Lawmakers also tend to tighten requirements in the aftermath of major fires or earthquakes.

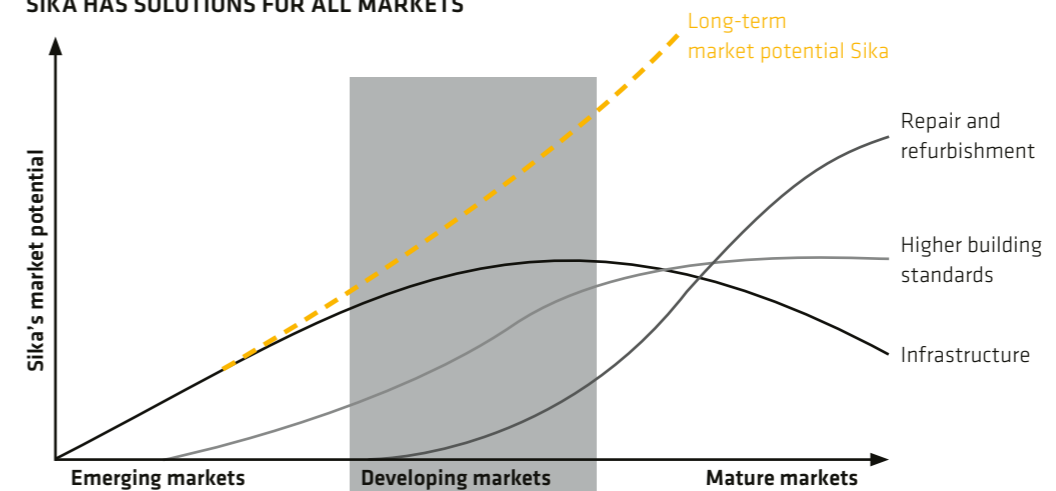
Being in a permanent process of innovation allows Sika to keep up with this development. "Not only do Sika products satisfy the ever more rigorous specifications, they also give planners, developers, and architects design freedoms," says Yumi Kan, Head of Construction and a member of Sika Group Management.

#### Safety, efficiency, and sustainability

Safety is at the center of measures to tighten standards, and fire safety plays a key role here. The Sika product portfolio includes highly effective passive fire protection systems which can also be deployed very cost-efficiently. Efficiency requirements are becoming generally tougher, and Sika can deliver solutions thanks to its large range of easy-to-use products. Sika technologies also meet the most demanding of sustainability criteria. What is more, Sika's products increase buildings serviceability by improving quality and user comfort with simple-to-clean floors or state-of-the-art soundproofing technologies.

Through its close dialog with construction professionals, architects, and developers, Sika is able to identify industry trends early and can therefore actively drive the implementation of higher building standards. This is achieved through the development of high-quality products, which often set the standard for the building industry. Thanks to the efforts of Sika the quality of buildings is improving.

#### SIKA HAS SOLUTIONS FOR ALL MARKETS



Developing an infrastructure is one of the first tasks facing emerging economies. Later the demands on efficiency and quality increase for the entire building sector. This is demonstrated by the example of Vietnam, where education levels and economic wealth are rising, and stricter building standards are being introduced. In mature markets, the



protection and refurbishment of buildings is a priority. The Sika Group's broad portfolio means it has suitable solutions for each of these phases and is therefore independent of the individual construction market cycles. The Sika growth model is based on this flexibility to service all elements of the construction industry.



## SAFETY – SIKA IS THE BEST INSURANCE

Sika solutions make buildings more resistant. They extend the lifespan, reduce repair costs, and above all protect people and goods. Even in the face of extreme events.



High-performance concrete superplasticizers from Sika were used in the 634-meter Tokyo Skytree, the world's tallest broadcasting tower. The construction time for Tokyo's showcase project with its central concrete pillar was just 6 months.

Earthquakes, fire, water, or storms pose a threat to human life and cause immense costs. And because the dangers increase as population densities grow, construction specifications become tougher. This phenomenon can be observed, for instance, in emerging countries, where the number of high-rise buildings is increasing faster than available fire department capacity.

### High-strength concrete provides protection during earthquakes

Sika offers a large number of solutions to satisfy statutory and private-law requirements as well as to protect people. High and ultrahigh-strength concrete increases the structural stability of buildings. Besides significantly extending service life, saving on construction materials through the optimization of structural component cross sections, and delivering a high degree of architectural design flexibility, it affords substantially greater protec-

tion in extreme situations such as earthquakes. This means that delicate, elegant concrete constructions are also an option in at-risk areas. Sika® ViscoCrete® reduces the water content of concrete and so increases its strength, SikaFume® reinforces the bond between cement and aggregates to improve resistance, SikaFiber® increases structural load capacity as well as abrasion and shock resistance, and Sika® Antisol® protects constructions against premature drying out and notably improves durability.

Sika also has suitable solutions for existing buildings. Sika® CarboDur® is used for structural strengthening through the application of carbon fiber-reinforced plates and fabrics. This brings about a marked increase in load capacity and decisively improves resistance to aging and the forces of nature, such as earthquakes.

### Passive fire protection from Sika

The Sika product portfolio also includes highly effective fire protection systems to satisfy increasing safety requirements. They give people more time to exit a building in the event of a fire. At the same time, they contain any damage and reduce refurbishment costs. "Sika solutions prevent fire, heat, and smoke from spreading in a building. This prolongs the evacuation time," explains Markus Wöhr, Market Field Manager Industrial Coatings with Sika Germany. A permanent process of innovation ensures that Sika products are in compliance with national and international norms and protect both people and the environment. This applies not only to concrete buildings, but also to wood and steel structures.

### Insulating protection layer for steel

Unlike wooden constructions, steel doesn't burn. But effective brand protection is nonetheless critical here as well. When exposed to extreme heat levels, steel loses its load-bearing capacity and becomes unstable. This puts buildings at risk of collapsing. Fire protection coatings from Sika extend the fire resistance rating of steel structural components to up to 150 minutes, compared with just a few minutes when using uncoated material. A coating thickness in the micrometer range is sufficient to achieve this. In contrast with other fire protection solutions, Sika® Unitherm® can be applied directly to the steel and has no impact on the statics. In the event of a fire, it forms an insulating centimeter-thick layer of foam under exposure to heat and protects the steel.

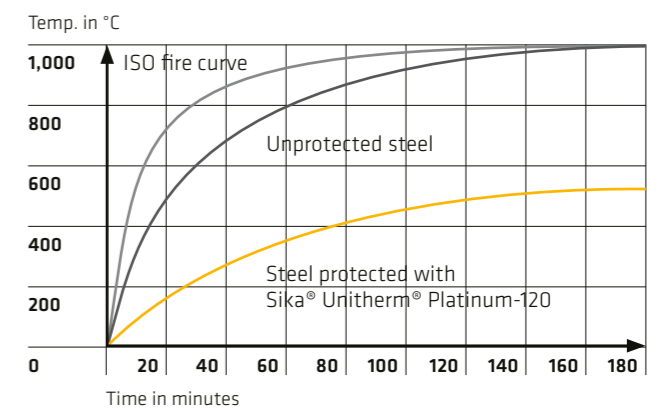
The Sika range also includes the fire-resistant joint sealants Sikaflex®-400 Fire and Sikasil®-670 Fire, which are designed to prevent the spread of heat and smoke for up to 240 minutes. They can be used for movement and connection joints.

**240** MINUTES  
IS HOW LONG Sikasil® SEALANTS CAN PREVENT THE SPREAD OF HEAT AND SMOKE



Markus Wöhr, Market Field Manager Industrial Coatings with Sika Germany.

### LONGER EVACUATION TIMES THANKS TO SIKA FIRE PROTECTION COATINGS



Video available at [www.sika.com/annualreport](http://www.sika.com/annualreport)



## WHEN TIME IS CRITICAL



Thanks to Sika, there is more than a sporting chance that the new adidas campus landmark in Germany's Herzogenaurach can be built in record time. © Visuals: Behnisch Architekten

Identity-defining architecture was the remit stipulated by a major sportswear manufacturer for their new corporate headquarters. Construction time and project costs could be significantly lowered thanks to Sika's fire protection systems.

