2012

SIKA ANNUAL REPORT

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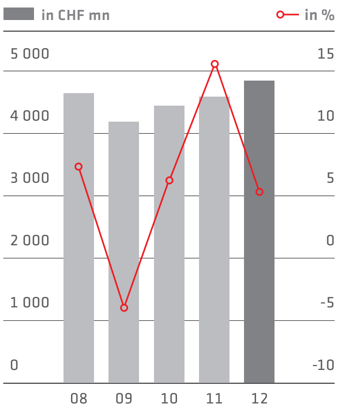
BUILDING TRUST

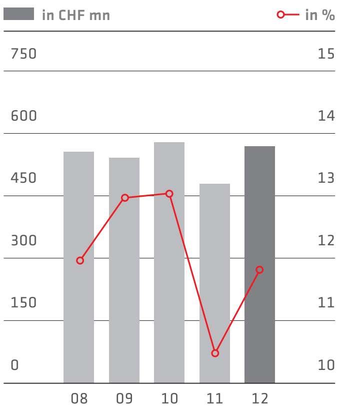
The built environment offers tremendous market potential. Decision-makers confronted with aging high-rises, bridges, roads and tunnels inevitably face the question of whether to demolish and rebuild or renovate. Yet, when all key factors are weighed up, the integral life-cycle perspective for buildings and infrastructure increasingly shows that modernization and refurbishment is the best solution. For more on this subject, please read the feature article in this Annual Report on page 64 ff.

Brief Overview

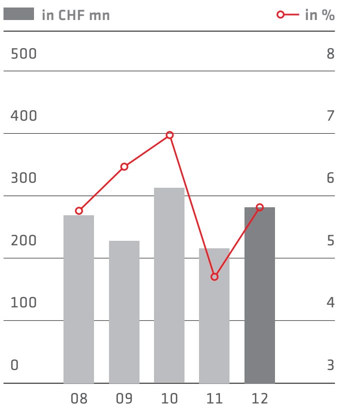
Net sales (consolidated) | Growth in local currencies



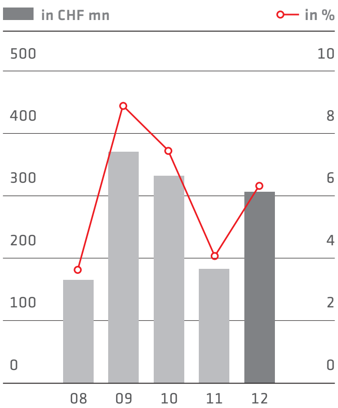
Operating profit before depreciation | as % of net sales



Net profit | as % of net sales



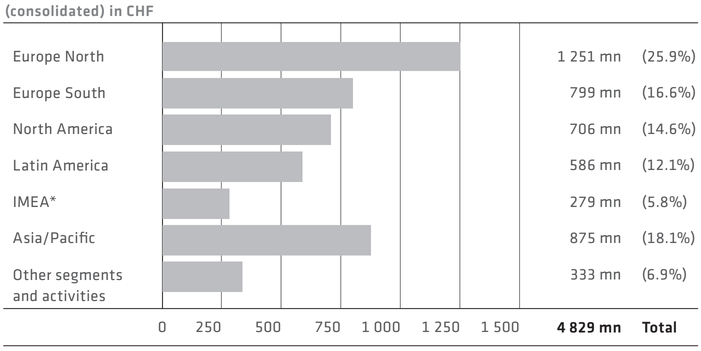
Operating free cash flow | as % of net sales



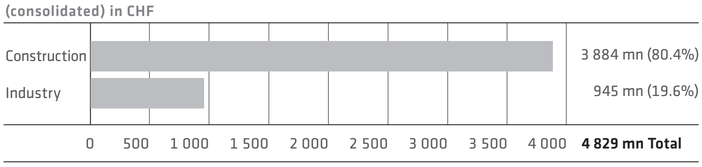
SIKA GROUP

in CHF mn	2011	as % of net sales	2012	as % of net sales
Net sales	4 563.7		4 828.9	
Gross result	2 304.6	50.5	2 519.3	52.2
Operating profit before depreciation (EBITDA)	477.4	10.5	568.9	11.8
Operating profit (EBIT)	347.1	7.6	428.8	8.9
Net profit	214.8	4.7	281.1	5.8
Operating free cash flow	186.1	4.1	302.5	6.3
Capital expenditures	117.1	2.6	131.3	2.7
Balance sheet total	3 830.3		4 262.3	
Shareholders' equity	1 839.1		2 007.4	
Equity ratio in %	48.0		47.1	
ROCE in %	15.6		18.3	
Earnings per share in CHF	85.06		110.98	
Number of employees	15 254		15 233	
Energy consumption in MJ per ton sold	595		560	
CO_2 emissions in tons	31 000		47 000	
Water consumption in million m^3	2.0		1.87	

Net sales by region (consolidated) in CHF

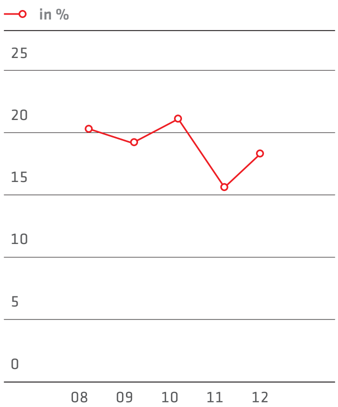


Net sales by market (consolidated) in CHF

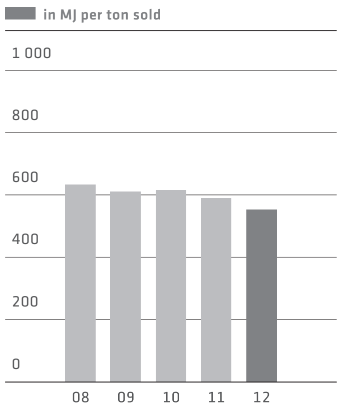


* India, Middle East, Africa

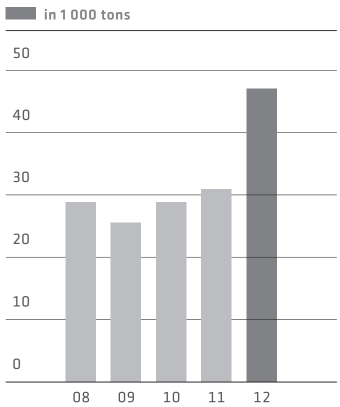
ROCE*



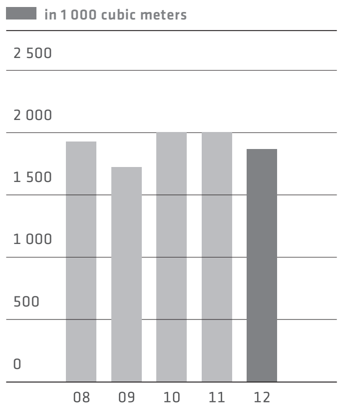
Energy consumption



CO_2 emissions



Water consumption



PORTRAIT

Sika AG, located in Baar, Switzerland, is a globally active specialty chemicals company. Sika supplies the building and construction industry as well as manufacturing industries (automotive, bus, truck, rail, solar and wind power plants, façades). Sika is a leader in processing materials used in sealing, bonding, damping, reinforcing and protecting load-bearing structures. Sika's product lines feature high-quality concrete admixtures, specialty mortars, sealants and adhesives, damping and reinforcing materials, structural strengthening systems, industrial flooring as well as roofing and waterproofing systems. Worldwide local presence in 80 countries and some 15 200 employees link customers directly to Sika and guarantee the success of all partners. Sika generated annual sales of CHF 4 829 million in 2012.

REGIONS

The start of 2013 saw Sika reduce the number of its geographical regions from six to four. The new regional breakdown is based on unified economic areas and supply chain structures. The new region EMEA covers the previous regions Europe North and Europe South together with the Middle East and Africa. With the former region IMEA dissolved, India has been reallocated to the region Asia/Pacific due to its close association with this economic area. North America and Latin America are to remain independent regions on account of their differing market structures.

CORE COMPETENCIES

One key factor for the success of Sika's research and development work is its strategic focus on clearly defined core competencies, namely sealing, bonding, damping, reinforcing and protecting of load-bearing structures in building and industry.

TARGET MARKETS

As global market leader in the construction chemicals sector, Sika continuously leverages new growth potential in all its target markets through innovation, quality and service. It provides its customers with innovative solutions that boost the efficiency, durability and aesthetic appeal of buildings, infrastructure facilities, installations and vehicles throughout production and use. The fully integrated concepts offered by Sika address the entire life cycle of a facility, from initial construction up to the point in time when repair, refurbishment or extension become necessary.

The target markets of Sika are Concrete, Waterproofing, Roofing, Flooring, Sealing & Bonding, Refurbisment und Industry.

THE MOST IMPORTANT RESULTS OF FINANCIAL YEAR 2012 AT A GLANCE

- → SIKA HAD A SUCCESSFUL 2012 WITH SALES GROWTH OF 5.8% TO CHF 4 829 MILLION
- → A RISE IN NET PROFIT OF 31% TO CHF 281 MILLION
- → A HIGH LEVEL OF OPERATING FREE CASH FLOW AT CHF 303 MILLION
- → THE EMERGING MARKETS SAW DOUBLE-DIGIT GROWTH IN 2012 AND ARE ALREADY GENERATING 37% OF CONSOLIDATED NET SALES
- → THE BOARD OF DIRECTORS PROPOSES TO THE ANNUAL GENERAL MEETING THE PAYMENT OF A 13% HIGHER GROSS DIVIDEND THAN IN THE PREVIOUS YEAR, NAMELY, CHF 51.00 PER BEARER SHARE AND CHF 8.50 PER REGISTERED SHARE

* Return on capital employed

SUCCESSFUL YEAR

Jan Jenisch, CEO
Dr. Paul Hälg, Chairman

DEAR SHAREHOLDERS

Sika had a successful 2012 with sales growth of 5.8%, a rise in net profit of 31%, and a high level of operating free cash flow at CHF 303 million. We accelerated our investments in the growth markets and opened new factories and production lines in a number of emerging countries. The emerging markets saw double-digit sales growth in 2012 and are already generating 37% of our consolidated net sales.

Despite the difficult economic conditions on many markets, Sika's growth model, with its cornerstones of market penetration, technology leadership, accelerated expansion in the growth markets, and market consolidation through acquisitions, worked well during the past financial year. We achieved strong growth in the emerging markets in Asia and Latin America. In North America demand stabilized and we recorded a 9% rise in sales thanks to gains in market share. In Europe on the other hand, we felt the effects of the debt problem with to some extent significant declines in market volumes.

Sika accelerated its successful growth strategy in the emerging markets with a number of investment projects. In 2012, we invested considerable funds in the expansion of capacity, particularly in Brazil, Chile, China, Colombia, Mexico, Mongolia, Peru, Russia and Vietnam, which will improve the local supply chains and consolidate our local presence. This enables Sika to continuously increase its close proximity to customers, which distinguish the company in the market. Sika now also has its own subsidiaries in Mongolia and Paraguay.

Our technology leadership is based on the continuous development of new products with increased customer benefits. In 2012, Sika filed numerous patents and successfully launched various new products such as the new, fast-curing Sikalastic® waterproofing system for bridge decks. This reduces the time required for application, thus enabling the renewal of large bridge areas without any major operational disruption. Another example is the new SikaProof® sheet membranes that prevent any lateral water underflow for fast, safe sealing of fresh concrete composites. In the adhesives and sealants market segment, we launched new products based on our i-Cure technology, which are odorless and solvent-free. They also meet the strictest emissions standards and are quick and easy to apply.

In 2012, we successfully completed three acquisitions in South Korea, Germany and Paraguay. The acquisition in Paraguay rounds out our strong position in Latin America and continues our successful strategy of investing in growth markets.

We are well prepared for the future. At the start of 2013, Sika created a streamlined, more efficient Group leadership structure. Group Management was slimmed down from fourteen to nine members, retaining the traditional flat management structures within the Group. The previous six geographical regions have been reduced to four. The comprehensive management responsibility will ensure holistic management from production to the customer.

In 2013, we expect the strong growth momentum in the emerging markets in Asia and Latin America to continue. By contrast, Europe will again be marked by uncertainties this year and present a challenge to our growth strategy. Thanks to our strong global position and the Sika growth model, we are forecasting a further increase in sales and profit for 2013.

The Board of Directors proposes to the Annual General Meeting payment of a 13% higher gross dividend than in the previous year, namely, CHF 51.00 per bearer share (previous year: CHF 45.00) and CHF 8.50 per registered share (previous year: CHF 7.50). This proposal is an expression of Sika's consistent dividend payout policy and follows our positive profit development.

It will also be recommended to the Annual General Meeting to reelect current Board members Dr. Willi K. Leimer and Christoph Tobler. Dr. Thomas W. Bechtler is no longer standing for reelection. He has been a member of the Board of Directors since 1989 and has accompanied and helped to shape the development of our Group. We would like to take this opportunity to thank him for his tireless and valuable commitment to Sika over many years.

Our success in 2012 is due to the expertise and commitment of our 15 233 employees. Together they have initiated some important steps over the past year to help make our Group even stronger for the future, and we would like to thank them all for their dedication and loyalty.

Many thanks go to our customers, business partners and suppliers. We look forward to further fruitful cooperation in 2013. We also especially would like to thank our shareholders for their loyalty.

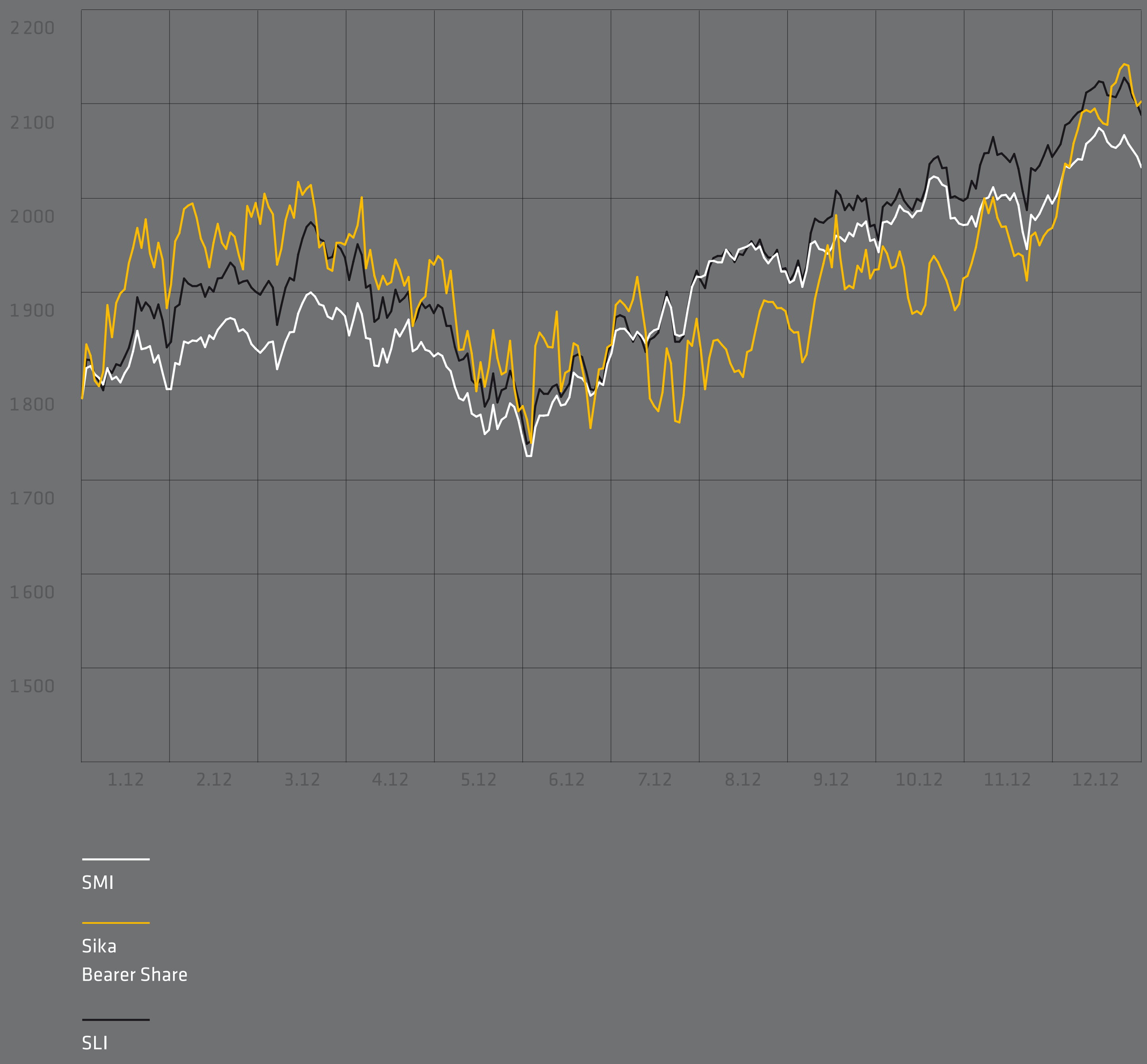
Sincerely,

DR. PAUL HÄLG
Chairman of the Board

JAN JENISCH
Chief Executive Officer

INVESTING IN SIKA

PERFORMANCE OF SIKA BEARER SHARES IN SWISS FRANCS FROM JANUARY 1, 2012, TO DECEMBER 31, 2012
Share price as of December 31, 2012: CHF 2 110



SIKA SHARE BUOYED BY EMERGING MARKET SALES COMBINED WITH MARGIN RECOVERY. Despite the uncertainty on Europe's stock exchanges arising from the debt crisis, 2012 was a good year for the Swiss equity market. The Sika share benefited from the Group's sales growth in the emerging markets as well as the margin recovery. In 2012, Sika was included in the Swiss Leader Index (SLI), containing the 30 largest Swiss companies.