The 12,000-ton steel construction appears to hover above the lawn, supported by just 19 elegant white columns. The adidas Group's new 50,000 m<sup>2</sup> office building in Herzogenaurach (Germany) is not just an eyecatcher, it is also the main entrance to the campus and will be providing space for over 2,000 employees from the end of 2018.

### The latest in fire protection technology

Sika® Unitherm® Platinum-120 meets the strict fire protection requirements. Almost 300 tons of the latest fire protection technology were used, lengthening the evacuation time in the event of a fire as well as keeping construction time short. The schedule was ambitious, and the building needed to be erected in winter. "We could draw on all the advantages offered by Sika®



Sika's Platinum technology can be applied directly at the manufacturer's and is ready for transportation and assembly only 24 hours later. In the picture: Schneider + Co GmbH.

Unitherm® Platinum-120," says Ulrich Woiwod, Regional Head of Sales Industrial Coatings with Sika Germany. "The high level of safety, the architectural design freedoms, and the time factor."

### Significant cost-effectiveness

Developers, steel construction companies, and architects are full of praise for Sika's newest fire protection technology because the thin layer of just a few millimeters has no impact on statics or optics. Time and therefore costs can be saved with Sika® Unitherm® Platinum since it offers fire and corrosion pro-

## FIRE PROTECTION AND SUSTAINABILITY

Sika provides fire-resistant, solvent-free joint sealants for the ecological showcase project Masdar City in Abu Dhabi.

The Neighbourhood One development comprises 500 residential units and is being planned according to the most stringent of environmental standards and built using Sika sealants. © Visuals: BSBG



Masdar City is the name of the eco-city being built in the Emirate of Abu Dhabi. When they announced plans to create a CO<sub>2</sub>-neutral city for 40,000 inhabitants, the United Arab Emirates triggered an echo of global proportions in 2006. The vision lives on as the Neighbourhood One Residences construction project moves ahead. Comprising 500 residential units with a gross floor area of 59,000 m<sup>2</sup> and given the numerous criteria to be met in terms of energy efficiency, choice of materials, and indoor climate, the project has high sustainability aspirations. The standards for LEED Gold certification and other green construction labels are being met.

### Four hours of protection against heat and smoke

Sika is also part of this ecological showcase project. The Group is supplying the fire-resistant, solvent-free sealant Sikasil®-670 Fire for the residential development. The UAE recently introduced the corresponding fire safety standard for all new builds. "Sika put its entire fire protection expertise into the development of this new product," stresses Bernhard Bosshard, Corporate Technology Head Adhesive Systems. As is the case with the fire protection coatings Sika® Unitherm® and Sika® Pyroplast®, special additives are used in the product to make the cured sealant resistant to fire. "Sika's fire-resistant sealants can prevent fire and smoke from spreading in a building for up to four hours," adds Bernhard Bosshard.



Ulrich Woiwod, Regional Head of Sales Industrial Coatings, Sika Germany, and Lars Möller, Technical Director with coating contractors Schneider + Co GmbH.

tection in one and can be applied directly at the steel construction or coating company. The epoxy-resin-based, solvent-free product has an extremely hard surface. Therefore, the treated steel structure can be transported to and assembled at the construction site as early as 24 hours after application. "One advantage of Sika® Unitherm® Platinum-120 is that the material cures incredibly fast," remarks Lars Möller, Technical Director with coating contractors Schneider + Co GmbH. "We wouldn't have been able to complete this project in such a short time with any other fire protection system."



## EFFICIENCY – INTELLIGENT PRODUCTS MAKING A DIFFERENCE

Efficient processes are also becoming increasingly crucial in the building industry. Sika and its engineers keep close to the customer base and fine-tune products accordingly. Intelligent solutions are fast and easy to use, as was proven at the refurbishment of a parking garage in Linz, Austria.



Rapid application, fewer working steps, safeguarding users' health, and a long service life are hallmarks of product development at Sika.

**3** INSTEAD OF **13** DAYS

IS HOW LONG IT TAKES TO REFURBISH 1,000 M<sup>2</sup> OF FLOORING WITH SikaScreed® HardTop, COMPARED TO REFURBISHMENT WITH CONVENTIONAL PRODUCTS



The parking garage at Linz Main Station in Austria was refurbished in record time.

For years, anyone in the parking garage at Linz Main Station in Austria could witness a task worthy of Sisyphus. Hardly had surface cracks been repaired in one place, when new breaks appeared somewhere else, letting in water and contaminants that could corrode the steel reinforcement.

### Record-breaking refurbishment

It was clear that refurbishment was unavoidable, and that it would be no easy task. Providing over 400 spaces, the parking garage is vital for rail customers, for people working in the Austrian Federal Railways administrative offices in the building, and for the adjacent shopping center. The challenges posed by renovating the 12,000 m<sup>2</sup> area were correspondingly daunting. "The coating needed to be very resistant and durable. And it needed to be applied very fast," recalls Helmut Pirngruber, Technical Sales Consultant Flooring with Sika Austria. "The times when the parking garage couldn't be used had to be kept as brief as possible."

Using the latest Sika floor coating system, the surfacing in the parking garage in Linz was efficiently renovated with a time saving of several weeks. Work was divided into individual stages. With conventional products it takes 13 days to refurbish an area of 1,000 m<sup>2</sup>, with SikaScreed® HardTop three days are sufficient. In a class of its own worldwide, this leveling mortar is suitable for repairing heavy-duty surfaces, and its rapid curing properties permit full load bearing after one day.

### Efficiency in the application

Building suppliers are measured by their efficiency, especially in mature markets. Wage costs are high, and if facilities need to be closed temporarily for refurbishment, key revenues are lost. This is why one of Sika's goals for every product development project is to increase productivity throughout the entire construction process.



Helmut Pirngruber, Technical Sales Consultant Flooring with Sika Austria.

One priority is to make the application of products as easy as possible. For instance, the waterproofing, odorless roofing membrane Sikalastic®-641 can be applied in liquid form. The system expands the window of applications: It can also be applied during rain or with operations running in the building. If a product can perform multiple functions at the same time, this adds to its cost-effectiveness. Examples of this include SikaCeram®-500 Ceralastic, which provides the dual function of tile adhesive and waterproof layer for ceramic surfaces, or the new fire protection coating Sika® Unitherm® Platinum, which offers fire and corrosion protection simultaneously.

### Taking the life cycle into account

Ultimately the sign of a cost-effective building comes during its use phase. Sika also factors this into its products by delivering a unique level of fitness for purpose. Floors need to be resistant and easy to clean in order to keep maintenance costs low. By opting for solvent-free products and the use of state-of-the-art soundproofing technologies, Sika increases user comfort and safety and so guarantees maximum efficiency over the entire lifetime of a building.



## SUSTAINABILITY – HOW SIKA MAKES CONCRETE MORE ENVIRONMENTALLY FRIENDLY

High-performance Sika admixtures improve the carbon footprint of concrete, from manufacture to recycling of the building material. This conserves the environment and reduces building costs.



Sika has big plans for concrete: teams are working on shorter mixing times and better integration of poor-quality aggregates.



Optimally proportioned Sika admixtures make long workability and short curing times possible.

Serious efforts to achieve more sustainability should be focused on areas where there is much to improve. This is especially worthwhile in the case of concrete. The manufacture of cement – the binding material used in the production of concrete – itself causes 6% of global CO<sub>2</sub> emissions, which is higher than the figure for air traffic worldwide.

But this is changing. Sika has the technologies to make this building material considerably more environmentally friendly. “With our products, we are in a position to reduce CO<sub>2</sub> emissions from concrete by half and make a decisive contribution toward conserving nature and resources,” points out Michael Danzinger, Corporate Technology Head Concrete Systems.