STOCK MARKET DEVELOPMENTS IN 2012

Economic uncertainties cast a shadow over markets worldwide, above all in Europe. However, this had little impact on the performance of Sika's stock. In 2012, Sika shares increased by 19.2%, from CHF 1 770 to CHF 2 110, showing a better performance than the Swiss Exchange's SMI index, which itself gained around 14.9% year-on-year in 2012. In the year under review, Sika shares peaked at CHF 2 170 on December 19 and reached a low of CHF 1 704 on June 5.

On January 10, 2012, Sika published the sales figures for 2011. The Group achieved consolidated net sales of CHF 4.56 billion, which represents an increase of 15.5% in local currencies. All regions reported growth, most notably in the emerging markets of regions Asia/Pacific (+28.1%) and Latin America (+21%) as well as in North America (+21.5%). The earnings figures came out at the beginning of March. In the 2011 business year, consolidated net profit decreased by 30.8% year-on-year to CHF 214.8 million, due in part to the currency effect, but primarily to significantly higher raw material prices.

On April 17, the Group reported on business in the first quarter. The year got off to a good start for Sika. Sales grew by 3.1% to CHF 1.05 billion. In North America, Sika reported a sales increase of 18.6% in local currencies. Latin America achieved the same level of growth. By contrast, Europe North faced a slight fall-off in revenues owing to the cold weather. On the same day, shareholders at the Annual General Meeting approved all proposals of the Board of Directors. Paul Hälg, Daniel J. Sauter and Ulrich W. Suter were reelected for a further term of office of three years. The Annual General Meeting also elected Frits van Dijk to the Board of Directors for the first time.

Since mid-June the Sika share has been listed on the Swiss Leader Index (SLI), which contains the 30 largest and most liquid Swiss stocks. In the same month, the Group announced that it had successfully placed a 6-year CHF 150 million bond with a coupon of 1.0% p.a. and a 10-year CHF 150 million bond with a coupon of 1.75% p.a. in the Swiss capital market.

In the half-year report published in July, the company announced a 3.4% increase in sales to CHF 2.3 billion, driven by the markets of North America (+13.9%) and Latin America (+16.6%). The gross margin widened from 49.4% in the second half of 2011 to 53.1%. Mid-year the share price embarked on a strong recovery, which continued until the end of the year.

In early September, Sika announced that it would be streamlining its organizational structure effective January 1, 2013. There are to be four regions instead of six: EMEA (Europe North, Europe South, Middle East and Africa), Asia/Pacific (now including India), North America and Latin America. The traditional flat management structures will remain in place.

The third quarter was encouraging. With sales up 6% to CHF 3.6 billion and 32.3% growth in net profit to CHF 223.9 million, Sika exceeded analysts' expectations. The market rewarded this result with a rise in the share price.

PER SHARE DATA

		2008	2009	2010	2011	2012
Bearer shares[1, 2]: Nominal value CHF 0.60						
Number of shares as of December 31		2 151 199	2 151 199	2 151 199	2 151 199	2 151 199
of which entitled to dividend		2 089 691	2 095 572	2 115 291	2 122 071	2 136 702
of which entitled to vote		2 089 691	2 095 572	2 115 291	2 122 071	2 136 702
Gross dividend	CHF	45.00	45.00	45.00	24.00	51.00[3]
Repayment of nominal value / net payout of capital contribution reserves	CHF	–	–	8.40	21.00	–
Stock quotations						
high	CHF	2 082	1 658	2 145	2 250	2 153
low	CHF	788	685	1 482	1 528	1 719
year-end	CHF	900	1 615	2 051	1 770	2 110
Stock price performance	%	-58.0	79.4	27.0	-13.7	19.2
Average daily trading volume[4]	Shares	8 871	5 746	10 735	6 333	4 672
Registered shares[5, 6]: Nominal value CHF 0.10						
Number of shares as of December 31		2 333 874	2 333 874	2 333 874	2 333 874	2 333 874
of which entitled to dividend		2 333 874	2 333 874	2 333 874	2 333 874	2 333 874
of which entitled to vote		2 333 874	2 333 874	2 333 874	2 333 874	2 333 874
Gross dividend	CHF	7.50	7.50	7.50	4.00	8.50[3]
Repayment of nominal value / net payout of capital contribution reserves	CHF	–	–	1.40	3.50	–
Key data per bearer share[7]						
Net profit per share (EPS)[8]						
basic EPS	CHF	107.00	91.03	124.48	85.06	110.98
EPS development	%	-22.0	-14.9	36.7	-31.7	30.5
Equity per share	CHF	587	640	704	728	791
Price-earnings ratio (P/E), year-end		8.4	17.7	16.5	20.8	19.0
Dividend/repayment of nominal value yield	%	5.0	2.8	2.6	2.5	2.4[3]
Other information						
Market capitalization[9]	CHF mn	2 286	4 102	5 210	4 496	5 360
in % of equity	%	156	258	297	246	269
Total dividend/repayment of nom. value	CHF mn	111.5	111.8	134.2	113.3	128.8[3]
in % of net profit (payout ratio)[7]	%	42	50	43	53	46

1 Registration no. 58797/Reuters: SIK., Bloomberg: SIK SX
2 Of which, in 2012, Sika owned 14 497 (29 128) bearer shares not entitled to dividend or voting rights
3 Pursuant to proposal to Annual General Meeting
4 Average daily volume traded on SIX Swiss Exchange (Source: SIX Swiss Exchange, Zurich)
5 The registered shares of Sika AG were delisted from the SIX Swiss Exchange on September 4, 2003
6 Of which, in 2012, Sika AG owned no (0) registered shares
7 Excluding minority interests
8 For EPS calculation, see note 23
9 The registered shares were delisted from the Swiss stock exchange in 2003. In our calculation these are taken into account with 1/6 of the bearer share price of December 31, 2012

EARLY IDENTIFICATION OF POSSIBLE RISKS. As a global player, Sika is exposed to a variety of risks. Ensuring the Group's freedom of action at all times, safeguarding its good reputation, and protecting the capital invested in Sika necessitate a timely analysis of potential risks and their integration into strategic decision-making processes. This may also unlock new opportunities.

RISKS AND OPPORTUNITIES

Flawed risk assessments may seriously impair a company's reputation, limit its freedom of action or, at worst, lead to insolvency. Well aware of this, Sika has a comprehensive risk management system in place, for the Group and all its subsidiaries. Dangers should be identified at an early stage and integrated into strategic decision-making processes. Risk management may sometimes assist in the identification of new opportunities and thereby help to generate added value. The risk management process comprises four steps: risk identification, risk assessment, risk monitoring, and risk controlling.

GROUP MANAGEMENT AND BOARD OF DIRECTORS

Whereas Sika's Group Management regularly reviews the processes underlying risk management, the Board of Directors bears ultimate responsibility for risk assessment. Its duties include annual reassessment of the risk situation at Group level. Here, the focus is on those strategic and operative risks that are capable of seriously endangering the Group as a whole. All risks are assessed in terms of a few basic questions:

- Is the risk global or regional in scope?
- How significant is the risk for the Group?
- How high is the probability of losses occurring?
- What measures need to be implemented to prevent the risk or mitigate its consequences?

Suitable measures are then taken to counteract any risks that are rated critical in the overall assessment.

SUPPLIERS AND RAW MATERIALS

Materials, as Sika's biggest cost factor, are high on the risk assessment agenda. Almost 70% of the materials used by Sika in production – e.g. polyurethanes, epoxy resins or polyvinyl chloride – are based on crude oil or crude oil derivatives (downstream products). Purchase prices consequently vary according to the respective supply and demand situation of each raw material and the volatility in the price of oil.

Sika purchases its base chemicals following strict quality requirements from the supplier offering the best value for money. In the case of key raw materials with limited availability or large purchase volumes, Sika mandates at least two suppliers whenever possible. The Group tries to manufacture the raw materials for unique, highly innovative technologies in-house.

PRODUCTION AND LOGISTICS

Sika sets defined standards for risk provisions that are binding for its production and logistics operations. These form part of the Group-wide "Sika Corporate Policies and Management System" and determine, for example, the processes and guidelines in the areas of quality, environment, health and safety. They are displayed together with the statutory regulations in the management system of each site. For this purpose, all Sika production companies are certified to DIN EN ISO 14001 (environmental protection) and 9001 (quality), and many also to OHSAS 18001 (safety and health). For more information, see the current certification status for the various Group companies starting on page 132.

1.5 %

CUSTOMER DIVERSIFICATION: NO SINGLE CUSTOMER ACCOUNTS FOR MORE THAN 1.5% OF SIKA'S TURNOVER

Internal inspections of production and logistics operations are conducted by the local companies on an annual basis. These include recording the risks that may result in production downtimes, personal injury, property damage or liability claims. The probability and implications of the risks are assessed and measures subsequently defined and implemented to minimize the risk potential at the site and enhance safety. Accompanied by the local management and their teams, Group specialists also carry out regular internal inspections of the Sika plants following the same procedure.

Risk analyses performed by external specialists, frequently in close collaboration with the relevant property insurance companies, complement the in-house assessments. Sika is insured against production losses.

The risks potentially posed by products are minimized through the implementation of binding procedures governing product development and refinement – known as the Product Creation Process and Product Maintenance Process. Both processes are subject to highly stringent controls. The issues addressed relate, on one hand, to ecology and safety in development, production and product handling, and, on the other, to market opportunities and intellectual property protection.

For more than ten years Sika has had a global program in place to minimize the risks in advisory and sales activities that could provide grounds for product complaints. Thanks to a host of additional measures, including the regular and systematic training of employees, clearly formulated standards, detailed causal analyses, and stricter controls, expenditure for product-related claims is steadily being reduced. To reduce the risk of customers using Sika's products incorrectly, Sika focuses on providing targeted support to customers and on quality control.

CUSTOMERS AND MARKETS

Sika has a policy of strategic diversification to limit market- and customer-related risks. Geographical diversification is tremendously important in the locally based construction industry given the sometimes contrary business trends witnessed in this sector in the different regions of the world. Customer diversification – with no single customer accounting for more than 1.5% of Sika's turnover – is another stabilizing factor. As a further safeguard against economic fluctuations, Sika operates both in the new-build sector and in the less cyclical renovation and maintenance market.

FINANCIAL RISKS

The purpose of financial risk management is to optimize funding and achieve a liquidity position geared to payment of obligations. Liquidity is ensured by means of five long-term bonds: CHF 250 million (2013), CHF 300 million (2014), CHF 250 million (2016), CHF 150 million (2018), CHF 150 million (2022).

Liquidity is optimized by means of a cash-pooling arrangement. For selected activities in the treasury area, Sika relies on additional third-party services. Sika also manages its net working capital with the utmost prudence. For example, the local companies have precisely defined processes for handling accounts receivable. A cost structure dovetailed to the prevailing market conditions ensures adequate cash generation. Sika attaches high priority to open and cost-efficient access to capital markets. Of significance here is the Standard & Poor's rating A-/stable (long-term).

A–/stable

IS THE STANDARD & POOR'S RATING FOR SIKA

INTERNAL AUDIT
Internal Audit carries out inspections as set out in the annual audit plan, which records the main focus areas for the year in question. The audits primarily include inspections of Group companies in the areas of product development, procurement, production, financial and operational reporting, sales, accounts receivable and accounts payable management, and IT management. In addition to the global audit of sales and production companies, regular in-depth audits are carried out in the area of headquarters functions or Group-wide support processes.

Financial risk management is described in detail on page 122 ff. of this report.

STRATEGY & FOCUS

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With its proven growth model, Sika stands a good chance of growing more strongly than the market. Particular sources of growth include the company's increased market penetration, the extension of its global technological leadership role, accelerated expansion in the growth markets, and market consolidation through acquisitions.
The aim is to achieve leadership in the defined target markets. As the past business year showed, strategy and focus pay long-term rewards and have put Sika squarely on the path to success.

A TRADEMARK FOR INNOVATION, QUALITY AND SERVICE. Sika constantly seeks to exploit growth potential in all its target markets in order to achieve market leadership and sustainable expansion.

VISION

With its range of process materials for sealing, bonding, damping, reinforcing and protecting load-bearing structures, Sika strives for leadership in clearly defined target markets.

Sika's target markets are:
- Concrete
- Waterproofing
- Roofing
- Flooring
- Sealing & Bonding
- Refurbishment
- Industry

For a detailed description of the target markets, please see page 13.

Sika provides its customers with innovative solutions that boost the efficiency, durability and aesthetic appeal of buildings, infrastructure facilities, installations and vehicles, throughout production and use, and thereby makes a substantial contribution to sustainable development.

MARKET POTENTIAL AND STRATEGY

Despite being global market leader in the construction chemicals sector, Sika does not yet hold the number one position in all its target markets. Sika's core target markets alone offer potential in the order of CHF 50 billion. Sika systematically leverages the growth potential in its target markets. The company draws on its innovative power, for instance, to meet the rising demand for energy-efficient and cost-effective solutions in both the construction and industrial manufacturing sectors. This has led to the development of new roofing systems that vastly improve the energy performance of buildings and state-of-the-art, low-weight, time-saving adhesives for vehicle production – to name just two examples. As globalization proceeds, the ability to deliver comprehensive integral solutions for globally operating key accounts and large-scale projects is a decisive success factor.

Particularly crucial for Sika are the emerging markets of Latin America, Eastern Europe, the Middle East and parts of Asia. To capitalize on the momentum in these rapidly growing markets – where the potential for structural growth is far from exhausted – the company relies on cost-effective solutions for early market development. At the same time, investment in the training of both employees and customers paves the way for the introduction of new, more efficient technologies and improves market penetration.

SUSTAINABLE DEVELOPMENT AND VALUES

Sustainable development is for Sika not a goal that can be achieved immediately, but a continuous process of optimization, adaptation to customer needs and innovation. That is why Sika is constantly on the search for possible refinements, for ways of furthering the good of the company, its customers and the environment. At Sika, responsibility to shareholders, market players and the general public is fundamental to sustainable business activities. Sika acts in accordance with common values that form the basis for the company's sustainable development.

Sika pursues a double-pronged sustainability strategy:
- it seeks to design products and services that meet the demand for efficient, sustainable solutions in the target markets;
- it continuously refines its own operations in line with sustainable practice and backs this up by suitable investment in sustainability on the basis of economic principles.

Sika technologies make an essential contribution to the sustainable development of our society. Sika admixtures help to achieve massive cuts in CO_2 emissions in concrete and cement production. Sika roofing systems reduce energy consumption in buildings by up to 15%. Moreover, as the global leader in waterproofing, the company helps to optimize global water management.

In automotive production, Sika adhesives have superseded traditional welding methods as a means of joining together different types of material. The fundamental challenge facing the automotive industry is to build lighter vehicles while simultaneously meeting ever-higher safety and comfort standards. Sika's lightweight materials and solutions for structural strengthening help to attenuate vibration, enhance design rigidity and improve collision behavior, while also reducing the car body weight.

BUILDING TRUST – THE SIKA BRAND

THE SIKA BRAND STANDS FOR QUALITY AND CONSISTENCY. Sika is a strong brand. It allows the Group to present a consistent identity in all target markets and with all products.

SIKA AS A BRAND

Branding lends products a distinct identity and associates them with a specific set of values. This fact was recognized early in Sika's history by founder Kaspar Winkler, who coined the company's name and designed its logo. The considerable standing acquired by the Sika brand over the years is a tribute to this farsightedness. Having changed only slightly since its creation, the logo epitomizes continuity and solidity. It is recognized across the globe as synonymous with innovation, quality and service. The combined word/picture trademark has proved a valuable asset throughout the world during the Sika Group's decades-long expansion. Both the word "Sika" and the logo, with its familiar red and yellow hues, are readily accepted across all cultural boundaries.

WORLDWIDE TRADEMARK PROTECTION

Given the high awareness of the Sika brand, particularly the graphic trademark, the company attaches high priority to a consistent and standardized use of the logo, and verifies compliance with the associated corporate image guidelines. Customers throughout the world can rest assured that they will receive Sika quality and service wherever they see the Sika logo. The various attempts, in recent years, to copy the logo only serve to underline its enormous intangible value for the company.

The umbrella brand Sika together with some 685 Sika product trademarks, such as Sikaflex®, Sika® ViscoCrete®, SikaBond® or SikaForce®, sharpen the company's competitive edge. Hence the crucial role of trademark protection as a management task, performed both globally, at Group level, and locally, at national level. In total, Sika held 9 477 trademark registrations in 160 countries at the end of 2012. Sika AG continuously monitors its trademarks and takes consistent legal action in cases of infringement.

CORPORATE IDENTITY

The company regularly invests in measures aimed at strengthening the long-term position of the Sika brand. The end of 2012, for example, saw the conclusion of a corporate identity process launched two years ago. This process has delivered a sustainable, clear-cut positioning of the brand, an updated framework for Group-wide communication plus uniform guidelines for a more expressive and contemporary corporate design. This Annual Report marks the rollout of the new-look corporate identity.

The corporate identity process also involved a reformulation of the Sika tagline. The slogan for the anniversary year in 2010, "Innovation & Consistency since 1910", has now been replaced by "Building Trust".

The word "building" expresses both Sika's core business area and the activities of its customers, e.g. as bridge builders or automotive manufacturers. The English word also resonates with German speakers due to its phonetic and semantic affinities with the German word "bilden" (forming). This, in turn, has connotations of shaping, designing, structuring and developing. One single word thus unites all the core competencies of Sika and its customers.

Trust is the foundation of all types of partnership and collaboration. It is fostered by the quality of Sika's work and is the result of the company's innovative power and perseverance. Trust underpins Sika's philosophy as well as all its promises and obligations vis-à-vis customers and partners. Yet, it is not a static state, but a continuous process that needs to be actively cultivated. Any brand – the Sika brand being no exception – exists and thrives on the trust placed in it by the company's customers.

CUSTOMERS AND MARKETS

INDIVIDUAL SOLUTIONS FOR GLOBAL REQUIREMENTS. Sika's growth strategy focuses on seven target markets, whose varying requirements are conscientiously met at global, regional and local level.

CUSTOMERS

The breakdown into seven target markets allows Sika to sharpen its customer focus, optimize its technical market support activities and concentrate its research and development operations on key areas.

TARGET MARKETS

As global market leader in the construction chemicals sector, Sika continuously leverages new growth potential in all its target markets through innovation, quality and service. It provides its customers with innovative solutions that boost the efficiency, durability and aesthetic appeal of buildings, infrastructure facilities, installations and vehicles throughout production and use. The fully integrated concepts offered by Sika address the entire life cycle of a facility, from initial construction up to the point in time when repair, refurbishment or extension become necessary. The lengthening of a facility's service life, through appropriate maintenance and modernization, makes both economic and ecological sense. Sika's seven target markets are:

CONCRETE

Sika develops and markets numerous admixtures and additives for use in concrete, cement and mortar production. These products enhance specific properties of the fresh or hardened material, such as workability, durability, 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, cement and mortar and the growing use of alternative cementitious materials in cement, mortar and concrete production.

WATERPROOFING

Sika's solutions cover the full range of technologies used for below-ground waterproofing: flexible membrane systems, liquid applied membranes, waterproofing concrete admixtures, joint sealings, waterproof mortars, injection grouts and coatings. Key market segments include basements, underground parkings, tunnels and all types of water-retaining structures (e.g. reservoirs, storage basins, storage tanks). Watertight systems are faced with more stringent requirements regarding durability, easy application and total cost management. Therefore product quality is becoming increasingly important.

ROOFING

Sika provides a full range of single-ply and built-up flat roofing systems incorporating both flexible sheet and liquid applied membranes. Demand in this segment is driven by the need for eco-friendly, energy-saving solutions such as green roof systems, light-reflective cool roofs and solar roofs, which simultaneously help to cut CO_2 emissions. While refurbishment projects continue to gain significance in the mature markets, the emerging markets are moving towards higher quality roof solutions.

FLOORING

Sika's solutions include all types of floor coatings needed for industrial and commercial buildings, such as pharmaceutical and food-industry facilities, production plants, educational establishments, parking decks and residential properties. Each market segment is subject to its own particular requirements in terms of mechanical wear, antistatic performance, slip resistance, aesthetic impact, and chemical or fire resistance. Dominant trends in the flooring market include the growing importance of custom-developed technical solutions, the increase in building refurbishment contracts and stricter country-specific environmental regulations.

SEALING & BONDING

Sika's wide-ranging portfolio includes top-class elastic sealing and bonding solutions to meet all job site needs, e.g. joint sealants for façades or resistant sealants for floor and special joints as well as multipurpose bonding solutions for interior finishings or parquet installation. The growing demand in this market is fueled by the sharper focus on energy-efficient building envelopes, the ever-greater variety of materials used in construction, the increasing volume of high-rise projects and the growing significance of health, safety and environmental issues.

REFURBISHMENT

This segment features concrete protection and repair solutions, e.g. repair mortars, protective coatings, grouts and structural strengthening systems. Market trends are dictated by the rising quality requirements placed on products and services, with global customers expecting uniform standards worldwide. The present uptrend in demand is attributable to a rising volume of infrastructure rehabilitation projects in the transport, water management and energy sectors.

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SIKA ESTABLISHED THE FIRST SUBSIDIARY OUTSIDE EUROPE IN JAPAN

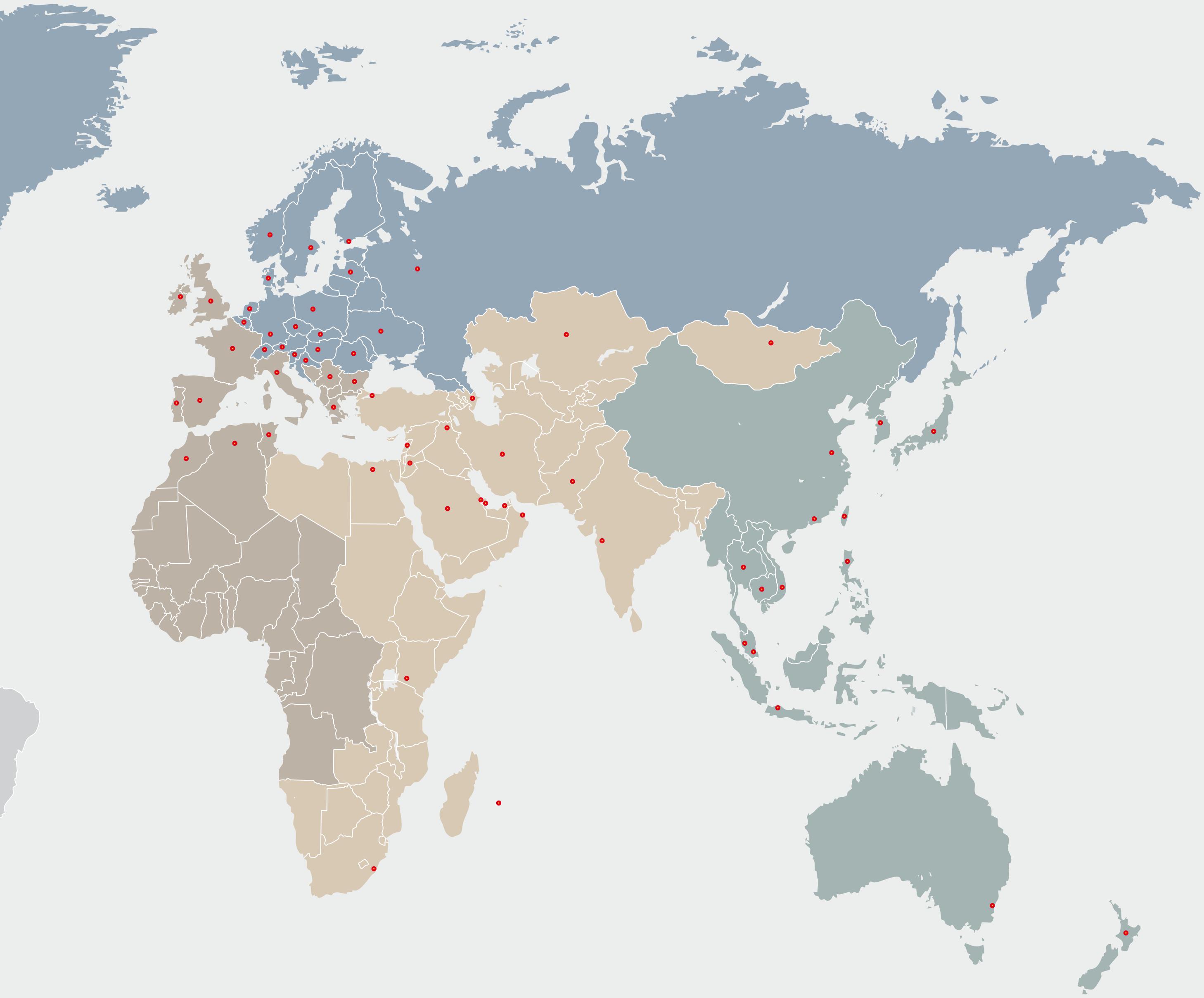
INDUSTRY
The markets served by Sika include automobile construction, the commercial vehicle industry (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (car glass replacement, car body repair), renewable energies (solar and wind), and façade engineering (structural glazing, sealing of insulating glass units). The increasing market penetration of Sika technologies is particularly noticeable in the commercial vehicle manufacturing and automotive aftermarket sectors. In the car-making industry there is a constantly growing demand for products that enable the design of ligh-weight vehicles. Manufacturers are also seeking solutions that save time and costs.

REGIONS
Sika has grown continuously since its foundation in 1910. The first subsidiary outside Europe was established as early as 1932 in Japan. The Group was split into regions at an early stage so as to allow the national organizations to capitalize on synergies and set up further companies. The regions are headed by regional managers and effectively shape the company's management structure. The regional managers are members of Group Management and assume line responsibility for their region. The regional management structures encompass sales functions, production responsibility as well as the marketing and development activities geared to the target markets.

The start of 2013 saw Sika reduce the number of its geographical regions from six to four. The new regional breakdown is based on unified economic areas and supply chain structures. The new region EMEA covers the previous regions Europe North and Europe South together with the Middle East and Africa. With the former region IMEA dissolved, India has been reallocated to the region Asia/Pacific due to its close association with this economic area. North America and Latin America are to remain independent regions on account of their differing market structures. For details of developments in the individual regions during the reporting year, see pages 28 and 127 ff.

WORLDWIDE MARKET PRESENCE

EUROPE NORTH	EUROPE SOUTH	NORTH AMERICA	LATIN AMERICA	IMEA	ASIA/PACIFIC
Sales in CHF mn	Sales in CHF mn	Sales in CHF mn	Sales in CHF mn	Sales in CHF mn	Sales in CHF mn
1 251	799	706	586	279	875
Employees	Employees	Employees	Employees	Employees	Employees
4 907	2 218	1 437	2 170	1 281	3 220



● SIKA SUBSIDIARY

INVESTMENT IN A SUSTAINABLE FUTURE. Products that have been on the market for a maximum of five years accounted for 30.1% of Sika sales in 2012. This success largely derives from the company's strategic focus on the target markets, expert research and development management primarily geared to client projects, efficient development processes and a targeted response to the needs of the customers.

INNOVATION AND GROWTH

Innovation is a key driver in the successful implementation of the company's growth strategy. It makes a major contribution to the achievement of an average medium-term growth in local currencies of 8% to 10%. Research and development (R & D) enjoy an accordingly high priority within the company. The R & D strategy adopted by Sika in recent years has yielded a high innovation rate, with numerous patents plus a host of new products. Products that have been on the market for only five years or less accounted for 30.1% of Sika sales in the reporting year (previous year: 32.7%).

CORE COMPETENCIES

One key factor for the success of Sika's R & D work is its strategic focus on clearly defined core competencies, namely sealing, bonding, damping, reinforcing and protecting of load-bearing structures in building and industry.

Our sealing products are used to install durable wind-, rain- and draft-proof barriers in flat roofs, complex tunnel systems, damage-prone water-retaining structures and sophisticated curtain wall assemblies. Bonding ensures the permanent, elastic or structurally continuous connection of different materials. Innovative products and processes are used to bond vehicle components, window assemblies or even concrete bridge units weighing several tons. Damping reduces vibrations in fixed and moving objects, thereby lowering resonance and noise emission in load-bearing structures and in cavities within vehicles. Our reinforcing Carbodur products are strategically incorporated in structures to improve their resistance to static and dynamic loads, while protective systems serve to increase their durability. Sika coatings guarantee long-term protection for concrete and steelwork assemblies against climatic conditions, chemical action, pollution and fire.

FOCUS OF DEVELOPMENT IN INDIVIDUAL TARGET MARKETS

CONCRETE

Activities in this segment are largely directed at developing admixture systems that permit a more extensive use of secondary raw materials in concrete, thereby reducing its carbon footprint, and polymeric concrete plasticizers and shotcrete accelerators made from locally sourced raw materials.

WATERPROOFING

Here, the focus is on improved product application and new waterproofing systems for installation before concreting.

ROOFING

Development work in this field centers on easy-to-install, self-adhesive roofing sheets and protective coatings designed to extend the service life of waterproofing membranes.

FLOORING

Criteria that shape current trends in the flooring market include enhanced comfort and aesthetic appeal plus the ever-greater demands in terms of trouble-free application and environmental compatibility.

SEALING & BONDING

New construction-sector regulations call for a more widespread deployment of solvent-free, eco-efficient and user-friendly adhesives and sealants. Development activities for industrial applications target the reduction of waiting times during repair work and the lowering of temperatures in vehicle manufacturing processes.

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PATENTS WERE FILED FOR IN 2012 – IN ADDITION 85 INVENTION DISCLOSURES WERE MADE

REFURBISHMENT
Innovative filler technologies have ushered in the development of high-performance mortar products with improved workability and extended functional properties. Further novelties include products based on new fiber and binder concepts for the stiffening of structural building elements.

INDUSTRY
The structural bonding of different material types, e.g. metal with plastics, and emissions cuts enjoy high research priority in this market.

RESEARCH STRATEGY

At Sika, research and development are dictated by two main factors. The first of these relates to global trends driven by the principles of sustainable development and enhanced customer utility, such as the demand for resource-saving building methods, energy-efficient construction materials or lighter and safer vehicles. The second relates to the considerable adaptation of products necessary to meet local needs, which vary according to the particularities of the construction industry in different countries – e.g. with regard to raw materials, climate or legal framework. Accordingly, Sika's research strategy has both centralized and strongly regional components.

The centralized elements of the research strategy are devolved to the subsidiary Sika Technology AG, which is responsible for long-term research programs, analytical services and research management. The long-term research programs are geared to the technology roadmaps, which are governed by the key megatrends and associated technology goals. Here, the identification of new products, for example, to increase safety or durability, shorten process times or generally enable customers to cut system costs, is only one aspect. Equally important is the refinement of existing products to enhance customer utility or their introduction in new fields of application.

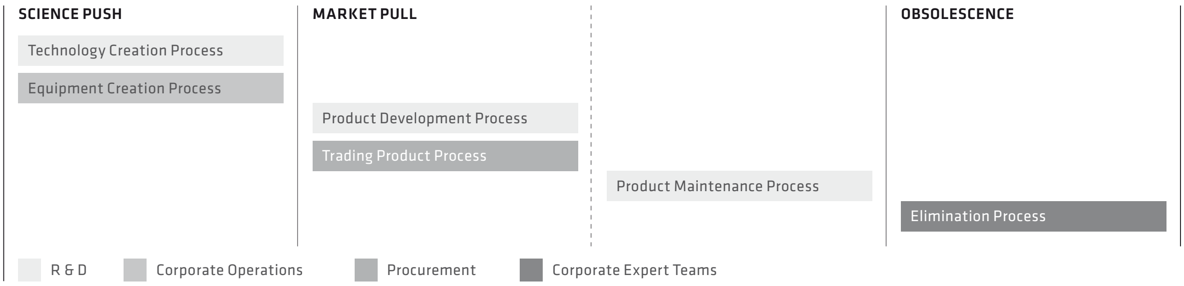
The regional components of Sika's research strategy are entrusted to the ten technology centers in America, Europe and Asia. These sites assume specific technology responsibilities and develop new products and applications independently. The technology centers also support the global market launch of their innovations. For this, they liaise closely with regional and local customer-oriented laboratories. This allows the swift adjustment of new products to local requirements, e.g. the fine-tuning of concrete admixtures to climatic conditions or to locally sourced aggregates such as gravel or sand. The Sika technology centers are also responsible for finding local raw materials so as to minimize production costs and maximize supply security.

COLLABORATIONS

In the field of basic research, Sika relies mainly on collaborations with premier universities in Switzerland, the USA, Germany, France, China, India and other countries, with the focus being mainly on doctoral theses. The combination of shared interests and geographic proximity often spawns prompt, unbureaucratic solutions that bring obvious benefits for the company. At the same time, Sika is at pains to counteract the prevailing shortage of engineers and chemists in certain countries by attracting suitable candidates to the company.

Sika is permanently engaged in a range of international projects such as the NanoCem consortium. This European research network studies nanoscale-to-microscale phenomena that influence the performance of cementitious materials and the products and structures in which they are used. Sika also collaborates with its key suppliers and customers to promote innovation as early as possible in the supply chain and pave the way for the use of tailored intermediate products.

Product Creation Process



Sika Technology AG participates in a range of projects funded by Switzerland and the European Union or its member countries. These projects range from basic research into sustainable chemistry to process and application development. Sika is also active in the United Nations Sustainable Buildings and Climate Initiative (SBCI), whose aim is to establish sustainable building practices worldwide.

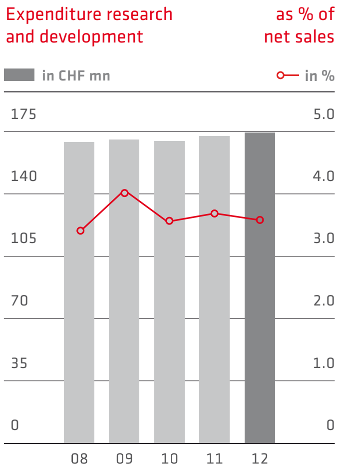
INNOVATION

Expenditures on research and development for the Group in the year under review totaled CHF 172.9 million (2011: CHF 167.5 million), roughly equivalent to 3.6% of sales (2011: 3.7%). Central expenditure totaled CHF 86.1 million (2011: 82.8 million). The R & D budget was allocated in accordance with strategic priorities.