### From raw materials to application

If this quantum leap is to be made, concrete has to be optimized over its entire life cycle. It begins with cement production, where Sika has the special chemicals to reduce energy requirements. Major improvements are also brought about by replacing cement with alternative materials such as fly ash from coal-fired power plants or slag from the steel industry. This can reduce the cement content of concrete by a quarter to create ecological as well as financial benefits. Sika is a global leader here thanks to Sika® ViscoCrete®. It is also technologically feasible to bind lower-quality aggregates – sand and gravel – to form a homogeneous, premium-grade concrete.

Improvements are also possible in the area of processing. Sika® ViscoCrete® and Sika® ViscoFlow® – two products that assure technology leadership for Sika – can be used to produce concrete with extremely small quantities of water. They also guarantee a very long workability as well as concrete deliveries that are constantly within the defined specifications. Production waste can thus be reduced to a minimum. The significantly higher concrete strengths attributable to the additives also help to reduce concrete consumption as thinner constructions are possible.



The Tan Vu Lach Huyen bridge opened in fall 2017 is the longest in Vietnam and part of a major port development project in the north of the country. Both the bridge and the forthcoming Hai Phong International Container Terminal include Sika concrete admixtures for high durability.

Sika’s use of accelerators also plays a part in substantially improving the carbon footprint. Since they cure concrete faster, this either partly or fully eliminates the need for high-intensity heat treatments to increase the early strengths of prefabricated products.

### Durability perfected

Concrete is only sustainable when it is durable. Sika makes it possible for a building to be functional for 100 years without major refurbishments. During this time, the concrete must withstand all environmental influences and mechanical stress, as well as salt water or friction caused by suspended particles when a building is exposed to ebb and flow. These stresses are all encountered by the 5.4-kilometer Tan Vu Lach Huyen sea-crossing bridge in Vietnam, which Sika supplied with concrete additive SikaPlast®-257, among other products. “To ensure that the bridge’s 84 spans can resist the forces at play, top quality concrete is essential despite the less than ideal local aggregates,” remarks Michael Danzinger, “and that means low water content, minimal porosity, and no shrinkage.”

When a building reaches its end of life, the concrete it contains is not lost. It can be recycled and – thanks to suitable Sika products – processed as an aggregate for new concrete.

**50%**  
SAVINGS IN CO<sub>2</sub> EMISSIONS FROM CONCRETE, ACHIEVED USING SIKA ADMIXTURES



# ON THE FAST TRACK

Electric cars are the future. The planned regulations mean they will soon be seen on every road. Automakers are changing their mindset – and they can rely fully on Sika for support with the new vehicle technologies.

**8-12%**

OF NEWLY PRODUCED CARS WILL BE ELECTRICALLY POWERED BY 2025 ACCORDING TO FORECASTS

**20%**

MORE SALES PER ELECTRIC CAR THAN PER CONVENTIONALLY POWERED VEHICLE IS SIKA'S TARGET

Combustion engines are coming under pressure. Manipulated emission figures triggered huge debates on diesel drive. In an effort to combat high urban air pollution and meet CO<sub>2</sub> targets, numerous countries are planning to end new gasoline and diesel car sales. Norway aims to impose a ban on new combustion engines from 2025; India from 2030; China, France, and the UK from 2040.

**Competitively priced electric cars round the corner**

The ambitious targets are giving electro mobility a boost. “Electric cars are clearly the future,” says acclaimed auto expert Professor Ferdinand Dudenhöffer. The auto industry is investing huge sums in sustainable mobility. Volkswagen, Daimler, and Renault – all long-standing customers of Sika – intend to spend tens of billions on the development and production of clean and efficient vehicles. Tata, India’s largest carmaker, is bringing their first battery-powered automobile on to the market in 2018. By 2023, electric cars should cost as much as conventional diesel or gasoline vehicles thanks to cheaper batteries and lower maintenance outlays.

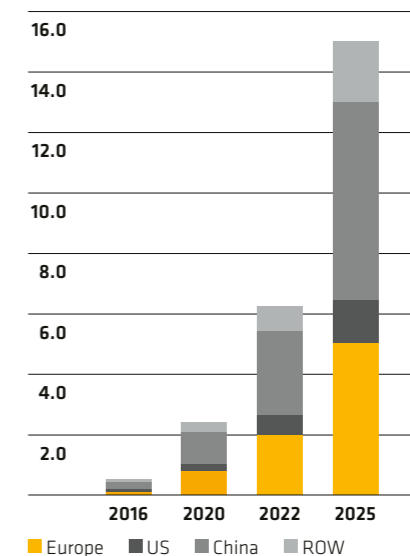
**The challenges of design and soundproofing**

As the auto industry undergoes radical change, it faces major challenges. The lightweight construction, the multi-material design – based on new as well as very different materials and composites – and the static changes necessary to accommodate the battery call for new car body solutions. At the same time, interior soundproofing poses a greater challenge than before. Heat management, insulation, and fire protection are becoming even more crucial as the number of electronic components gets bigger and increasingly powerful batteries are used.

**Sika is ready**

Sika is equipped for the future. “We have the technologies to support car manufacturers on the road to electro mobility,” says Dave Jones, Head of Global Automotive. Sika’s structural adhesives and structural strengthening components stiffen the newly designed car bodies and optimize crash performance. Sika cavity-sealing acoustic systems noticeably reduce the significantly more audible tire and wind noise in the vehicle interior. Numerous other Sika solutions are used to assemble, seal, protect, and thermally manage batteries as well as provide sufficient insulation and encapsulation of electric components. In addition to reducing the vehicle’s weight, Sika products also increase its safety and comfort. The new demands spell enormous potential: Sika aims to reach on average 20% more sales per electric car than for internal-combustion engine vehicles.

**SALE OF ELECTRIC VEHICLES IN MILLIONS**



Electricity is giving mobility fresh impetus. Which translates into challenges as well as opportunities for the automobile industry. And added potential for Sika.



Video available at [www.sika.com/annualreport](http://www.sika.com/annualreport)



## CHINA AS A DRIVING FORCE

China is steering ahead. Some 700,000 electric cars were sold in the Chinese market in 2017. And the projections are good thanks in part to government subsidies. This opens up huge opportunities for Sika's extensive technology portfolio.

China is the world's largest market for hybrid and fully electrically powered vehicles. But that's not everything: Under the State Council's "Made in China 2025" strategy, hybrid and electric cars produced in China are to account for 70% of the country's total automobile sales by 2025. The state is building up an expansive network of charging points. The transition to e-mobility is driven by elevated emission levels in the big cities, falling battery prices, and growing wealth translating into increased car ownership.

### Sika present in the Chinese market since 2003

Domestic manufacturers such as Great Wall Motors and BYD share China's auto market with international brands such as Volkswagen, General Motors, and Honda which collaborate on joint ventures with local producers in China. While Chinese brands represent a market share of around 40% of internal combustion engine cars, they make up 95% of so-called new energy vehicles (NEV). Sika has been a dependable supplier to Chinese auto producers since 2003. Close on 20 domestic and international carmakers number among Sika's loyal customer base for locally developed and produced damping, sealing, reinforcement, and bonding solutions. Thanks to its additional technologies for electrically driven vehicles, Sika is well positioned to profit from the e-mobility boom.

BYD (short for Build Your Dreams), for instance, is China's largest provider of batteries and electric vehicles. With Warren Buffet as a major shareholder and Leonardo DiCaprio as brand ambassador, the group is gaining ground and striving to achieve a global market presence. A long-standing supplier of adhesives and acoustic solutions to BYD, Sika is looking to strengthen its cooperation with the company. NEVS and other start-ups as well as traditional, international corporations such as Geely-Volvo put their faith in Sika solutions developed and produced in China.