The Sika Group's Research & Development unit is aligned with the enterprise strategy and focuses on research into technology platforms and implementation procedures for high-priority R & D projects in the development departments. The seven-stage development process for products, the so-called Product Creation Process (PCP), is employed uniformly worldwide to ensure that new and patented products can be brought to market as quickly as possible. Yet, apart from short time to market, Sika also aims for high efficiency and strives to achieve cost leadership for its products in all target markets. In collaboration with the regions and target market representatives, the R & D unit also continuously works to streamline the comprehensive product range in order to consolidate, simplify and lower the cost of marketing, production and distribution processes.

The regional technology support functions are, among other things, responsible for compliance with the PCP in their area and perform regular PCP audits to review process quality. The audits ensure that employees always apply an up-to-date state of knowledge so as to meet the high standards specified by Sika and that local chemists are kept abreast of the latest technologies. At the same time, special workshops are held to collect innovative ideas from the regions and leverage these for the Group.

2012 saw Sika launch onto the market a number of new important products, which include the following:
- State-of-the-art industrial flooring systems based on aqueous epoxy resins combining ultralow VOC emissions with extra-high color consistency
- Highly elastic MTC liquid polyurethane membrane to meet specific requirements of the Japanese market
- New generation of SikaGrind® cement additives designed to reduce CO_2 emissions of blended cements (based on limestone flour and pulverized-fuel ash)
- ViscoCrete® concrete plasticizer based on locally sourced raw materials for major markets, especially in emerging countries
- Unique SikaRep® multipurpose mortar, designed as single product to cater for a variety of applications
- Next generation of epoxy-based SikaDur® grouts
- Optimized technology for PVC waterproofing membranes, particularly geared to the European mass market
- Go-ahead for a new waterproofing membrane which creates a durable bond to concrete in civil engineering applications and prevents any lateral water underflow



- Highly reflective roof membranes for cool and solar roof systems
- Two-component structural silicone adhesive with exceptionally high early strength for fixing solar modules; winner of 2012 CSP Technology and Supplier Award
- Ultra-high-performance façade sealant based on i-Cure technology: exceptionally weather-resistant sealant combining high elasticity with excellent workability properties
- OEM-approved car glass repair adhesive based on Sika PU hybrid technology with high elastic modulus
- Expanding adhesives particularly suitable for lightweight assemblies to allow invisible jointing of even thinnest metal sheeting
- SikaReinforcer®-960 which, when bonded to car bodies, adds a new dimension to crash resistance

PATENTS

In 2012, Sika filed for 73 patents (2011: 70) and made 85 invention disclosures (2011: 75).

RESPONSIBILITY FOR THE FUTURE. Climate change, population growth, energy costs, raw materials and water shortages – these are some of the global megatrends and challenges that are set to change our society in the years and decades ahead. At the same time, these developments act as powerful drivers for new technologies and solutions.

Sika pursues a double-pronged sustainability strategy:
- it seeks to design products and services that meet the demand for efficient, sustainable solutions in the target markets;
- it continuously refines its own operations in line with sustainable practice and backs this up by suitable investment in sustainability on the basis of economic principles.

CHALLENGES AND MEGATRENDS

The commitment to sustainable development demanded by the global challenges and megatrends has precipitated changes in the economic environment. Buildings, infrastructure facilities, installations and vehicles are now constructed and used differently from in the past. Low-energy houses and cars, for example, are increasingly becoming the norm. The rising demand for sustainable products is changing both Sika's target markets and the requirements placed on its products. Sika seeks to contribute proactively to these change processes through innovation. Top priority is given here to sustainably developed and manufactured products that enhance durability and promote the efficient use of energy, water and materials.

The following challenges are particularly relevant to Sika:
- Climate change and regulation of the carbon economy
- Population growth and urbanization
- Energy costs and repercussions for climate
- Raw materials and water shortages as well as poor water quality

For Sika, ecological efficiency means delivering equivalent or better solutions while consuming less material and energy. This necessitates innovation in both materials and application techniques, backed up by suitable methods to assess the environmental impact of products and works. Life-cycle assessment is one of the key tools applied in the product development process. Sika also supports national and international initiatives to establish sustainable construction (green building) certification systems. Programs of this kind are important in that they allow the sustainability of products and systems to be quantified and compared.

COMMITMENT

With a corporate history spanning over 100 years, Sika is all the more committed to sustainable development as a guiding principle. In active pursuit of the associated economic, ecological and social aims, the company has for many years participated in the chemical industry's Responsible Care sustainability program. It is also a cosignatory of the UN Global Compact corporate responsibility initiative, the Carbon Disclosure Project and the World Business Council for Sustainable Development, and honors the associated objectives and obligations.

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NATIONAL SUBSIDIARIES OF SIKA HAVE PARTICIPATED IN THE RESPONSIBLE CARE PROGRAM SINCE 1992

SUSTAINABILITY IN THE VALUE CHAIN

Sika's mission statement specifies the following: "Our aim is to address environmental and safety concerns throughout the value chain." One year ago, Sika launched a global program for safety and efficiency that was designed to increase the sustainability of its own activities. This program focuses on the reduction of work accidents, on the efficient use of energy and water, and on materials use and waste avoidance at Sika sites. Sika targets a considerable reduction in the number of accidents in the coming years together with substantial cuts per manufactured unit in energy use, water consumption or waste production, as appropriate for the particular site.

Subsidiaries in some 40 countries have participated in the chemical industry's Responsible Care program since 1992. As of the year under review, the majority of the manufacturing companies have certified environmental management systems, while 25 sites have achieved OHSAS:18001 (occupational health and safety) certification.

Sika checks its production facilities for risks to staff and local residents, monitors damage and stoppages, and makes continuous efforts to improve safety. Internal audits and controls guarantee compliance with the specified rules and procedures.

One cornerstone of sustainable corporate management is the provision of basic and advanced training for employees. The wide-ranging courses deal with raw materials handling, occupational safety, statutory regulations as well as product packaging, labeling and transport.

PRODUCT SUSTAINABILITY

Sika sets out to undertake objective, transparent and comparative assessments of the sustainability of its products – not only in manufacture, but throughout their life cycle. These analyses may pinpoint necessary improvements for existing products. They may also deliver important insights into raw materials, production processes or application efficiency and thereby promote innovation and optimize the development of new products. To this end, Sika carries out life-cycle assessments (LCAs) during the product development process. These serve to quantify energy and raw materials consumption during each phase of a product's life cycle and measure the associated impacts on air, water and soil.

ACQUISITIONS AND INVESTMENTS

SUPPORTING GROWTH IN THE TARGET MARKETS. Acquisitions are an important element of Sika's growth strategy, enabling the company to enhance its core business with related technologies or improve access to certain markets. Through capacity expansion fine-tuned to market demands and investment in plant efficiency, the Group ensures the consolidation of its global growth potential.

ACQUISITION STRATEGY

Organic growth, i.e. growth driven by entrepreneurial endeavor, is at the core of Sika's corporate strategy. This organic growth is compounded by carefully targeted external growth which offers a useful way of closing existing gaps in access to the target markets and consolidating fragmented markets. Particularly in North America, Asia and parts of Latin America, Sika pursues this policy as a means of steadily improving its market position. At the same time, however, the company seeks to strengthen or extend its core business through the selective acquisition of related technologies. Sika mainly finds these technologies in small and medium-sized enterprises in Europe, the USA and some Asian countries. The fact that such businesses are usually unable to market their systems worldwide sooner or later proves an insurmountable barrier to growth. By acquiring such companies, the Sika Group, as a global player, is able to leverage their full potential.

Sika's acquisition strategy typically involves the takeover of small and medium-sized companies. When evaluating a takeover offer, Sika relies on the expertise and experience already gained, as well as clearly defined processes. Given that, in most cases, acquired companies are fully incorporated in the Group, Sika is at pains to ensure that this integration runs smoothly. Sika therefore pays particular attention to the corporate culture of all takeover candidates prior to any acquisition.

The regions generally assume responsibility for the particular acquisition procedures. The process is supervised and coordinated at Group level.

ACQUISITIONS 2012

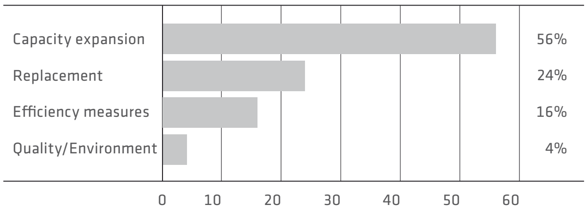
In February 2012, Sika acquired 100% of Yean-Il Industrial Co. Ltd., the South Korean market leader in tunnel waterproofing, through its Korean subsidiary Sika Korea Ltd. The company boasts a strong brand and many years of experience in project business. The acquisition of Yean-Il has strengthened Sika's market position in the Korean infrastructure sector and means it can now offer a large selection of customized combined solutions and technologies for the local market.

At the end of October, Sika took over the fire protection coatings and systems business of Mannheim-based Rütgers Organics GmbH, with a portfolio of well-established, progressive and environmentally friendly water-based fire protection coatings and systems.

The company completed its reorganization in the Middle East by the end of the year, in which its stake in associated company Sika Saudi Arabia Co. Ltd, Saudi Arabia, was increased to 51% and consolidated for the first time as of December 31, 2012.

Shortly before the end of the year, Sika announced the acquisition of Inatec SRL, Paraguay. The company, based in Asunción, is the national market leader and is strongly positioned in the areas of building renovation, structural waterproofing and concrete admixtures. Having its own company there will enable Sika to share in the strong growth in Paraguay's construction sector. Inatec's sales network will also provide Sika with the opportunity to supply this market with its full product range. This acquisition rounds out Sika's strong position in Latin America and continues its successful strategy of investing in emerging markets. The acquisition and completion of the transaction took place in January 2013.

Investments 2012



INVESTMENTS 2012

Sika's unchanged investment strategy is geared to consolidating its global presence, built up during the last few years, and unlocking new markets or expanding its activities to this end. To encourage focused growth, selected markets, customers, technologies and products are prioritized. Investment rose significantly year on year, especially in the growth markets of Asia and Latin America. Sika's decentralized market development policy encourages local investment in production and logistics capacities, and brings the company closer to its customers.

Investments in the year under review increased from CHF 117.1 million to CHF 131.3 million, equivalent to 2.7% of net sales. A key focus of investment was the expansion of production capacity in the emerging markets. The share of investment devoted to capacity expansion rose from 48% to 56%. The breakdown of the remaining investment is as follows: 16% (2011: 16%) was used for rationalization, 24% (2011: 30%) was needed to replace existing facilities and 4% (2011: 6%) was spent on environmental protection, health and safety as well as quality control.

Sika will continue to invest in those regions where the Group can tap into new markets and generate growth. These include Latin America, Eastern Europe, China, India, the Middle East and Africa.

PERFORMANCE

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Greater sales, greater profit. Total sales up 6% to CHF 4 829 million. Net profit up 31% at CHF 281 million. The proportion of sales generated in the emerging markets rose by 1 percentage point to 37%. With 17% growth in local currencies in Latin America, 9% in North America, 7% in Asia/Pacific and 8% in IMEA, 2012 proved a successful year, despite the crisis that continued to dog Europe North (-4%) and Europe South (+1%). Sika's "Other segments and activities" business surged by 26%, primarily due to strong growth in the automotive market.

SIKA STANDS BY MEDIUM-TERM TARGETS. Sika has defined medium-term financial targets that are tailored to the Group's strategy of growth. These targets include net sales growth, profit, cash flow and return on capital employed (ROCE).

FINANCIAL TARGETS

With its growth strategy, Sika seeks to gain further market share in its key sales markets, with the longer-term goal of becoming the market leader in all regions and target markets. Sika's financial targets are based on the company's growth strategy and factor in development costs in the emerging countries. To be able to finance growth requires a sound operating cash flow to sales ratio. Growth is expected to produce a higher operating profit in absolute figures. The growth targets represent medium-term objectives in sync with Sika's potential and include smaller acquisitions. Short-term economic developments in individual regions may lead to temporary deviations without needing to redefine targets. The Board of Directors regularly reviews the Sika Group's strategy and targets, and adjusts these as appropriate.

OPERATIVE PERFORMANCE FIGURES

While Sika's national companies conduct daily assessments of key performance figures, the Group works with monthly appraisals based on operating profit per region. Modern calculation tools facilitate the evaluation of cost and price trends as well as measures at product and customer level. Moreover, customer relationship management (CRM) systems facilitate the definition of customer-specific targets, the appraisal of customer-specific performance, and the implementation of debtor analyses. Active working capital management helps to reduce costs and improve performance. ERP system enhancements are optimizing the performance fundamentals.

MEDIUM-TERM TARGETS

		RESULTS				
		2008	2009	2010	2011	**2012**
Net sales growth in local currencies in %	**8–10**	7.3	-3.9	6.3	15.5	5.3
Operating profit before depreciation as % of net sales	**12–14**	12.0	13.0	13.1	10.5	11.8
Net profit as % of net sales	**>6**	5.8	6.5	7.0	4.7	5.8
Operating free cash flow as % of net sales	**4–6**	3.6	8.9	7.5	4.1	6.3
ROCE* in %	**20–25**	20.3	19.3	21.3	15.6	18.3

* Return on capital employed, see also page 139

RISE IN SALES AND NET PROFIT. In the 2012 business year, Sika lifted sales by 5.8% to CHF 4 829 million. Sika's global presence enabled it to offset weak demand from Europe. 10.7% growth was achieved in the emerging markets. The gross result widened from 50.5 to 52.2%. Net profit increased by an above-average 30.9% to CHF 281 million.

DOUBLE-DIGIT GROWTH IN EMERGING MARKETS

Sika increased sales by 5.8% to CHF 4 829 million in 2012. In local currencies, sales grew 5.3%. This figure includes an acquisition effect of 3.5%. Exchange rate movements had a positive impact of 0.5%.

At 17.0% in local currencies, the highest growth was generated in the region Latin America. This was driven by continual investments and the expansion of production capacity in the entire region. In North America, Sika posted a 9.0% increase in sales in local currencies thanks to heavy demand for renovation work. Sika reported growth of 6.8% in local currencies in the region Asia/Pacific, benefiting from a substantial expansion in sales in Southeast Asia, stable order books in Japan and a marked recovery in China in the second half. The region IMEA (India, Middle East, Africa) recorded a 7.7% increase in sales in local currencies.

The debt problem and the euro crisis had negative repercussions in Europe, causing a decline in volumes in most European markets. In the region Europe North, sales were down 3.9% in local currencies. The region Europe South grew by 1.0% – however, factoring out acquisitions, sales were 7.0% lower.

"Other segments and activities" generated strong growth of 25.5%, which includes sales in the automotive segment. Sika's growth was driven primarily by the use of new technologies and its strong presence in the premium automotive segment, which is enjoying high growth rates in North America, Latin America and Asia. 11.5% of the increase is attributable to acquisition effects.

The expansion strategy being implemented in the emerging markets translated into further growth of 10.7%. The proportion of sales generated by Sika in the emerging markets is 37% (previous year: 36%).

Sika increased sales of products for the building and construction industry by 4.2% in local currencies, with an acquisition effect of 3.4%. Sales of products for industrial manufacturing were up 9.5% in local currencies, including an acquisition effect of 3.5%.

ACQUISITIONS

In 2012, Sika took over three firms. The acquisition of the Korean company Yean-Il Industrial Co. Ltd. reinforced Sika's market position in Korea's tunnel waterproofing market, and the takeover of the fire protection coatings and systems business of Rütgers Organics GmbH provided Sika with a portfolio of well-established water-based fire protection coatings. In December, Sika announced that it would be acquiring Inatec SRL, the market leader in construction chemicals in Paraguay.

30.9 %

RISE IN NET PROFIT WAS POSTED IN THE REPORTING YEAR

PROFIT DEVELOPMENT

On the back of a package of measures taken by Sika in 2012, the gross result was widened to 52.2% (previous year: 50.5%). Sika was able to pass on to sales prices the sizable rise in raw material costs seen in 2011, launch new, innovative products, and improve supply chains. Accordingly, operating profit expanded by 23.5% to CHF 428.8 million (previous year: CHF 347.1 million). The EBIT margin was 8.9% (previous year: 7.6%). Sika increased its net profit by 30.9% to CHF 281.1 million (previous year: CHF 214.8 million).

INVESTMENTS, LIQUIDITY AND BALANCE SHEET

Sika's investment strategy is geared to further consolidating its presence in the emerging markets. In 2012, Sika invested in the expansion of capacity in Brazil, Chile, China, Colombia, Mexico, Mongolia, Peru, Russia and Vietnam. To underpin growth in the year under review, Sika increased the investment volume to CHF 131.3 million (previous year: CHF 117.1 million).

Net working capital as a percentage of net sales improved to 18.7% (previous year: 19.8%), due largely to headway made in warehouse and debtor management. In the year under review, operating free cash flow amounted to CHF 302.5 million (previous year: CHF 186.1 million), year-end cash and cash equivalents were higher at CHF 994.2 million (previous year: CHF 536.0 million) and net debt was reduced to CHF 155.5 million (previous year: CHF 338.7 million).

In June of the report period, Sika successfully placed bonds totaling CHF 300 million in the market (CHF 150 million with a term of 6 years and a coupon of 1.0% p.a. plus CHF 150 million with a term of 10 years and a coupon of 1.75% p.a.). The equity ratio now stands at 47.1% (previous year: 48.0%).

SIKA EXPERIENCED DIVERGENT TRENDS ACROSS THE VARIOUS REGIONS.

The best performer in terms of growth rates was the region Latin America, followed by the regions North America, IMEA and Asia/Pacific. Negative trends, on the other hand, were observed in the regions Europe North and Europe South. The “Other segments and activities” business expanded strongly.