### New e-portfolio, old virtues

Seizing the opportunities that present themselves, Sika aims to step up its investments in China and is planning an ultra-modern technology center for electrically powered cars. Not only specific adhesives, acoustic solutions, and reinforcements for lightweight car bodies, but also technologies for assembling and protecting batteries as well as bonding, sealing, and insulating the extensive range of electronic components form a key and growing part of Sika's automotive offering. The company can draw on its many years of experience both in the industry



The rising demand for electric motors creates additional potential for Sika in China.

and with sealing and bonding. When it comes to the new markets and innovative applications, Sika remains committed to maintaining close customer relationships, global collaboration, and a strict customer-first attitude.



China is the largest automotive market in the world.

## MODERN MOBILITY, EMISSION-FREE LOCALLY

Electric motors are efficient, clean, high-torque, and easy to maintain. Highly acclaimed auto expert Professor Ferdinand Dudenhöffer explains why electric cars are the future. And why these "sensible cars" will also stir emotions.

### City centers as no-go areas for diesel vehicles. New gasoline and diesel cars to be banned in Norway, France, and the UK: What does the future look like for the combustion engine?

Combustion engines in passenger vehicles will be gradually replaced by electric motors over the next 25 years. In China, the world's most important and largest automobile market, this phase-out will happen much faster. We need a modern form of mobility that produces zero emissions locally. And the electric car fits the profile.

### For years, predictions have been pointing to a great future for electric cars, but sales are still modest. What's different now?

In Norway, electric cars make up 50 percent of new automobiles. In China, sales of new energy vehicles (NEV) – the term used by the Chinese for electric vehicles and plug-in hybrids – are set to reach 700,000 this year. China expects more than 2.5 million NEV registrations in 2019. Automakers are all feverishly working to bring electric cars with a range of at least 500 kilometers on to the market by then. And battery prices are projected to fall in the same period. Even before 2025, a battery pack for a car capable of traveling more than 500 kilometers costs USD 10,000. So you can forget diesel and gasoline vehicles from the cost angle as well.

### Isn't electric propulsion just an intermediate technology?

Absolutely not. The railways won't be switching back from e-locomotives to steam or diesel, will they? The electric motor, whether powered by batteries or fuel cells, is efficient, clean, high-torque, and easy to maintain. There's nothing better.

### What are the three biggest drivers of electromobility?

China, Elon Musk, and emotions. China is the center of the car world. It's the country writing the rulebook. Elon Musk and his Tesla are pointing the way forward. And emotions are important because artificial intelligence will revolutionize the inside of vehicles. Surfaces, organic light-emitting diodes (OLED), and high-quality materials will make up the vehicle interior of the future and create new emotions. The emotions attached to the cars of tomorrow will be shaped by new realms of experience and not by wide tires and thick exhaust pipes. This offers a great deal of potential added value. Apple isn't successful because it makes smartphones, but because it invents software and surfaces.

### Lightweight construction, comfort, efficiency, and safety are absolute musts for a car. Why is this especially true of electric autos?

We have to use energy sparingly, and this is where lightweight construction is vital. New composites and production techniques using adhesives play a major role. But it is comfort and innovative interiors that will inform the emotions brought out by tomorrow's cars. People are happy to spend money on emotions and safety.

### What challenges are carmakers facing in order to meet these requirements? Which technological achievements can point the way?

New materials that define properties and surfaces and create new worlds represent pivotal challenges. Anyone today comparing a cathode-ray-tube television with an OLED monitor will find themselves immersing in completely new worlds. Electronics and new nanostructured materials are the big stories, because they are what create spell-binding images and resolutions.



Professor Ferdinand Dudenhöffer, founder and director of the Center for Automotive Research, University of Duisburg-Essen.



## THE FUTURE IS DRIVING WITH SIKA

Tesla has a strong vested interest in helping the electric car to achieve a breakthrough. Whenever the ambitious carmaker comes up against challenges during the development process, Sika is on hand with customized engineering services and cutting-edge technologies. This means protection for the environment and protection for vehicle occupants.

The Tesla Model S helped open the luxury class segment to the electric motor.



SikaReinforcer® increases the car body stiffness and crash performance of the Tesla models.



Tesla is changing the automobile market. With its fast, sleek vehicles, the Silicon Valley company has succeeded in transforming the electric car into a status symbol. And in the space of just a few years.

This rapid pace also has an impact on collaboration with supplier companies such as Sika. Tesla is dependent on external know-how. The Sika Technology Center in Madison Heights, Michigan, USA, possesses the necessary expertise. The key noise and vibration-damping components for the Model S sports limousine were developed here. And it was here that Tesla used special test equipment such as the curing furnace to heat the damping material to 170 °C and trial it at a scale of 1:1 on over 20 different model variants.

### Design support

Sika has been working with the electric car manufacturer since 2010. "Our collaboration goes back to when Tesla was at the very beginning of the design phase for the Model S," recalls Scott Prebay, Key Account Manager Sika Automotive USA. "This was before there were even any plans drawn for the components for damping vehicle noise and vibrations."

Sika is a leading supplier to the automobile industry, with Sika products used in 50% of all vehicles manufactured worldwide. The company does not deliver standardized solutions. On the contrary, Sika's extensive know-how is used in engineering collaborations to adapt products to the specific requirements for each vehicle model and each production process. Sika stays close to its customers. The novel nature of the vehicle design meant even more intensive collaboration with Tesla and the development of additional know-how.

### State-of-the-art noise reduction technology

New acoustic and vibration-related solutions are needed for electric cars. One reason is the lightweight construction. The composites used result in a higher interior noise level than with pure steel car bodies. Effective sound-proofing is also a priority because electric motors are practically silent, which makes wind and tire noises sound even louder inside the vehicle. "We recognized this issue in the early stages of work on the Model S and found solutions together with Tesla," says Jason Whitman, Vice President of Sales Automotive Sika USA.

In Madison Heights, Michigan, USA, Sika has extensive facilities for testing the body stiffness and acoustic behavior of vehicle-specific products.



Scott Prebay, Key Account Manager Automotive USA (left), and Jason Whitman, Vice President of Sales Automotive USA, are responsible for Tesla at Sika.



SikaBaffle® and SikaDamp® are two leading-edge noise reduction technologies developed specifically for and geared toward the respective car model. The thermoplastic acoustic foam filler SikaBaffle® is used to seal vehicle cavities and prevent noise, water, and dust from entering. SikaDamp® damps and absorbs vibrations on surfaces such as car bodies. Both products are very light and contribute to weight reduction. The success of the Sika acoustic systems on the Tesla Model S was the crucial factor in the decision also to work with Sika's engineers to develop customized solutions using SikaBaffle® and SikaDamp® for the SUV Model X and the mid-size Model 3.

### Sika solutions to address new requirements

Sika was also able to help Tesla tackle challenges in the roof area during development of the Model X. The characteristic falcon wing doors and the panoramic windshield provide little room to reinforce the roof. Sika ultimately convinced Tesla's developers of the advantages offered by SikaReinforcer®. Eight of the lightweight thermoplastic components were used to increase vehicle stiffness and significantly enhance crash performance. Sika's vast experience in automobile construction also prompted Tesla to order direct glazing applications from Sika at the beginning of 2017. Since then Tesla has been bonding its Model S and X windshields with Sikaflex®.

The strong collaboration is mutually beneficial. Thanks to the damping technologies, car body reinforcements and direct glazing systems, Sika products worth over CHF 70 are used in every Tesla. This success also underlines what sets Sika apart. "Our unique product range allows Tesla to work together with just one supplier on optimizing car body acoustics and structure," remarks Jason Whitman.

# 4

**DIFFERENT SIKA PRODUCT FAMILIES ARE USED IN TESLA MODELS: SikaBaffle®, SikaDamp®, SikaReinforcer® AND Sikaflex®**



## MAXIMUM POWER, MINIMUM SPACE

The success of electric cars depends on powerful long-range batteries. Sika has developed novel products that allow more energy to be packed into the batteries.

Electric car drivers do not want to make concessions. The vehicle needs to be fast-accelerating and able to cover a long distance. And when the battery is empty, the time it takes for a coffee break under way should be enough to quickly recharge.