EUROPE NORTH

Sika recorded net sales of CHF 1 250.9 million in the region Europe North (previous year: CHF 1 327.4 million). Measured in local currencies, this is equivalent to a drop of -3.9% (currency effect: -1.9%, acquisition effect: 0.0%).

The European economies were dogged by the sovereign debt and euro crisis, which triggered a downturn in market volumes in most of the continent’s nations. The third quarter of 2012 saw the euro zone as a whole slide into recession. Germany, as the region’s powerhouse, just about managed to maintain its economic momentum.

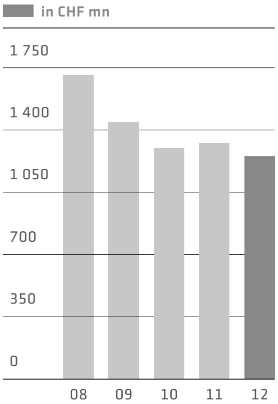
The German construction industry primarily benefited from low mortgage rates coupled with an upsurge in real estate investment. In Switzerland too, the building sector delivered a robust performance in 2012. By contrast, business was weak in Central Europe, with countries such as the Czech Republic and Hungary suffering from a lack of foreign investment. In Poland, the 2012 European Football Championship had a positive impact on construction activity.

In the region Europe North, Sika was generally able to implement the increases in construction sector sale prices needed to offset the previous year’s surge in raw materials costs. Aside from this, new and innovative products, together with efficiency gains in value chain processes, also helped to improve margins. In Switzerland, late 2011 marked completion of the large-scale concreting and waterproofing works for the Gotthard base tunnel. The absence of revenue from this long-term contract negatively impacted the national subsidiary’s results for 2012. Adjusted for the end of this major contract, Sika Switzerland slightly outperformed the market. Sika recorded positive trends in Russia, Romania and Norway, with the latter reporting double-digit growth figures.

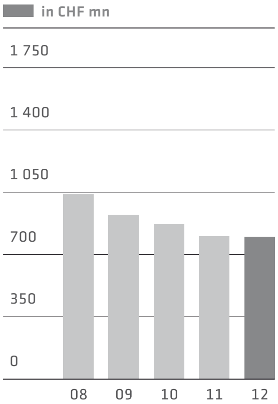
In the industry segment, 2012 sales remained largely flat at the previous year’s level: while figures for the transport industry sank, Sika managed to expand its business in the wind-power sector.

Sika’s investment for 2012 in the region Europe North was fixed at 0.7% of net sales. Sika Germany invested in a new training center at Stuttgart.

Net sales
Europe North



Net sales
Europe South



EUROPE SOUTH

Sika recorded net sales of CHF 799.3 million in the region Europe South (previous year: CHF 802.9 million). Measured in local currencies, this is equivalent to a rise of 1.0% (currency effect: -1.4%, acquisition effect: 8.0%).

The considerable economic uncertainty and lack of liquidity among potential buyers prevented any recovery in the majority of markets in the region Europe South in 2012. The unusually cold spell in many countries at the start of the year compounded the downturn in construction activity. In the southernmost countries of the region, the development slump continued unbroken throughout the year. Already stricken markets, such as Spain, Portugal and Greece, shrank still further. Yet even sales territories which had proved resilient in the previous year, such as Great Britain and France, started to flag in 2012. Cement consumption fell by around 30% in Spain and Portugal, by over 20% in Italy, by 8% in Great Britain and by 5% in France. Morocco and Algeria were the only economies to bounce back, thanks to a number of major infrastructure schemes.

Sika's sales in Spain, Portugal and Greece plunged by around 20%, mainly due to a lack of infrastructure projects. Many customers were hit by liquidity problems and the number of insolvencies rose in all of the region's countries. The mood of gloom prompted various competitors to abandon the markets, especially in the southernmost countries. This allowed Sika, as a strong player, to gain market share in some sectors.

In North Africa, Bulgaria and Serbia, the company reported double-digit growth. The new markets in Angola, Montenegro, Kosovo and Albania also enjoyed positive trends.

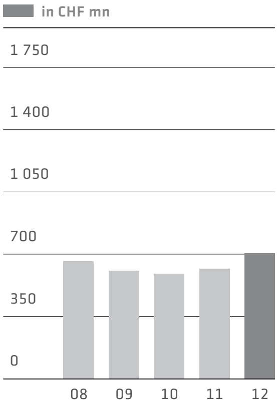
In Great Britain and France, Sika managed to maintain sales in the concrete business at the previous year's level, despite the slightly worsening markets. The sharpest drop in sales across the region Europe South in 2012 was suffered by the roofing and waterproofing segments. The refurbishment market was less severely affected.

While Sika posted an increase in sales to industry customers in Great Britain and France, the weak demand for marine and automotive aftermarket products weighed on the company's performance in Italy.

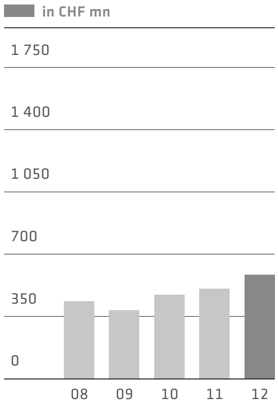
In most of the southern countries, Sika was able to adjust its costs in line with the drop in sales volumes. At the same time, the company expanded its sales organizations in Angola, Serbia, North Africa and Great Britain. To bolster its market position, Sika invested in a new mortar factory in France. In Great Britain, a building permit was obtained for a new laboratory at Preston.

The acquisition of Axim enabled Sika to push up its admixture sales in Italy, France, Spain and Morocco. The Technokolla takeover secured ready access to the key Italian distribution market. Moreover, the acquisition of Copsa allowed Sika to make further headway in Spain's refurbishment market.

Net sales
North America



Net sales
Latin America



NORTH AMERICA

Sika recorded net sales of CHF 705.7 million in the region North America (previous year: CHF 617.4 million). Measured in local currencies, this is equivalent to a rise of 9.0% (currency effect: 5.3%, acquisition effect: 5.6%).

In 2012, as in previous years, US market trends were largely dictated by exceptionally low inflation, low interest rates, modest growth, a massive budget deficit, rising national debt and high unemployment. On the positive side, 2012 brought an improvement in credit conditions and the real estate market slowly recovered in the course of the year.

This gave a welcome boost to the US construction industry, which also benefited from favorable weather conditions in the first quarter and the pent-up demand from the previous two years. In the second half year, the US presidential elections and political debate on the national budget generated a mood of uncertainty in the markets which dampened both public- and private-sector building activity. The refurbishment segment maintained its resilience throughout the year while the industry product markets recovered. Demand in the roofing market, on the other hand, declined slightly.

Having squeezed Sika's margins in North America in 2011, the high raw materials prices stabilized during the reporting year. This, together with the successful price management in the market, made a major contribution to the improvement in Sika North America's earnings situation.

Overall, Sika managed to achieve a substantial increase in sales in the region North America, with the highest growth rates posted in the waterproofing, sealing & bonding and refurbishment segments.

Sika USA successfully integrated Axim Concrete Technologies. Duochem and Axim Canada were incorporated into Sika Canada. Initial synergies have already been exploited. Through its takeovers and restructuring, Sika Canada has won market leadership in the flooring market and moved up from fifth to second spot in the concrete segment.

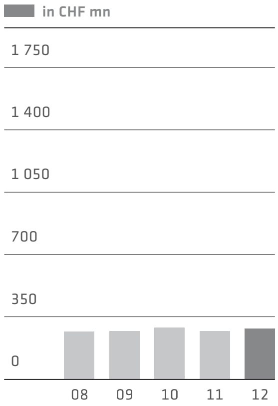
LATIN AMERICA

Sika recorded net sales of CHF 586.3 million in the region Latin America (previous year: CHF 507.3 million). Measured in local currencies, this is equivalent to a rise of 17.0% (currency effect: -1.4%, acquisition effect: 0.0%).

At 3.2%, economic growth in Latin America was slightly down on the previous year's rate of 4.5%. This expansion was mainly driven by strong private consumption. Many countries in the region also benefited from rising investment, particularly in the real estate sector.

The economic uptrend in Latin America was most pronounced in Peru and Chile, with Colombia and Mexico also posting respectable growth rates of 4%. The 1% growth rate in Brazil, however, fell far short of the previous year's figure. Yet, despite Brazil's modest performance, numerous foreign competitors crowded into the construction materials market by acquiring some of the country's larger and medium-sized companies.

Net sales
IMEA



Some Latin American countries were badly hit by the depreciation of local currencies and high inflation rates (28% in Argentina, 20% in Venezuela and 8% in Uruguay). The political situation in Argentina and Venezuela remained problematic, with business operations hampered by economic restrictions.

Favorable construction sector trends helped Sika to achieve a further appreciable increase in its total Latin American sales. Sika Brazil succeeded in defying the country's sluggish economic environment by posting an outstanding 16% growth. Sika Mexico and Sika Colombia likewise reported a steep rise in sales figures. Of the medium-sized national subsidiaries, those in Peru, Panama and Uruguay boasted above-par performance.

The sales increase recorded by Sika in the industry business failed to match the rates achieved in the construction sector. This was due to the low growth in the automotive aftermarket and transport business in Brazil.

The reporting year saw Sika press ahead with the expansion strategy launched in 2011. After completion of a factory at Recife, Brazil, at the start of 2012, work commenced on a new plant at Barranquilla, Colombia, in the second half year. Sika expanded its production capacity in Peru, Uruguay, Ecuador and Guatemala. At the end of the year, Sika announced the acquisition of Inatec SRL, the market leader in construction chemicals in Paraguay. The acquisition and completion of the transaction took place in January 2013.

IMEA

Sika recorded net sales of CHF 278.5 million in the region India, Middle East, Africa (previous year: CHF 263.9 million). Measured in local currencies, this is equivalent to a rise of 7.7% (currency effect: -2.2%, acquisition effect: 4.4%).

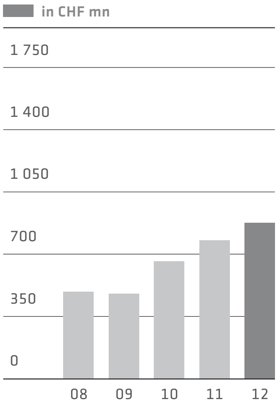
The fallout from the Arab Spring dampened economic growth in several of the region's countries. Egypt, for instance, was hit by a lack of foreign investment and a scarcity of credit in all sectors of the economy. The war in Libya heralded the collapse of a lucrative export market for the Middle East. The entire region also suffered from the civil war in Syria which, for Sika, particularly impaired business in Lebanon. On the other hand, business developed well in states such as Saudi Arabia, Qatar and Oman.

At over 5%, the year-on-year sales increase achieved by Sika in the construction sector still fell somewhat short of original expectations.

In the industry segment, Sika reported sales growth of some 10% in its aftermarket, transport and marine business in 2012. The decline suffered by Sika in the façade systems market was above all due to the slowdown in construction activity in the Middle East.

Sika's investments in 2012 focused on countries offering high market potential, specifically India and Turkey. New national subsidiaries were opened in Iraq, Qatar and Oman. Despite lower demand, Sika maintained the existing personnel levels in Egypt, Bahrain and Lebanon so as to be well-equipped to gain market share during the anticipated economic upturn.

Net sales
Asia/Pacific



ASIA/PACIFIC

Sika recorded net sales of CHF 874.7 million in the region Asia/Pacific (previous year: CHF 776.7 million). Measured in local currencies, this is equivalent to a rise of 6.8% (currency effect: 5.8%, acquisition effect: 2.0%).

Economic growth in China weakened considerably in the first half of 2012 in the wake of government interventions. Though aimed at cooling the real estate sector and other overheated markets, these measures also triggered a slowdown in infrastructure schemes. Not until the second half year did the resumption of work on major projects smooth the path for a significant recovery. Southeast Asia recorded substantial economic growth on the back of strong domestic demand while business trends in the OECD countries (Japan, South Korea, Australia and New Zealand) remained steady. The Japanese economy was stimulated by the large-scale reconstruction work needed in the aftermath of the recent natural catastrophes. Due to the declining investment in mining caused by dwindling commodity prices, the Australian markets faced a slight downturn in the second half of 2012.

In the region Asia/Pacific, Sika particularly benefited from a substantial expansion in sales in Southeast Asia, stable order books in Japan and a marked recovery in China in the second half year. In China, Sika recorded growth in most of its target markets throughout the year. Only in the concrete segment, which is heavily reliant on infrastructure projects, did Sika suffer a sharp drop in sales in the first half year. The other national subsidiaries in the region also achieved strong organic growth, with some remarkable gains in market share. Sika Japan continued to expand its local business in the waterproofing segment. Sika South Korea managed to lift sales considerably after landing a number of infrastructure project contracts. In Indonesia, Thailand, Malaysia, the Philippines as well as Vietnam – which had recovered from the previous year's crisis – Sika capitalized on the available market opportunities for sales growth and geographical expansion. Thanks to new customers and new contracts, Sika Australia was able to report a double-digit sales increase.

In 2012, Sika set up new production facilities in Japan, China, Indonesia, Australia and Vietnam. This allowed the company to broaden its range of locally manufactured products while simultaneously minimizing exchange rate risks. With the establishment of its new national subsidiary in Mongolia in October 2012, Sika intends to tap into a further local market.

OTHER SEGMENTS AND ACTIVITIES

Sika recorded net sales of CHF 333.5 million in the "Other segments and activities" field (previous year: CHF 268.1 million). Measured in local currencies, this is equivalent to a rise of 25.5% (currency effect: -1.1%, acquisition effect: 11.5%).

The automotive business, which has been managed centrally on a global basis since 2011, forms a key part of the "Other segments and activities" field.

The global sales figures for the automotive market in 2012 reflected the economic performance in the individual regions. While the European automotive industry contracted, Asia and North America recorded double-digit growth. 2012 was also a watershed year, with car production in China for the first time exceeding that in Europe (18.3 million against 17.9 million).

The 14.0% organic growth achieved by Sika far exceeded the market average. Here, Sika profited from both its strong foothold in the premium car segment and its global presence. The previous year's acquisitions – Biro in Switzerland and Colauto in Brazil – were successfully integrated and contributed to an additional growth of 11.5%. To accommodate the increase in sales and the rising number of customers, Sika expanded its production capacity at Grandview, USA.

SIKA IS CONFIDENT OF CONTINUED EXPANSION IN THE 2013 FINANCIAL YEAR. Thanks to its global position and specific growth model, the Group is forecasting a further increase in sales and profit for 2013.

In 2013, Sika expects the strong growth momentum in the emerging markets in Asia and Latin America to continue. By contrast, Europe will again be marked by uncertainties this year and present a challenge to the Group's growth strategy. Thanks to its excellent global position and its own specific growth model, however, Sika is forecasting a further increase in sales and profit for 2013.

With its proven growth model, Sika stands a good chance of growing more strongly than the market. Particular sources of growth include the company's increased market penetration, the extension of its global technological leadership role, accelerated expansion in the growth markets, and market consolidation through acquisitions.

Sika will continue to pursue its acquisition strategy in 2013 by focusing on expanding market access and acquiring technologies that it lacks and which can be globally marketed through its network.

Sika is confirming its medium-term targets for 2013 and endeavoring to achieve the announced bandwith. EBITDA is expected to reach 12% and net profit should exceed the 6% mark. Only the sales growth target of 8 to 10% is unlikely to be achieved, given the continuing uncertain situation in Europa. Sika is now expecting growth of 4 to 6%.

RESPONSIBILITY FOR THE FUTURE. Global megatrends, such as energy and raw materials shortages, urbanization and population growth, are confronting companies and communities with major economic, social and ecological challenges. At the same time, these developments act as powerful drivers for the technologies and solutions of tomorrow. As a technology-based company and market leader, Sika regards this as an opportunity.

Sika addresses environmental and safety concerns throughout the value chain and adopts the widely used GRI (Global Reporting Initiative) system in the report. In meeting its social responsibility, Sika honors the principles of the UN Global Compact.

To promote sustainability, transparent data and information are needed on products and works along the entire value chain.

To collect the necessary data and information, Sika in 2012 continued with the following activities from the previous year:
- Expansion of product sustainability databases in line with international life-cycle assessment (LCA) practice to standards of the ISO 14040 series.
- Measurement and improvement of sustainability in Sika's own value chain through global safety and efficiency program for energy and raw materials.
- Introduction of new systems for product classification and marking to provide users with more detailed product information and honor our responsibility to ensure safe product use.

The following facts and figures relate to Sika's global business operations in 2012, excluding those sites acquired during the last three years. Most new acquisitions initially undergo a program to boost their sustainability performance. The extent of operations covered by the report for the year under review was equivalent to 98% of total sales (previous year: 97%). The sustainability indicators are consistent with the widely used GRI (Global Reporting Initiative) system.

ENVIRONMENT, SAFETY AND HEALTH

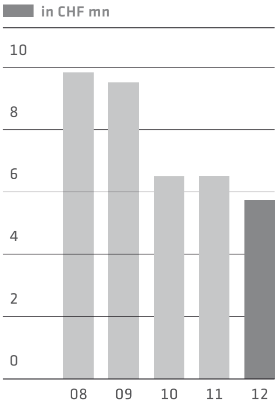
INVESTMENT IN SAFETY AND ENVIRONMENTAL PROTECTION

In the reporting year, Sika invested some CHF 5.7 million in technical equipment for environmental protection (previous year: CHF 6.5 million). Stepped-up efforts over the past few years, above all the increased use of state-of-the-art equipment, have borne fruit and enabled Sika to reduce replacement investments. Current expenditure stood at CHF 20.5 million (previous year: CHF 21.9 million). Worldwide, the number of full-time employees in the field of environment, health, safety and sustainability exceeded 100.

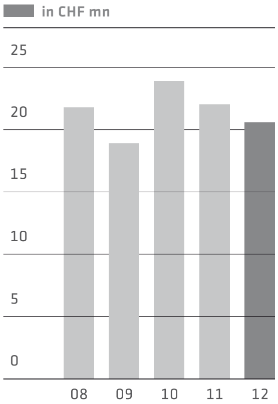
Health and safety: At 12.9 per 1 000 employees (previous year: 13.3 per 1 000 employees), the number of occupational accidents in the reporting year with over one day's lost working time was slightly down year on year. Due to shorter absences after accidents, the number of days lost per million workdays fell sharply to 866 (previous year: 1 050).

Energy use: Energy consumption in 2012 totaled 1 571 TJ, marking a slight year-on-year rise (previous year: 1 505 TJ). Production volumes in the reporting period were also moderately higher than the previous year's level. 48% of Sika's energy requirement was met by electrical power (previous year: 50%). As in the previous year, a further quarter of demand was covered by natural gas, the rest by heating oil, coal and, to a small extent, by district heating. The energy requirement per ton of product sold fell to 560 MJ (previous year: 595 MJ).

Investments in environment and safety



Expenditures for environment and safety



Atmospheric emissions (Scope 1): In 2012, CO_2 emissions resulting from the use of primary energy sources (Scope 1) ran to around 47 000 tons (previous year: 31 000 tons). This increase is wholly attributable to the inclusion of emissions from the Chinese companies acquired in recent years, which still rely on the country's enormous reserves of low-calorific-value coal to meet their energy requirements. Compared to natural gas, this fuel generates high CO_2 emissions per unit heat. China's gas supply network is still undeveloped outside the industrial centers and electricity is also produced by coal power plants. Sika has initiated measures to reduce CO_2 emissions. These are for example the use of alternative fuels, the recycling of plastic waste as well as programs designed to cut power consumption.

CO_2 emissions from consumption of purchased electricity (Scope 2): 2012 is the second year for which Scope 2 emissions have been reported. The consumption of purchased electricity in the reporting year entailed CO_2 eq. emissions of around 98 000 tons, a figure roughly twice greater than the direct emissions (previous year: 100 000 tons). This assessment is subject to a certain degree of inaccuracy as it relies on unverified statistics regarding the energy mix for electricity generation in the individual countries. Sika applies the Greenhouse Gas Protocol formulae in its estimates.

Water use: Despite the slight rise in production volumes, Sika succeeded in cutting water consumption to 1.87 million m^3 (previous year: 2.0 million m^3). The cooling water needed by the company is mostly drawn from its own authority-approved wells and is returned, unpolluted, to the water cycle. Cooling water accounted for roughly two thirds of the Group's total water demand. The used water quantity fell to around 0.70 m^3 per ton of product (previous year: 0.75 m^3).

Materials use: Despite the slight rise in production volumes, there was no increase in waste quantities in the reporting year, unchanged at 49 000 tons (previous year: 49 000 tons). With the changed product mix, some 18.0 kg waste arose per ton of product (previous year: 19.0 kg). Around 40% of this waste, particularly that from polymer and mortar production, is reclaimed and recycled. Waste from the manufacture of polymer membranes, for example, is granulated and reintroduced into production.

PRODUCTION AND PRODUCTS

Under the banner "Innovating Performance and Sustainability", Sika seeks to enhance the outstanding and widely appreciated utility of its products by optimizing their sustainability profile, and so create added value for its customers. The following examples showcase Sika solutions that combine first-class performance with high sustainability standards.

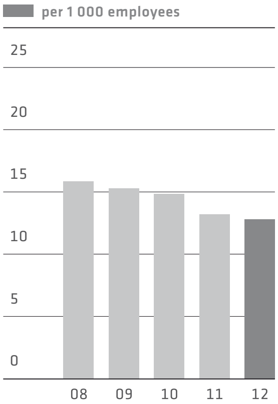
SAVING ENERGY AND RAW MATERIALS

Worldwide consumption of fuels such as crude oil, coal or natural gas, and other resources such as water, iron ore and cement is constantly rising, driven by population growth and greater purchasing power. Yet these resources are limited. Their extraction is becoming increasingly expensive or is negatively impacting the climate. The efficient and purposeful use of these resources is one of the greatest challenges to future growth.

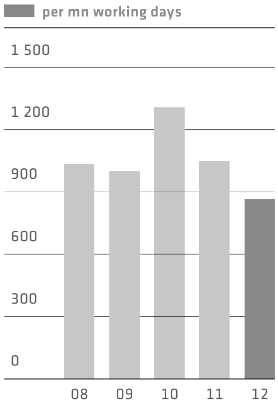
Sika solutions for saving energy and raw materials:

- Sika's concrete admixtures for high-grade concrete incorporating recycled aggregates reduce the demand for gravel
- Special seals for argon-filled insulating glass units and for bonding lighter windows improve the insulation performance of low-energy buildings
- Structural adhesives and polymer-based reinforcing components for lighter automobiles help save fuel

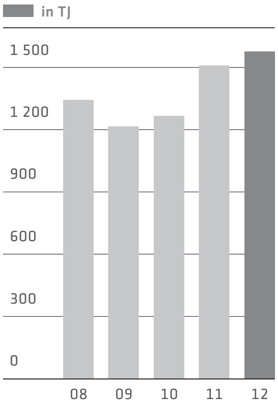
Occupational accidents



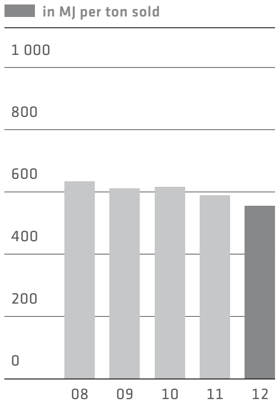
Working days lost in case of accidents



Energy consumption



Energy consumption



Example: Saving energy with grinding aids. Sika grinding aids for energy-efficient cement production save approx. 64 MJ per ton cement (0.035% dosage) compared to grinding performed without these aids. Only around 10 MJ of energy are consumed in the manufacturing chain for the grinding aids. This results in net savings of 54 MJ per ton of cement, roughly equivalent to the daily electricity consumption of a Swiss household. Extrapolated to the global cement demand of 3 294 million tons in 2010, Sika grinding aids could theoretically have achieved energy savings equal to the annual power consumption of around 6.5 million households.

CUTTING CO_2 EMISSIONS

The earth's climate is changing with manifold consequences for the whole world. This makes climate protection, in particular the continuous reduction of greenhouse emissions, a crucial task for the future.

Sika solutions for climate protection:

- Adhesives for the solar industry reliably bond very hot surfaces
- Highly reflective polymeric roof membranes boost the efficiency of solar installations and lower the cooling demand in buildings
- Offshore wind farms with special corrosion protection systems achieve longer service lives under rough conditions
- Viewed over their entire life cycle, Sika Sarnafil® roof membranes entail 30% lower CO_2 emissions than other less durable roofing sheets

Example: Cutting CO_2 emissions with concrete admixtures. Concrete admixtures can be used to reduce cement content without in any way impairing the concrete quality. Large quantities of CO_2, which is emitted during the combustion of limestone in cement production, can thus be avoided. For example, one Sika customer who needed 3 600 m^3 of concrete for the construction of a gas storage tank opted to use the admixture Sika® ViscoCrete®. The resulting 9% net reduction in CO_2 emissions was in this case equivalent to 50 tons of CO_2. Applied to the annual worldwide concrete consumption of 5 billion m^3, this offers potential cuts in the order of 72 million tons of CO_2, a figure roughly equivalent to the annual CO_2 emissions of Austria.

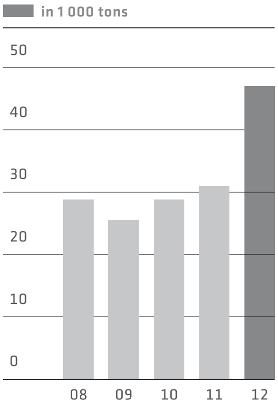
SAVING WATER

The process of global population growth is making clean water an increasingly scarce commodity. The careful management of water consumption, purification and storage as well as wastewater treatment is essential. Already today, one billion people suffer from a lack of drinking water.

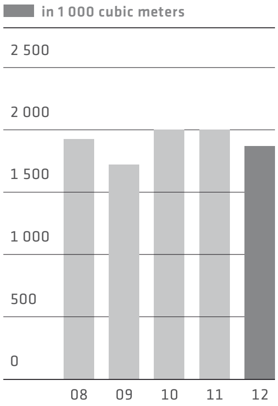
Sika solutions for an adequate supply of clean water:

- Concrete produced with Sika® ViscoCrete® admixtures requires up to 15% less water than concrete mixed using standard procedures
- Waterproof concrete and interior coatings for drinking water reservoirs reduce water losses
- Spray-applied waterproofing membranes for watertight structures and wastewater treatment plants reduce contamination

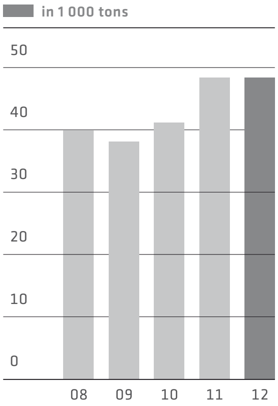
CO_2 emissions



Water consumption



Waste disposal and reuse



Example: Drinking water tanks. On the Jungfraujoch saddle, high up in the Bernese Alps, a Sika product was used to reinstate a drinking water tank. The defective waterproof barrier had compromised the water quality due to contact with the concrete. The most straightforward and effective solution consisted in relining the tank with Sikaplan® WT 4300-15C Felt sheet waterproofing membranes.

BUILDING SUSTAINABLY

Astronomic sums are spent worldwide on infrastructure provision and maintenance. The rapid economic ascent of the emerging countries necessitates enormous investments in energy, transportation, water and health care. The existing infrastructure in developed countries also requires modernization.

Sika solutions for sustainable construction:

- Construction chemicals, shotcreting machines and waterproof membranes allow efficient tunneling
- Composite materials can be used to strengthen aging engineering structures such as bridges and substantially prolong their service life
- Root-resistant polymeric roof membranes and systems allow the installation of green roofs to improve the urban climate
- Special concrete repair mortars and resins considerably extend the service life of bridges and concrete structures

Example: Wood floor adhesives. Natural wood flooring is a popular choice for green buildings due to the material's longevity, low maintenance requirement and visual appeal. Various bonding options are available for laying this type of covering. SikaBond® AT-80, incorporating over 15% renewable raw materials, and the water-based, solvent-free Sika® Primer MR Fast offer the ideal solution for reliable, material- and energy-efficient installation of natural wood flooring. Use of SikaBond® AT-80 and Sika® Primer MR Fast instead of standard, solvent-free, single-component adhesives delivers a 50% cut in energy consumption and CO_2 emissions.

SOCIAL RESPONSIBILITY

In today's world, social, economic and ecological issues are closely intertwined. Social responsibility is the necessary component of success. Mindful of its obligations, Sika actively engages in sustainable and humanitarian development projects, either as a member of international organizations or directly on the spot.

MEMBERSHIPS

UN Global Compact: Sika has participated in the UN Global Compact network since 2009. The Global Compact principles enshrine a series of universally accepted values in the areas of human rights, labor standards, environmental protection and anticorruption policy. Another United Nations initiative where Sika is engaged is the Sustainable Buildings and Climate Initiative (SBCI), whose aim is to establish sustainable building practices worldwide.

300

CHILDREN IN VIETNAM OBTAINED SUCCESSFUL MEDICAL TREATMENT THROUGH THE SMILE CARE PROGRAM, WHICH IS SPONSORED BY SIKA

World Business Council for Sustainable Development (WBCSD): Sika has signed the WBCSD Manifesto for Energy Efficiency in Buildings, thus committing itself to the optimization of energy efficiency throughout the value chain.

Responsible Care: Sika honors the rules of the Responsible Care program, a voluntary global initiative of the chemical industry. Through their national associations, companies work together to continuously improve their health, safety and environmental performance. The Responsible Care ethic encourages industry to operate with due consideration to future generations.

Green building programs: Green building and certification programs such as LEED (Leadership in Energy and Environmental Design) and BREEAM (BRE Environmental Assessment Method) evaluate the sustainability performance of construction materials and buildings. Sika participates in programs and schemes such as the German Seal of Quality for Sustainable Construction (DGNB) and the Green Globes in the USA. Sika also cultivates an active partnership with the US Green Building Council (USGBC) and, in the reporting year, joined the UK Green Building Council (UKGBC).

ACTIVITIES

Romuald Burkard Foundation: The Sika Board of Directors established the Romuald Burkard Foundation in 2005 in memory of Dr. Romuald Burkard, the third-generation representative of the Winkler family, which founded Sika. It provides financial support to social and ecological projects in countries in which Sika maintains subsidiaries. The projects focus on the following areas:
- Buildings and infrastructure that serve a social or ecological purpose
- Technical training in construction professions and trades
- Water projects with ecological and social objectives

Sika seeks to promote on-the-ground self-help. The local Sika companies are thus required to put forward specific aid applications and, working with local partners, supervise the projects on site up to completion. Via the Romuald Burkard Foundation, Sika supported the following major projects in the year under review:

Yayasan Tirta Lestari (YTL) is a nonprofit organization whose mission is to improve health care, water supply, sanitation and drainage facilities in Indonesia. Since 2009, the efforts of YTL and Sika have helped thousands of Indonesian households improve their living standards. Aid provided in 2012: CHF 60 000.
www.watsanaction.org

The Romuald Burkard Foundation also sponsors one of the most highly esteemed vocational training centers in Indonesia – the Akademi Tehnik Mesin Industri (ATMI), which is run by the Jesuits. The facility offers young people from lower- and middle-class families the chance to learn technical trades and professions that are highly in demand. Sika's donation has enabled the center to expand its offerings and invest in a new building. Aid provided in 2012: CHF 200 000.
www.atmicikarang.ac.id

Since 2010, Sika has supported the activities of the nonprofit organization Smile Care in Vietnam. The aid provided by Sika in 2012 paid for examinations for 400 children at four different hospitals as well as successful operations for 300 of these who suffered from facial deformities. Thanks to the assistance of committed volunteers, the organization has, since 1989, arranged operations for some 200 000 children and youths with cleft lips and palates or similar facial disfigurements. Aid provided in 2012: CHF 100 000.
www.operationssmile.org

Another initiative sponsored by Sika in 2012 was the Pro Leche Ayacucho agricultural development project. This privately organized self-help scheme sets out to improve the income situation of over 670 farming families in the Ayacucho region of Peru. Specific aims include the achievement of higher milk yields, quality management by means of improved hygiene conditions, control and training, and the strengthening of sales channels through the establishment of local cheese dairies. Aid provided in 2012: CHF 75 000.
www.prolecheayacucho.org

For some years now, Sika has supported the Pan de Vida orphanage in Mexico, where disadvantaged children and youths have the chance to live and study. The funds provided in the year under review covered scholarships for five young people, the construction of a sports ground, a dental care program and the building permit costs for a new residential block. Aid provided in 2012: CHF 55 000.

In 2012, Sika also continued its sponsorship of YES (Youth Encounter on Sustainability) courses worldwide. The courses, developed by a spin-off from the ETH (Swiss Federal Institute of Technology) Zurich, address various aspects of sustainable development and are primarily geared to students. Aid provided in 2012: CHF 100 000.
www.actis-education.ch

ETH Zurich: 2012 marked yet another successful year in Sika's wide-ranging partnership with the ETH (Swiss Federal Institute of Technology) in the fields of chemistry, materials science and engineering. 2012 was the third year in which the Sika Master Award was presented to the author of an outstanding master's thesis in the field of applied chemistry, based on the recommendation of the ETH's Department of Chemistry and Applied Biosciences. Sika also participates in the Sustainable Construction Partnership Council, which was set up during the reporting year. This interdisciplinary forum promotes a dialogue on current research topics, supports resources and knowledge transfer, and encourages the launch of joint research projects in the field of sustainable construction.

Global Nature Fund: Sika supports the international Living Lakes environmental program of the Global Nature Fund (GNF). Comprising 70 partner organizations from various lake regions across the globe, the Living Lakes network sets out to promote sustainable development and the protection of drinking water, lakes and wetlands. The initiative uses concrete models to demonstrate how, with the involvement of the local population, positive social and economic developments can be achieved in different climatic zones and societies without any threat to nature and the environment. Aid provided in 2012: CHF 60 000.
www.globalnature.org

LEADERSHIP

Those who wish to lead must set an example through their conduct and achievements. The foundation for this is laid by clearly defined values: respect, trust, cooperation, expertise and transparency. Sika makes every effort to ensure that these words do not just remain words. A lean Group Management, flat hierarchies, short communication paths with employees and a clear-cut regional breakdown are the key to holistic leadership, from production through to the customer. Leadership is also about developing potential: the company's Performance and Talent Management scheme sets out to develop the skills of its future executives while the Sika Business School offers hands-on training. Sika sees every investment in its workforce as an investment in the future.

SPEAKING THE CUSTOMER'S LANGUAGE. Sika's organizational structure is heavily decentralized, a pivotal role being played by the management teams in the regions and national subsidiaries. The company is very customer-focused and is characterized by its traditional flat management structures.