These specifications can be met thanks to modern lithium-ion batteries. Manufacturers are working all out to bundle even higher concentrations of energy into a small space. This presents new challenges for carmakers. "More powerful batteries emit considerably more heat. And this needs to be effectively dissipated to avoid the risk of overheating," explains David Hofstetter, Senior Scientist with Sika Technology.

### Heat-conductive adhesives

Lithium-ion batteries react sensitively to heat. These power packs achieve their maximum electrical output and longest life only at a temperature of between 20 and 30°C. At temperatures above 30°C the battery ages excessively fast, and above 40°C irreversible damage may occur. This can be prevented with cooling elements bonded to the outside of the battery box.

To ensure functioning thermal management, a special adhesive is required. Conventional products have an insulating effect and retain the heat produced by the batteries. The Sika-developed technology based on SikaForce® is different. "Our new adhesive has excellent adhesion and is also thermally conductive," points out David Hofstetter. This allows the cooling elements to do their job.

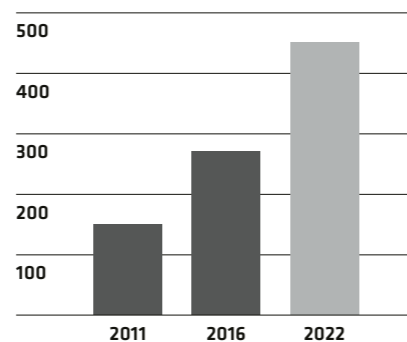
### Manufacturers trust Sika

Intelligent thermal management is not the only key factor with electric cars. Electric automobiles require six times more electronic components than conventional vehicles with an internal combustion engine. Besides a motor and a battery, they also need a charger or transformers. For all these parts Sika has the products necessary for heat conductivity, insulation, or encapsulation. Novel grouts can also be used to secure the components and effectively protect them against environmental influences. Sika's expertise has won over the major carmakers – Audi, BMW, Volkswagen, Chevrolet, Toyota, and Nissan are already relying on these high-tech materials.



Sika development staff testing novel materials for the battery module of the new VW e-Golf.

### AVERAGE RANGE PER ELECTRIC CAR SOLD IN GERMANY IN KM



Horváth & Partners, 2017

**6x**  
MORE ELECTRONIC COMPONENTS ARE USED IN ELECTRIC CARS THAN IN CONVENTIONAL AUTOS

## ELECTRIC BUSES FOR BETTER AIR QUALITY



Shenzhen is one of China's biggest destinations for foreign investment and one of the world's fastest-growing cities. The entire local fleet of 14,000 buses was switched to electric drive from 2018.

The smog in Chinese megacities poses a health hazard. This has led the authorities to introduce electric buses on local public transport systems. And Sika is on board.

China's big cities are suffering from the effects of smog. With fine particulate levels at record highs, many people won't venture outside without their breathing masks on. Taking up the fight against air pollution, China is forcing through the introduction of electric buses on local public transport systems. Shenzhen, a metropolis in the south of the country with a population of 12 million, is pursuing a particularly ambitious program: from 2018 the city has a fully electric bus fleet. More than 14,000 diesel buses have been replaced.

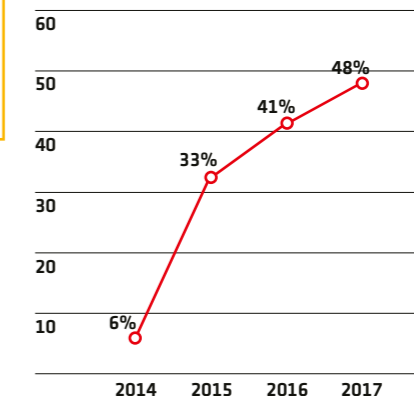
### Highly effective fire protection

Fire safety requirements are stringent for electric buses. "The battery is a particular concern given the possible risk of a heat build-up. Sika offers technologies that can increase the level of safety," says Morten Muschak, Head of Tooling and Composites with Sika. Applying the fire protection coating Sika® Unitherm® Platinum to the battery case absorbs developing heat, prevents a battery fire from spreading, and prolongs evacuation time to up to 25 minutes. This can save lives. If a bus catches fire, the passenger compartment heats up to 1,000 °C within one minute. Sika® Pyroplast® shields the individual battery cells. Sika also has innovative adhesives and sealants to ensure efficient installation of the battery in the vehicle. Big-name e-bus manufacturers such as BYD, Yutong, and King Long already depend on Sika solutions and are benefiting from increased passenger safety and lighter-weight batteries.

**70%**  
OF ALL NEW CITY BUSES WILL BE RUNNING EMISSION-FREE BY 2030, STUDIES SHOW

**25** MINUTES  
IS HOW LONG A Sika® Unitherm® Platinum COATING APPLIED TO THE BATTERY CASE CAN STOP A POSSIBLE BATTERY FIRE FROM SPREADING IN A BUS

### SHARE OF ELECTRIC BUSES IN ALL PRODUCED BUSES IN CHINA IN %



www.ChinaBus.Info



# BOOST FOR THE CONSTRUCTION INDUSTRY

Sika leads the way when it comes to 3D concrete printing technology. The Group has mastered all the process steps needed to print concrete on an industrial scale. The solution has been developed and trialed by Sika's experts.

The industrial robot's arm moves at high speed; under computer control and without a pause; the print head attached to the arm builds up concrete layer upon concrete layer with pinpoint precision. However, the most challenging part of this precision work is what happens in the print head. In this high-performance tool, developed by Sika for 3D concrete printing, a range of additives is mixed with the mortar. The material cures within seconds and bonds with the layer applied previously.



Video available at  
[www.sika.com/annualreport](http://www.sika.com/annualreport)

#### Industrial scale production is the objective

Traditional concrete placing is the most economic construction method. If 3D concrete printing is to compete with this method, then structures need to be printed efficiently. This is precisely what Sika's technology is designed to achieve. "Right from the start, our aim was to produce a competitive industrial solution using 3D printing," is how Frank Höfflin, Chief Technology Officer at Sika, describes it. "We have now achieved this ambition. With our technology, it is now possible to print concrete so rapidly, inexpensively, and precisely that it can be used on construction sites." A fundamental change is taking place in construction, heralded by digitalization. To quote Frank Höfflin: "Digitalization is changing every aspect of construction and the entire life cycle of a building, from the design process and automated construction all the way to maintenance." Building processes can be optimized and time and money saved; at the same time, these advanced technologies offer greater design flexibility.

The print head developed by the 3D research team at Sika's Technology Center in Widen in Switzerland ensures that the printing process is extremely efficient. The flowable mortar is pumped to the 3D printer. Rapid curing, achieved by the precise interaction of the cement and high-grade concrete additives, speeds up the process, and the print head guarantees maximum precision. Sika has made several patent applications and secured for itself the exclusive usage rights to the print head technologies which are essential for the process.

Sika's 3D concrete printing technology can turn digital plans into a reality without any intermediate steps.

#### Sika is the technology leader

Thanks to its expertise, Sika is spearheading the digitalization and industrialization of concrete construction. And that's no coincidence. Sika's entire know-how, built up over decades, has been brought together in its 3D printing technology. The expertise ranges from robotics, the Sika Pulsment process control system, and extruding using the Sika MiniShot system to 3D mortar and the Sika® ViscoCrete® technology, which allows precise control of how the concrete behaves. Sika is the only company capable of supplying all the technologies needed for industrial 3D concrete printing from a single source.

100%

HOMOGENEOUS CONCRETE  
FROM THE 3D PRINTER

#### DIGITALIZATION IS A MINDSET

Digitalization is the driver for innovation and productivity in the construction industry. Processes which are digitalized from start to finish raise standards and increase construction speed. The value chain is changing fundamentally, from 3D planning to digital processes carried out on the construction site. Digitalization does not depend on new tools and new software; it is more to do with the mindset. Initially, it is all a question of the right business model – the process requirements and the essential technologies will follow from this, allowing the construction sector to exploit the massive potential of digitalization. It is unstoppable.



Ivo Lenherr, CEO and innovator at fsp Architekten AG.



### PRECISION GENERATES GREATER FREEDOM

3D concrete printing allows architects to realize the most challenging shapes. Sika's technology creates totally new design flexibility.

The digitalization of construction processes is ushering in a new era for architects and property developers. 3D concrete printing releases designers from the limitations of the right angle. Previously inconceivable architecture becomes possible. Dynamic curves and futuristic interlinked structures can be printed directly and efficiently from digital plans.

#### Homogeneous character

3D printing not only allows complex shapes to be realized economically – using Sika technology, completely homogeneous concrete can be printed. “Because the mortar is mixed in the print head, it has a uniform consistency when it is applied. As a result, structures can be produced which exhibit the same character throughout,” explains Didier Lootens, Head of Material



Didier Lootens, Head of Material Physics at Sika (center), with his team in front of a printed concrete element.

Physics at Sika. The color, too, remains consistent. Assuming this is what is wanted. Because concrete offers more than just a range of shades of gray.

#### Colorful and smooth surface finishes

Adding pigments makes it possible to insert colored concrete into buildings under construction. This can be achieved efficiently with 3D printing because the colors can be accurately controlled by metering pumps. Even precise changes of color are possible. The formwork-smooth surface finishes which characterize traditional concrete will also in future be achievable with 3D printing, allowing all types of subsequent processes including plastering to be undertaken.

Whether it's extravagant shapes, precision-curing, or colors to customers' specifications, Sika now has an industrial product which meets the high material requirements expected of concrete.



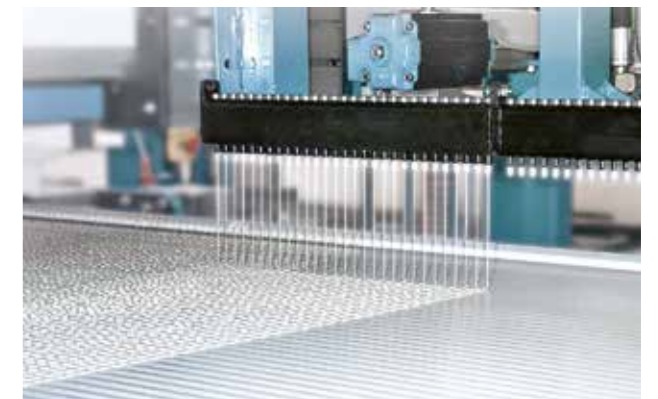
### PROGRESSING INDUSTRIALIZATION

With Sika's experience, construction processes can be industrialized, efficiency enhanced, and standards raised.

Construction sites are changing. Instead of building work being carried out entirely on site, structural modules are increasingly being pre-fabricated under industrial and automated conditions and just assembled on the construction site. This saves time and cost and improves quality. These fundamental changes are only successful with the right partner. Because to produce pre-fabricated modules such as bathrooms, floors, walls, roofs, or complete houses, solutions for the construction process as a whole are needed for the automated assembly of individual components such as seals, thermal or noise insulation systems.

#### Adhesives are replacing nails and screws

This is where Sika occupies a unique position. Using the experience and know-how of industrial processes such as vehicle man-



In addition to the technology, it is above all Sika's knowledge from the industrial manufacturing sector which is raising construction process productivity levels.

ufacturing which the company has built up over many years, Sika is able to massively speed up construction processes. At the same time, Sika's high-tech adhesives especially developed for industrialized processes are the key technologies which are needed for automation. Nails and screws can be replaced; there is no further need for work to be done by hand. This expertise is in demand. Sika is already working closely with leading global companies which are driving the industrialization in construction further forward.

Sika's 3D concrete printing technology allows complex geometries to be realized economically.





Sika's Group Management is made up of experienced managers who have been active at Sika companies across the globe. Thanks to the diversity of their careers and their many years with the company, the members of Group Management have vast expertise that allows them to lead Sika successfully and steer the company toward the future. Urbanization with high levels of population density, high-rises, and infrastructure investments is one of the megatrends where Sika is capturing the full potential for its business.

**JOSÉ LUIS VÁZQUEZ**  
Latin America  
With Sika for 34 years in Spain and Latin America (until March 2018)

**IVO SCHÄDLER**  
EMEA  
With Sika for 21 years in Switzerland and the UK

**YUMI KAN**  
Construction  
With Sika for 26 years in Switzerland and Asia

**CHRISTOPH GANZ**  
North America  
With Sika for 22 years in Switzerland, France, and the USA

**MIKE CAMPION**  
Asia/Pacific  
With Sika for 20 years in Asia and the USA

**THOMAS HASLER**  
Industry and Automotive  
With Sika for 29 years in Switzerland and the USA

**PAUL SCHULER**  
CEO  
With Sika for 30 years in Switzerland, Germany, and the USA

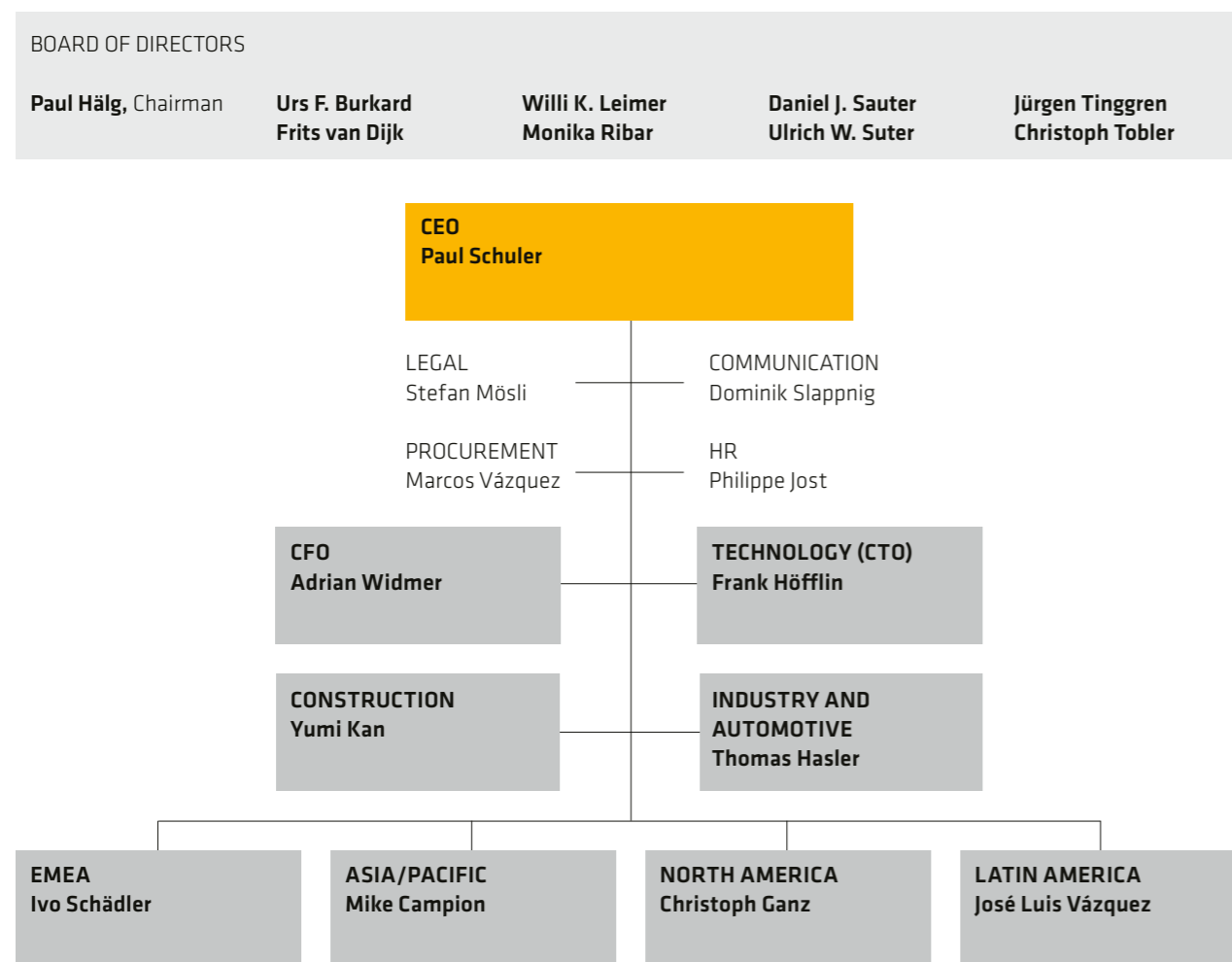
**ADRIAN WIDMER**  
CFO  
With Sika for 11 years in Switzerland

**FRANK HÖFFLIN**  
Technology (CTO)  
With Sika for 15 years in Switzerland and the USA



## INTEGRATED MANAGEMENT, FLAT HIERARCHIES

Sika takes the long view when it comes to developing its business. The 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.