ORGANIZATIONAL STRUCTURE

Since its international expansion first began, Sika has organized its global activities by country. The national units were later consolidated into regions with higher-level management functions. The heads of the regions are members of Group Management. The regional and national management teams bear full profit and loss responsibility, and – based on the Group strategy – set country-specific growth and sustainability targets, and allocate resources. A detailed breakdown of the regions for the 2012 financial year can be found on page 14.

The start of 2013 saw Sika reduce the number of its geographical regions from six to four. The new regional breakdown is based on unified economic areas and established supply chain structures. The overall management responsibility will ensure holistic management from production to the customer. The traditional flat management structures will remain in place. The new region EMEA covers the previous regions Europe North and Europe South together with the Middle East and Africa. With the former region IMEA dissolved, India has been reallocated to the region Asia/Pacific due to its close association with this economic area. North America and Latin America are to remain independent regions on account of their differing market structures.

By the end of 2012, Sika had geared its internal organization toward four customer groups. While the construction industry accounted for three of these, the fourth brought together customers from the industrial manufacturing sector. Since the beginning of 2013, the internal sales organization has been oriented towards the following seven target markets: concrete, waterproofing, roofing, flooring, sealing & bonding, refurbishment and industry. This market-oriented distribution enables Sika to sharpen its customer focus, optimize its technical market support activities and concentrate its R & D operations on market needs.

MANAGEMENT BY PERSONALITY AND EXPERIENCE: Sika's Group Management is made up of nine personalities, whose diverse careers led them to Sika companies across the globe. On average, they have worked for Sika for over 21 years. Their longtime experience pays dividends for Sika every single day.

José Luis Vázquez
Latin America

With Sika for 29 years in Spain and Latin America

Christoph Ganz
North America

With Sika for 17 years in Switzerland, France and the USA

Paul Schuler
EMEA
With Sika for 25 years in Switzerland, Germany and the USA

Silvio Ponti
Building Systems & Industry, Deputy CEO
With Sika for 29 years in Switzerland and the Netherlands

Jan Jenisch
CEO
With Sika for 17 years in Switzerland, Germany and Asia

Ronald Trächsel
CFO

With Sika for 5 years in Switzerland

Ernesto Schümperli
Concrete & Waterproofing

With Sika for 26 years in Colombia and Switzerland

Heinz Gisel
Asia/Pacific

With Sika for 22 years in Switzerland, USA, Austria and Asia

Urs Mäder
Technology (CTO)

With Sika for 23 years in Switzerland

JAN JENISCH, lic. rer. pol.
CEO

Nationality: German; Year of birth: 1966
Member since 2004; since 2012: CEO; 2007–2011: Regional Manager Asia/Pacific; 2004–2006: Head of Industry Division; 1998–2004: Head Automotive Europe, Sika Headquarters, Switzerland; General Manager Sika Tivoli GmbH, Germany; Managing Director Sika Automotive Belgium SA; Director Hayashi Sika Automotive Ltd., Japan; 1996–1997: Market Development Manager, Industry Division, Sika Headquarters, Switzerland.

SILVIO PONTI, Dipl. Bau-Ing. ETH, MBA
Head Building Systems & Industry, Deputy CEO

Nationality: Swiss; Year of birth: 1953
Member since 2002; since 2005: Deputy CEO; since 2013: Head Building Systems & Industry; 2002–2012: Regional Manager Europe North; 1989–2002: Head of Marketing; General Manager Sika Switzerland; Area Manager Central Europe, Sika Switzerland; 1987–1988: Head of Marketing for the Joint Venture Hilti-Ciba-Geigy, Hilti AG, Principality of Liechtenstein; 1984–1987: General Manager Sika Netherlands; 1982–1983: Assistant to the Head of Export, Sika Switzerland; 1978–1980: Project Leader, Ing. Büro Dr. Staudacher & Siegenthaler AG, Switzerland.

CHRISTOPH GANZ, lic. oec. HSG
Regional Manager North America

Nationality: Swiss; Year of birth: 1969
Member since 2007; since 2013: Regional Manager North America; General Manager Sika USA; 2007–2012: Head of Corporate Business Unit Distribution; 2009–2012: General Manager Sika France; Area Manager France, North Africa, Mauritius; 2003–2006: Head of Business Unit Distribution, Sika Headquarters, Switzerland; 1999–2003: Corporate Market Field Manager Distribution, Sika Headquarters, Switzerland; 1996–1999: Project Manager Distribution, Sika Switzerland.

HEINZ GISEL, Executive MBA
Regional Manager Asia/Pacific

Nationality: Swiss; Year of birth: 1965
Member since 2012; since 2012: Regional Manager Asia/Pacific; 2009–2011: General Manager Greater China, Sika China; 2007–2009: General Manager Singapore; Head of Business Unit Industry region Asia/Pacific; Area Manager Southeast Asia, Sika Singapore; 2004–2006: Head Appliances & Components; Head Transportation, Industry Division, Sika Headquarters, Switzerland; 1999–2004: Industry Manager Switzerland/Austria, Sika Switzerland, Sika Austria; 1996–1998: Industry Sales Manager China and Hong Kong, Sika Hong Kong 1995–1996: Area Sales Manager Industry, Sika USA; 1991–1994: Area Sales Manager, Sika Switzerland.

URS MÄDER, Dr. rer. nat., Dipl. Chem., Dipl. Ing. HTL
Technology (CTO)

Nationality: Swiss; Year of birth: 1955
Member since 2005; since 2005: CTO; 1989–2005: Project Leader Admixture Development; Department Head of Construction Chemicals; Product Technology Director of Construction Chemicals and Mortars, Research and Development, Sika Switzerland; 1987–1989: Postdoctorate research, Research School Chemistry, Canberra, Australia; President: European Federation of Concrete Admixture Producers (EFCA).

PAUL SCHULER, MBA
Regional Manager EMEA

Nationality: Swiss; Year of birth: 1955
Member since 2007; since 2013: Regional Manager EMEA; 2007–2012: Regional Manager North America; General Manager Sika USA; 2003–2006: General Manager Sika Germany; 1988–2002: Product Manager, Head of Sales Industry; Marketing Manager Industry; Business Unit Leader Industry, Sika Switzerland; 1982–1988: International Key Account; Sales Manager Switzerland, EMS Chemie AG, Switzerland; 1980–1982: Project Manager Air Condition Plants, Luwa AG, Hong Kong, China; 1976–1980: Production Manager, Hemair AG, Switzerland.

ERNESTO SCHÜMPERLI, Dipl. Bau-Ing. ETH, MBA
Head Concrete & Waterproofing

Nationality: Swiss; Year of birth: 1955
Member since 2007; since 2013: Head Concrete & Waterproofing; 2007–2012: Head Corporate Business Unit Concrete; 1991–2006: General Manager Sika Switzerland; Area Manager Central Europe; Head of Sika Tunneling & Mining; Head of Sales Switzerland; Head of Marketing Construction; Market Development Manager Concrete, Sika Switzerland; 1987–1990: Head of Marketing; Key Account Manager Latin America, Sika Colombia; 1986–1987: Project Manager Structural Engineering, Wenaweser & Wolfensberger AG, Switzerland; 1976–1985: University and Postgraduate Studies, Research Engineer at ETH Zurich and UAS Basel, Switzerland; 1971–1975: Project Manager Infrastructure, Frey + Gnehm AG, Switzerland.

RONALD TRÄCHSEL, lic. rer. pol.
CFO

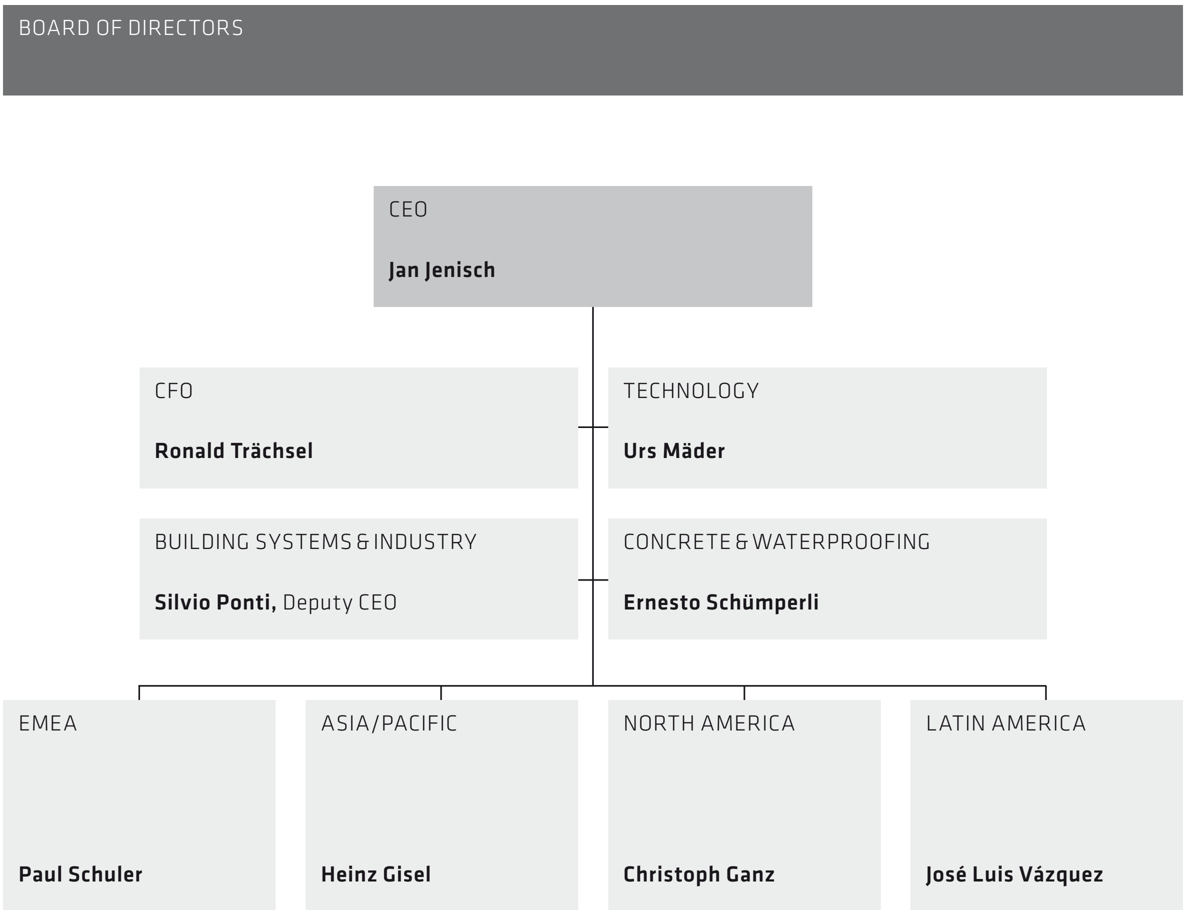
Nationality: Swiss; Year of birth: 1959
Member since 2008; since 2008: CFO; 1999–2007: CFO; CEO and Head of Group Management; Executive Director, Vitra Group, Switzerland; 1992–1999: Head Internal Audit; CFO Ringier Europe, Ringier Group, Switzerland; 1987–1992: Internal Audit, Ciba-Geigy Group, Switzerland; 1982–1987: Accounting and tax counseling for small and medium-sized enterprises, Visura Treuhandgesellschaft, Switzerland.

JOSÉ LUIS VÁZQUEZ, Dr. Ing., MBA
Regional Manager Latin America

Nationality: Spanish; Year of birth: 1947
Member since 2002; since 2009: Regional Manager Latin America; 2002–2008: Regional Manager Europe South; 1984–2002: Head of Marketing; General Manager Spain; 1999: Area Manager Southern Europe, Sika Spain; 1983–1984: Manager National Sport Insurance Company, Sport Ministry, Cabinet of Ministers, Spain; 1977–1983: Vice President, Oil Business Division, Explosivos Rio Tinto, Spain; 1972–1976: Director of numerous global projects in the area of road construction, harbors, factories; Helma (Cádiz), Boskalis (Cádiz), Laing (Valencia/Bilbao), Caminos y Puertos (Barcelona); 1970–1972: Laboratoire Central des Ponts et Chaussées, France; Instituto Eduardo Torroja, Spain.

ORGANIZATIONAL DIAGRAM

WELL-POSITIONED FOR THE FUTURE: At the start of 2013, Sika created a streamlined, more efficient Group leadership structure. Group Management was slimmed down from fourteen to nine members, retaining the traditional flat management structures within the Group. The previous six geographical regions have been reduced to four.



The previous six geographical regions have been reduced to four. The new regional breakdown is based on unified economic areas and supply chain structures. The new region EMEA covers the previous regions Europe North and Europe South together with the Middle East and Africa. With the former region IMEA dissolved, India has been reallocated to the region Asia/Pacific due to its close association with this economic area. North America and Latin America are to remain independent regions on account of their differing market structures.

BOARD OF DIRECTORS

PERSONNEL CHANGES: As of the Annual General Meeting on April 17, 2012, Paul Hälg serves as the new Chairman of Sika's Board of Directors. Newly elected to the Board was Frits van Dijk, who worked some 40 years for the Nestlé Group and, as Executive Committee Member between 2005 and 2011, was responsible for the region Asia, Oceania, Africa and Middle East.

PAUL HÄLG, Dr. sc. techn., ETH Zurich, Chairman

Nationality: Swiss; Year of birth: 1954
Member since: 2009, elected till: 2015; since 2004: CEO, Dätwyler Group, Altdorf; 2001–2004: Executive Vice President, Forbo International SA, Eglisau; 1987–2001: Product Manager, Commercial Director, CEO, Gurit Essex AG, Freienbach; 1981–1986: Project and Group Leader, Schweizerische Aluminium AG (Alusuisse), Zurich.

THOMAS W. BECHTLER, Dr. iur., LL. M., Vice Chairman

Nationality: Swiss; Year of birth: 1949
Member since: 1989, elected till: 2013; Committees: Chairman Nomination and Compensation Committee; since 1982: CEO, Hesta AG, Zug; 1977–1982: Divisional Manager, Luwa AG; 1975–1977: Managing Assistant, Luwa AG; Member of the Board: Bucher Industries, Niederweningen; Conzzeta AG, Zurich; Chairman of the Board: Human Rights Watch, Committee Zurich.

URS F. BURKARD, Carpenter/Interior Designer

Nationality: Swiss; Year of birth: 1957
Member since: 1990, elected till: 2014; Committees: Nomination and Compensation Committee; since 1989: Principal, Burkard Office Design GmbH, Rotkreuz; 1987–1989: Head of planning, Denz Office Furniture, Zurich; Chairman of the Board: Unitrend Burkard AG, Rotkreuz; Vice Chairman of the Board: Schenker-Winkler Holding AG, Baar.

FRITS VAN DIJK, School of Economics (HES), Rotterdam

Nationality: Dutch; Year of birth: 1947
Member since: 2012, elected till: 2015; 1970–2011: Career within Nestlé (focus region Asia), of which the last 10 years as member of the Nestlé SA Executive Board, responsible for Asia, Oceania, Africa & Middle East; Member of the Board: Nestlé Malaysia Berhad.

WILLI K. LEIMER, Dr. oec. HSG

Nationality: Swiss; Year of birth: 1958
Member since: 2010, elected till: 2013, Committees: Audit Committee; since 2002: Partner, WMPartners Wealth Management Ltd., Zurich; 1990–2002: Managing Director, Private Wealth Management, Bank Morgan Stanley AG, Zurich; 1988–1990: Goldman, Sachs & Co., New York and Zurich; Chairman of the Board: ISPartners Investments Solutions AG, Zurich; Schenker-Winkler Holding AG, Baar; Vice Chairman of the Board: WMPartners Wealth Management Ltd., Zurich.

MONIKA RIBAR, lic. oec. HSG

Nationality: Swiss; Year of birth: 1959
Member since: 2011, elected till: 2014; Committees: Chairman Audit Committee; since 2006: CEO, Panalpina AG, Basel; 2005–2006: CFO, Panalpina AG, Basel; 2000– 2005: Chief Information Officer (CIO), Panalpina AG, Basel; 1991–2000: Various functions within Controlling, IT and Global Project Management, Panalpina AG, Basel; Member of the Board: Logitech International SA, Romanel-sur-Morges; Swiss International Airlines Ltd., Zurich.

DANIEL J. SAUTER, Financial Expert

Nationality: Swiss; Year of birth: 1957
Member since: 2000, elected till: 2015; Committees: Nomination and Compensation Committee; 1994–2001: CEO and Delegate of Board of Directors, Xstrata AG, Zug; 1983–1998: Senior partner and CFO, Glencore International AG, Baar; 1976–1983: Various banks, incl. Bank Leu, Zurich; Chairman of the Board: Julius Bär Gruppe AG, Zurich; Member of the Board: Model Holding AG, Weinfelden.

ULRICH W. SUTER, Dr. sc. techn., Professor

Nationality: Swiss; Year of birth: 1944
Member since: 2003, elected till: 2015; 2001–2005: Vice President Research, ETH Zurich; 1988–2008: Professor, ETH Zurich, Department of Material Science; 1982–1989: Professor, MIT, Department of Chemical Engineering, Cambridge, USA; Chairman of the Board: WICOR Holding AG, Rapperswil SG; Member of the Board: Global Surface AG, Nussbaumen TG; Rainbow Photonics AG, Zurich; President of the Foundation Council: Werner Oechslin Library Foundation; Member of the Board of Trustees: Pension Fund of the Weidmann Group of Companies; Swisscontact.