## SIKA ENTERS SWISS BLUE-CHIP INDEX SMI

On May 15, 2017, the Sika share entered the blue-chip stock market index SMI and now belongs to the 20 most important shares in Switzerland. Also in 2017, the share price performed above-average and the market capitalization exceeded CHF 20 billion for the first time.



### OVERVIEW

- Performing at +58.2%, the Sika share price developed stronger than the SMI Index
- Closing price of the Sika share in 2016: CHF 4,892  
Closing price of the Sika share in 2017: CHF 7,740
- The key global share indices performed as follows:
  - SMI +14.1%
  - SLI +20.7%
  - DAX +12.5%
  - Dow Jones +25.2%
  - Nikkei +21.5%
- Shareholders benefit additionally from the record results: dividend increase of 15.6% proposed

### STOCK EXCHANGE RATIOS SIKA

in CHF	2017
Market capitalization in CHF mn	19,661
Yearly high	7,885
Yearly low	4,781
Year end	7,740
Dividend 2016	96.00
Dividend 2017 <sup>1)</sup>	111.00
Earnings per share (EPS)	253.52

<sup>1)</sup> Pursuant to proposal to Annual General Meeting



## BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT

Strong balance sheet with an equity ratio of 58.9% (previous year: 57.8%).  
New record figures for operating profit at CHF 896.3 million (+12.7%) and for net profit at CHF 649.0 million (+14.5%).

### CONSOLIDATED BALANCE SHEET

in CHF mn	12/31/2016	12/31/2017
Cash and cash equivalents	1,155.0	1,037.9
Accounts receivable	1,043.1	1,188.1
Inventories	600.8	729.5
Prepaid expenses and accrued income	89.0	116.2
Other current assets	9.1	12.7
<b>Current assets</b>	<b>2,897.0</b>	<b>3,084.4</b>
Property, plant, and equipment	959.2	1,065.2
Intangible assets	1,021.2	1,314.2
Investments in associated companies	6.3	6.2
Deferred tax assets	159.7	228.1
Other non-current assets	55.8	94.1
<b>Non-current assets</b>	<b>2,202.2</b>	<b>2,707.8</b>
<b>ASSETS</b>	<b>5,099.2</b>	<b>5,792.2</b>
Accounts payable	587.0	730.9
Accrued expenses and deferred income	223.9	253.4
Bond	0.0	150.0
Income tax liabilities	92.0	147.0
Current provisions	20.8	20.0
Other current liabilities	44.3	48.7
<b>Current liabilities</b>	<b>968.0</b>	<b>1,350.0</b>
Bonds	698.7	549.0
Non-current provisions	57.5	56.4
Deferred tax liabilities	110.2	129.3
Employee benefit obligation	274.6	260.0
Other non-current liabilities	42.5	36.4
<b>Non-current liabilities</b>	<b>1,183.5</b>	<b>1,031.1</b>
<b>LIABILITIES</b>	<b>2,151.5</b>	<b>2,381.1</b>
Capital stock	1.5	1.5
Treasury shares	-11.0	-6.6
Reserves	2,933.8	3,389.8
<b>Equity attributable to Sika shareholders</b>	<b>2,924.3</b>	<b>3,384.7</b>
Non-controlling interests	23.4	26.4
<b>SHAREHOLDERS' EQUITY</b>	<b>2,947.7</b>	<b>3,411.1</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5,099.2</b>	<b>5,792.2</b>

### CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	%	2016	%	2017	Change in %
<b>Net sales</b>	<b>100.0</b>	<b>5,747.7</b>	<b>100.0</b>	<b>6,248.3</b>	<b>8.7</b>
Material expenses	-44.7	-2,566.6	-45.6	-2,849.2	
<b>Gross result</b>	<b>55.3</b>	<b>3,181.1</b>	<b>54.4</b>	<b>3,399.1</b>	<b>6.9</b>
Personnel expenses	-20.1	-1,159.1	-19.4	-1,212.1	
Other operating expenses	-18.4	-1,056.3	-17.9	-1,118.5	
<b>Operating profit before depreciation</b>	<b>16.8</b>	<b>965.7</b>	<b>17.1</b>	<b>1,068.5</b>	<b>10.6</b>
Depreciation and amortization expenses	-3.0	-170.4	-2.8	-172.2	
<b>Operating profit</b>	<b>13.8</b>	<b>795.3</b>	<b>14.3</b>	<b>896.3</b>	<b>12.7</b>
Interest income	0.0	2.6	0.0	1.9	
Interest expenses	-0.3	-20.4	-0.3	-18.3	
Other financial income	0.1	5.2	0.2	5.9	
Other financial expenses	-0.5	-27.4	-0.4	-24.0	
Income from associated companies	0.0	0.5	0.0	0.3	
<b>Profit before taxes</b>	<b>13.1</b>	<b>755.8</b>	<b>13.8</b>	<b>862.1</b>	<b>14.1</b>
Income taxes	-3.2	-189.2	-3.4	-213.1	
<b>Net profit</b>	<b>9.9</b>	<b>566.6</b>	<b>10.4</b>	<b>649.0</b>	<b>14.5</b>
Profit attributable to Sika shareholders	9.8	563.1	10.3	643.5	
Profit attributable to non-controlling interests	0.1	3.5	0.1	5.5	
Undiluted/diluted earnings per bearer share (in CHF)		221.81		253.52	14.3
Undiluted/diluted earnings per registered share (in CHF)		36.97		42.25	14.3

### DETAILS TO STATEMENT OF CASH FLOWS

in CHF mn	2016	2017
Operating activities	735.7	651.9
Investing activities	-172.7	-478.2
Financing activities	-473.3	-289.2
Exchange differences on cash and cash equivalents	-9.1	-1.6
<b>Net change in cash and cash equivalents</b>	<b>80.6</b>	<b>-117.1</b>
Operating activities	735.7	651.9
Investing activities	-172.7	-478.2
<b>Free cash flow</b>	<b>563.0</b>	<b>173.7</b>
Acquisitions less cash and cash equivalents	23.6	320.4
Acquisitions (-)/disposals (+) of financial assets	-0.1	2.7
<b>OPERATING FREE CASH FLOW</b>	<b>586.5</b>	<b>496.8</b>



## SIKA SPIRIT MAKES A DIFFERENCE

“Dear friends” – that’s how most emails at Sika begin. Many employees describe the work atmosphere as informal and uncomplicated. The Sika corporate culture combined with the skills and expertise of our workforce is what defines the Sika Spirit and consistently produces new record results. To ensure that this remains the case in future too, employees are assured the best possible conditions.

### Shared values as a strong foundation and basis of the growth strategy

Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, and Manage for Results are the defining elements of our company. These values and principles serve as a compass at all Sika national subsidiaries around the globe and are applied by our employees. Thus the Group’s culture of trust, transparency, and openness has a firm global foundation that is lived out in practice. Sika’s 2020 growth targets describe what is being done, the corporate values how this is being achieved.

### Ethical conduct as a cornerstone of reputation

The company is actively committed to ethical conduct and integrity as the strategic cornerstones on which Sika’s excellent reputation is founded. Numerous compliance initiatives were conducted in the year under review, owing to the strong growth experienced by Sika as a result of the takeover of large companies, the establishment of new national subsidiaries, and fast-growing business activities in challenging markets. Accompanied by a large-scale international compliance campaign

designed to promote integrity awareness, a new digital training program on the Code of Conduct was widely introduced throughout the company, as was the misconduct reporting system, the Sika TrustLine. Worldwide over 5,000 employees underwent compliance training and education in 2017. Leaders including senior managers, general managers, and executive management members in the 100 countries reinforced their role model status by signing a multi-year compliance commitment.

### Employees – the key to success

The number of employees rose 6.1% during the year under review to 18,484 (previous year: 17,419). Regional distribution is as follows: EMEA: 9,822 (previous year: 9,083), North America: 2,142 (previous year: 1,818), Latin America: 2,479 (previous year: 2,349), Asia/Pacific: 4,041 (previous year: 4,169). In 2017, 901 new employees joined Sika as a result of acquisitions. Organic growth also added a further 164 employees to the company headcount. The age structure at Sika is broadly balanced: 15% of employees are under 30 years of age and 24% over 50. Sika wants to offer its staff long-term prospects with the company. Over 96% of employees have permanent employment contracts.

Together, the workforce generated a net added value of CHF 2,092 million in 2017 (previous year: CHF 1,935 million). This corresponds to net added value per employee of CHF 117,000 (previous year: CHF 112,000).

### Interesting prospects across the globe

Sika has a local presence in over 100 countries and its products are available worldwide. The company is growing fast and able to offer employees adaptable career paths as opposed to rigid development plans. With its culture of flexibility and trust in talents, Sika creates and nurtures individual career opportunities and increasingly champions international mobility. Internal candidates are given preference. In recent years, for instance, some 300 employees were promoted to new positions and 100% of Sika senior management roles were filled in-house. The long-term employee prospects and the corporate culture are among

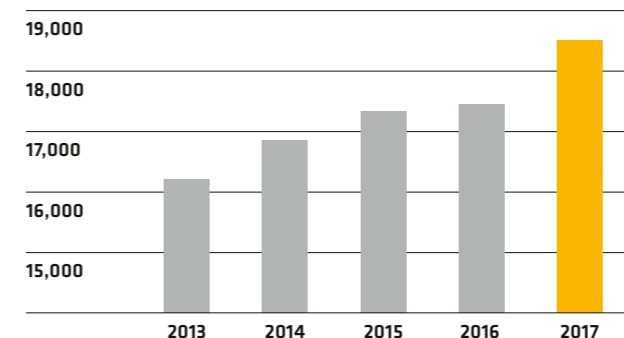
the reasons behind Sika’s low fluctuation rate of 6.2% (2016: 6.2%). Sika is proud to have employees who remain with the company a long time and contribute their know-how and experience over a lengthy period.

By building an employer brand and introducing related measures focusing on digital communication, Sika is further enhancing its reputation as an employer of choice. The external recruitment strategy is aimed predominantly at hiring and developing young talents, increasing the quota of female employees, and attracting more candidates from emerging economies.

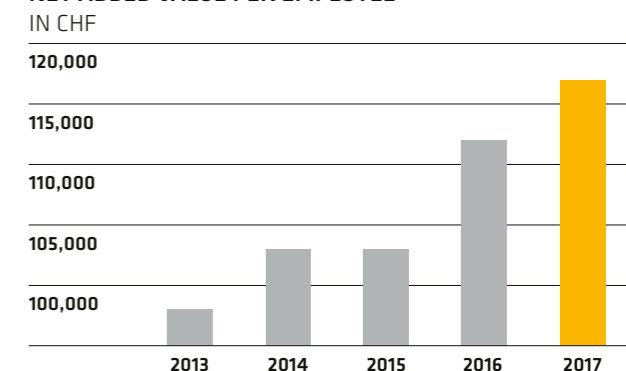
### Learning for long-term success

Sika is growing rapidly and posting record results. As a multinational, the company is still able to act as fast as a medium-sized enterprise and respond to business opportunities with high

### EMPLOYEES



### NET ADDED VALUE PER EMPLOYEE



### 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, 6.2% in 2017.



### TRAINING AND DEVELOPMENT

In 2017, Sika invested CHF 10.7 million in staff development. Company employees spent 12.9 hours attending training and development courses on average.



### 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 2017.



implementation speeds. To ensure that this remains the case, employee know-how must be kept in sync with current trends and market demands. In the year under review, Sika spent CHF 10.7 million (previous year: CHF 9.9 million) on employee development. The aim is to provide at least ten hours training per year for each employee. In 2017, this figure stood at 12.9 hours (previous year: 12.4 hours). The focus is on external as well as in-house training opportunities.

Geared to a strategy of sustainable growth, the programs offered by the Sika Business School comprise leadership and talent development, sales training, digital learning, and special academies. The more than 100 courses on offer in the year under review were attended by 1,600 participants. The 29 training programs conducted for existing and upcoming managers were designed to further foster management and leadership know-how and, among other objectives, prepare them for assignments abroad.

To promote the development of sales skills within the company, sales and marketing training was expanded to include new courses on negotiating tactics and key project management. Approximately half of all Sika Business School courses are sales-oriented. 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 further. The range of online courses available was also increased significantly. Over 200 new programs were implemented, and more than 2,000 training hours completed online.

**Digital communication platform**

Driven by the Internet, real and virtual worlds are growing increasingly into an Internet of Things. In the year under review, Sika made further headway with the wide-scale integration of employees, customers, and business partners into business, value creation, and communication processes. Internal and external digital media therefore play a crucial role in shaping Sika's corporate culture. This not only applies to innovation management, recruitment, and training, but also extends to everyday communication, whether at the workplace or off-site.

In 2017, Sika pressed ahead with the worldwide launch of its state-of-the-art intranet platform SikaWorld, designed to promote the global transfer of knowledge. Every country where Sika is present has access to the platform and around 60 national subsidiaries publish their own regional content. In the year under review, SikaConnect was transferred to the cloud, the global tool for worldwide internal collaboration. Thanks to these two digital workplaces, the global transfer of know-how is faster and more straightforward. In the process of implementing a sophisticated online communication strategy, a social media management tool available in all countries was introduced. In 2017, the Sika social media channels numbered around 90,000 regular users. LinkedIn remained the most popular channel, with some 60,000 followers.



**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.

REGIONAL SUSTAINABILITY ACADEMY

The new Regional Sustainability Academy anchors the sustainability strategy in all regions worldwide, and creates the foundation for a strengthened implementation in the Sika business areas.

The development and launch of a Regional Sustainability Academy program within the framework of the Sika Business School sets out to train employees from national subsidiaries as sustainability experts to enable them to spur, drive and accelerate the implementation of the "More Value - Less Impact" strategy at a regional and local level.

The aim of the Regional Sustainability Academy is to initiate more activities and drive further progress in the sustainability focus areas. The local Sustainability Champions support the local management and teams in analyzing and prioritizing focus areas, codeveloping a "More Value - Less Impact" roadmap, initiating and coordinating activities with business relevance and building up a local sustainability committee to engage employees on all levels.

After the successful start with the Global Sustainability Academy in November 2016 in Switzerland, two regional trainings were held in 2017. They were attended by 37 employees from various business segments from 19 countries in the Asia/Pacific and Latin America regions. The Sustainability Academy will play an important role in involving further national subsidiaries and increasing the number of projects and activities in "More Value - Less Impact" focus areas.



Sika employees work on a project for coral reef restoration in Thailand.



Intense discussions in a workshop on the subject "Less Impact."



These are the new Sustainability Champions from the region Asia/Pacific in Bangkok, Thailand.



PUBLISHED BY

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All Sika Annual Report content is available in German and English,  
and can also be accessed on our website [www.sika.com/annualreport](http://www.sika.com/annualreport).  
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