CHRISTOPH TOBLER, dipl. El. Ing. EPFL

Nationality: Swiss; Year of birth: 1957
Member since: 2005, elected till: 2013; Committees: Audit Committee; since 2004: CEO, Sefar Holding AG, Thal SG; 1998–2004: Head of Industry Division and Member of Group Management, Sika AG, Baar; 1994–1998: Adtranz Schweiz; 1988–1994: McKinsey & Company, Zurich; Member of the Board: Sefar Holding AG, Thal SG; Schenker-Winkler Holding AG, Baar; AG Cilander, Herisau; Member of Board Committee: economiesuisse, Zurich.

WORKFORCE WITH EXPERTISE AND COMMITMENT. With a cooperative management style and diverse development and continued training activities, Sika promotes the individual skills and initiative of its employees and encourages their entrepreneurial engagement, at the same time as accommodating the company's dynamic development.

MANAGEMENT PRINCIPLES

Sika nurtures continuity and upholds ethical values. It attaches absolute priority to mutual respect and trust between management and staff, as well as among one another. Sika's worldwide presence makes the integration of widely differing individuals and the global exchange of knowledge and experience absolutely essential. This diversity is desired. Discrimination is not tolerated in any form.

The activities of the entire workforce are geared clearly toward strategic, operative and company policy targets, with many employees receiving guidance in the form of management by objectives. This cooperative management style ensures that employees are involved in numerous decision-making processes. Information flows through all hierarchical levels are kept as systematic, up to date and transparent as possible. Managers are expected to set an example for their employees, and foster their initiative, creativity and development. Provision must be made for continuing professional training.

MANAGEMENT DEVELOPMENT

Sika's Performance and Talent Management system has been the mainstay of management development activities for a number of years. Designed to identify and develop managers' skills, it facilitates systematic employee succession planning in the respective organizations, while promoting company growth by continually pinpointing new talent. Various talent pools for different management functions have been created in this way.

Potential managers are developed at different levels: on the one hand, through continuing training initiated by the respective national organization or provided by the Sika Business School. On the other hand, Sika attaches importance to management candidates familiarizing themselves with different functional areas and gaining experience in other countries.

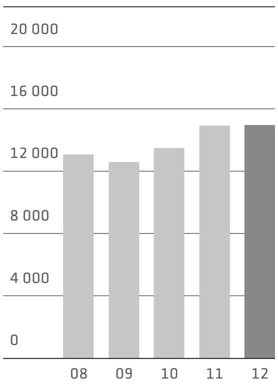
Group-wide guidelines guarantee security, transparency and a fair employment contract for employees on longer-term secondments abroad.

SIKA BUSINESS SCHOOL

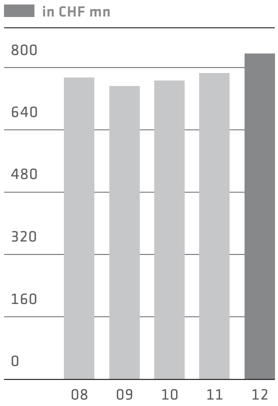
In addition to the many varied developments in the business environment, the fast pace of growth witnessed by the Group and the associated changes in organization and work processes call for a continuous transfer of knowledge at all levels. The Sika Business School provides global, hands-on courses in the areas of management and talent development as well as marketing and sales. Curriculums include project assignments taken from current everyday business situations. Members of Group Management and other line managers are involved in development activities, so ensuring that training remains relevant to practical needs.

Product and application-based knowledge is delivered by academies whose course content and organization are defined by target market managers. With the focus on practical applications for Sika products, these training programs promote customer advisory skills.

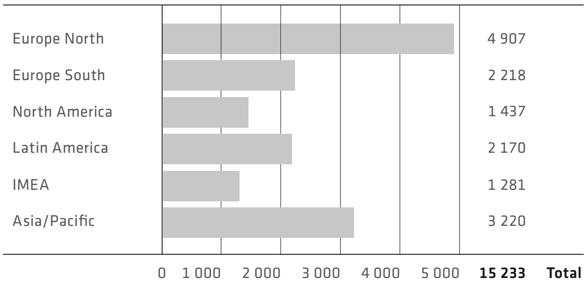
Employment development



Salary expenses



Numbers of employees by region



In the reporting year, Sika spent a total of around CHF 7.9 million (2011: CHF 8.5 million) on employee development. This figure includes special, decentralized courses in the regions and countries as well as the global management development and sales training programs provided by the Sika Business School.

NUMBER OF EMPLOYEES

There was a minor decrease in number of employees in the year under review. While the economic situation in some countries demanded adjustments at local level as well as specific restructuring measures, 123 employees joined the Group in the wake of acquisitions. Worldwide, the Group employed 15 233 people (2011: 15 254) at the end of the year under review. Employees were distributed among the regions as follows: Europe North 4 907 (2011: 4 997), Europe South 2 218 (2011: 2 318), North America 1 437 (2011: 1 491), Latin America 2 170 (2011: 2 101), IMEA 1 281 (2011: 1 224), Asia/Pacific 3 220 (2011: 3 123).

Together, all Sika employees in 2012 generated a net added value of CHF 1 465 million (2011: CHF 1 315 million). Net added value per employee increased to CHF 96 000 (2011: CHF 92 000). For further information, please refer to page 142 ff of this report.

COMMITMENT TO OPENNESS AND TRANSPARENCY. Creating transparency is the highest objective of good corporate governance. This provides information on structures and processes, areas of responsibility and decision procedures as well as rights and obligations of various stakeholders. Reporting at Sika follows the SIX Swiss Exchange guidelines.

GROUP STRUCTURE AND SHAREHOLDERS

Sika AG, headquartered in Baar, is the only listed Sika company. The Sika AG bearer shares are listed on SIX Swiss Exchange under Swiss security no. 58797. Information on Sika AG's stock market capitalization can be found on page 6 of this report. In the year under review, the Sika Group encompassed unlisted subsidiaries in 80 countries. 124 companies are included in the scope of consolidation. Companies of which Sika holds less than 50% of shareholder votes are not consolidated. These are namely Addiment Italia S.r.l., Italy; Condensil SARL, France; Sarna Granol AG, Switzerland; Hayashi-Sika, Chemical Sangyo and Seven tech Co. Ltd. in Japan as well as the joint venture Part GmbH in Germany. Detailed information on the Group companies can be found on page 132 ff.

Sika conducts its worldwide activities according to countries that have been classed into regions with area-wide managerial functions. The heads of the regions are members of Group Management. The regional and national management teams bear full profit and loss responsibility, and – based on the Group strategy – set country-specific growth and sustainability targets, and allocate resources.

Furthermore, Sika has geared its internal organization toward seven target markets from the construction industry or from industrial manufacturing. These target markets are represented by two members of Group Management as well as in the regional management teams and the national subsidiaries. The relevant managers are responsible for the definition and launch of new products, the implementation of demonstrated best practices, and the product-line and pricing policies for Group products, i.e. those offered worldwide rather than only in a particular country.

The heads of the central services Finance and Research and Development are likewise members of Group Management, which consists of nine members. All Group business is consolidated in Sika AG, the holding company, itself in turn under the supervision of the Board of Directors. The organization structures are presented on pages 41 to 48 of this report.

As of the balance sheet date of December 31, 2012, Sika had one significant shareholder with a share of voting rights of over 3%, the Burkard-Schenker family, which according to information provided by the family as at December 31, 2012, holds 53.0% of all share votes, in part through Schenker-Winkler Holding AG, Baar. A list of changes in significant shareholdings reported to the Disclosure Office of SIX Swiss Exchange Ltd during the year under review can be found at http://www.six-exchange-regulation.com/obligations/disclosure/major_share holders_en.html.

There are no crossover holdings exceeding 3%, either in terms of capital or votes.

CAPITAL STRUCTURE

As at December 31, 2012, capital stock totaled CHF 1 524 106.80. This was divided into 2 151 199 bearer shares, each with a nominal value of CHF 0.60, and 2 333 874 registered shares, each having a nominal value of CHF 0.10. All shares earn the same dividend, with payout adjusted according to nominal value. One share represents one vote. In addition, there is CHF 155 893.20 in contingent capital, unrestricted in time, comprising 259 822 bearer shares with a per-share nominal value of CHF 0.60. These shares are reserved for the exercise of option or conversion rights. Shareholders are excluded from subscription rights. There are currently no conversion or option rights outstanding. Sika granted no participation certificates, dividend right certificates or stock options. Option plans do not exist for members of the Board of Directors, Group Management or employees. Changes in capital stock, reserves and retained earnings during the last five years are posted on pages 137 ff of this report.

The purchase of Sika bearer and registered shares is open to all legal persons and individuals. The Board of Directors can deny purchase of registered shares if the purchaser's registered shareholdings exceed 5% of the total number of registered shares entered in the commercial register. In the year under review no shareholder newly exceeded this 5% threshold. Nominees, i.e. shareholders who acquire shares in their own name but on the account of third parties, are registered as shareholders without voting rights.

BOARD OF DIRECTORS

The Board of Directors is Sika's highest governing body and is mainly responsible for the:

- Definition of the corporate mission statement and corporate policies
- Decisions on corporate strategy and organizational structure
- Appointment and dismissal of members of Group Management
- Structuring of finances and accounting
- Establishment of medium-term planning as well as the annual and investment budgets

The members of the Board of Directors are elected by the Annual General Meeting for a term of office of three years. Members' tenures are staggered. They can be reelected at any time. Upon reaching the age of seventy, directors resign their mandate. Detailed information on individual members of the Board of Directors is listed on pages 47 and 48 of this report. No directorships are maintained with other listed companies on a reciprocal basis. The Board of Directors constitutes itself, electing the Chairman and Vice Chairman from its ranks.

Presently the Board of Directors of Sika AG consists of nine members. None of the members of the Board of Directors was a member of Group Management or the executive management of a Group company during the three preceding business years. The Board convenes at the Chairman's request as business demands. In business year 2012 the Board met seven times. The Chief Executive Officer (CEO) participates in the Board meetings in an advisory capacity. The other members of Group Management take part as necessary, but at least three times per year, also in an advisory capacity.

Company officers report regularly and comprehensively to the Chairman concerning implementation of Board decisions. The CEO as well as the CFO report to the Board in writing on the development of business at least once per month. Extraordinary occurrences are reported immediately to the Chairman or the Audit Committee, insofar as such events relate to the latter's area of responsibility. The Internal Audit staff report to the Chairman as well as the Audit Committee within the scope of the review schedule.

BOARD COMMITTEES

Sika has two committees of the Board of Directors: the Audit Committee as well as the Nomination and Compensation Committee. The chairpersons of these committees are elected by the Board. Otherwise, the committees organize themselves. Information on the members of the committees can be found on pages 47 and 48 of this report.

- The Audit Committee mainly reviews the results of internal and external audits as well as risk management. The committee convenes at the request of its chairperson as required. Customarily the Chairman of the Board and the CFO, as well as the CEO if necessary, take part in these meetings in an advisory capacity. In the year under review the Audit Committee met five times.
- The Nomination and Compensation Committee prepares personnel planning at Board and Group Management level and handles matters relating to compensation. One of the central tasks of the Nomination and Compensation Committee is succession planning for the Board of Directors and Group Management. The committee convenes at the request of its chairperson as required. Usually the Chairman of the Board and the CEO participate in these meetings in an advisory capacity, insofar as they are not themselves affected by the items on the agenda. In the year under review the Nomination and Compensation Committee met six times.

GROUP MANAGEMENT

Within the framework of Board resolutions, Sika's operative leadership is incumbent on Group Management. The members of Group Management and their functions are listed on pages 42 to 46 of this report. Detailed information on their backgrounds and activities can be found on pages 44 to 45 of this report. Sika had no management contracts with third parties in the year under review.

SHAREHOLDER PARTICIPATION RIGHTS

Sika upholds no restrictions to voting rights either on the basis of the articles of association or by other means, and thus also no rules for granting exceptions. Accordingly, no exceptions were made in the year under review with respect to voting rights restrictions. Every shareholder can exercise share votes through representation by another shareholder with voting rights, a registered representative of securities accounts or the independent proxy. Information on what constitutes a statutory quorum can be found in Art. 704 of the Swiss Code of Obligations (CO); information on what constitutes a quorum under Sika's articles of association can be found in § 15 paragraph 3 of the latter document. The orders of business for which a majority is required are defined therein. Sika's articles of association can be found at http://www.sika.com/en/group/investors/corporategovernance/articlesofassociation.html. The invitation modalities and deadlines for the Annual General Meeting are conformant with legal requirements. In addition, during a period published by the company, shareholders representing a nominal share value of CHF 10 000 can request in writing to have an item placed on the agenda, indicating the proposals to be put forward. Notice is published in the Swiss Official Gazette of Commerce. New registered shares will not be registered by the company in the two working days prior to the Annual General Meeting. Therefore registered shares sold between the deadline and the Annual General Meeting are not entitled to vote.

DELINEATION OF POWERS OF AUTHORIZATION

The powers of authorization, duties and responsibilities of the Board of Directors and Group Management are laid down in the organizational rules of Sika AG and Sika Group (http://www.sika.com/de/group/investors/CorporateGovernance/organizational_rules.html).

CHANGE IN CORPORATE CONTROL AND DEFENSE MEASURES

In accordance with § 6 of the Sika articles of association, purchasers of shares are not obligated to make a public offering as generally prescribed by articles 32 and 52 of the Swiss Federal Act on Stock Exchanges and Securities Trading. There are no clauses governing changes in corporate control.

AUDITOR

The auditor of Sika AG is elected by the Annual General Meeting for a term of one year. In the year under review, Ernst & Young AG, listed as an auditor in the commercial register since February 7, 1995, served in this capacity. In accordance with legal requirements, the auditor in charge is replaced after a maximum period of seven years. The auditor in charge has been responsible for the audit mandate since 2010. The auditor participates regularly in the meetings of the Audit Committee, providing oral and written report of the results of its reviews. The Audit Committee checks and evaluates the auditor and makes recommendations to the Board of Directors. The evaluation of performance and the negotiation of fees are conducted according to internally specified criteria. In 2012, the present auditor took part in three meetings of the Audit Committee.

Ernst & Young AG billed CHF 3.9 million for its services during the year under review. This figure included the audits of individual closings within Sika AG as well as of practically all subsidiaries and the review of the consolidated financial statements. Ernst & Young AG received additional fees totaling CHF 0.7 million for tax consultancy and CHF 0.4 million for audit-related consulting services.

INFORMATION POLICY

Sika informs extensively on the development of business in annual and quarterly reports, at the annual media and financial analyst conference as well as at the Annual General Meeting. The continually updated website at www.sika.com as well as media releases regarding important developments are also integral components in communications. As a company listed on SIX Swiss Exchange, Sika is also obligated to comply in particular with requirements of ad-hoc disclosure, i.e. the release of news which may affect its stock price. In addition, Sika maintains dialogue with investors and the media through special events and road shows. Information on important dates in 2013 can be found on page 156 of this report.

COMPENSATION REPORT

This part of the Annual Report covers the remuneration policy for the Board of Directors and the members of Group Management, as well as the process of determination of compensation. Key to the content and scope of this disclosure are Articles 663b bis and 663c of the Swiss Code of Obligations, the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse and the standard relating to information on Corporate Governance of the SIX Swiss Exchange.

The compensation of members of the Board of Directors and of Group Management is presented in detail from page 150 onwards in Notes 19 to 20 in the Appendix to the Financial Statements of Sika AG and is therefore not repeated here.

COMPENSATION GOVERNANCE

NOMINATION AND COMPENSATION COMMITTEE

As defined in its Duties, Accountabilities and Responsibilities, the Nomination and Compensation Committee is responsible of:

- prepare the succession planning of the CEO and other members of Group Management, and to propose to the Board of Directors the appointment of new members of Group Management;
- review the remuneration policy and to propose to the Board of Directors the compensation level (at target) for the members of the Board of Directors, the CEO and the other members of the Group Management;
- provide the Board of Directors with a performance assessment of the CEO and of the other members of Group Management, together with a recommendation for the short-term and long-term incentives to be awarded to them based on their individual performance and the performance of the company.

The Nomination and Compensation Committee holds its ordinary meetings at least three times a year: in April, in August and in December.

- In the August meeting, the overall remuneration strategy is reviewed.
- In the December meeting, the objectives for the CEO and other members of Group Management are defined for the following year and their total target compensation is reviewed. The committee also reviews the compensation of the Board of Directors.
- In the April meeting, the committee determines the achievement levels of the previous year's objectives, and the related incentive payouts for the CEO and the other members of Group Management.

The Chairman of the Nomination and Compensation Committee reports to the Board of Directors after each meeting on the activities of the committee. The minutes of the committee meetings are available to the members of the Board of Directors.

The Nomination and Compensation Committee may decide to consult an external advisor from time to time for specific compensation matters. In addition, support and expertise are provided by internal compensation experts such as the Head of Corporate Compensation and Benefits. In 2012, Towers Watson, an independent consulting firm, was mandated to perform a review of the compensation of Group Management in light of the organizational changes foreseen for 2013.

Levels of authority	CEO	Nomination and Compensation Committee	Board of Directors
Compensation of Chairman		proposes	approves
Compensation of Board of Directors		proposes	approves
Compensation of CEO		proposes	approves
Compensation of Group Management	proposes	reviews	approves
Short-term bonus of CEO		proposes	approves
Short-term bonus of Group Management	proposes	reviews	approves
Long-term incentive of CEO		proposes	approves
Long-term incentive of Group Management	proposes	reviews	approves

COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

In 2012, a thorough review of the compensation of the Board of Directors has been conducted in order to determine its competitiveness in terms of overall level and structure.

A peer group of selected companies, all Swiss multinational companies of the industry sector listed on the Swiss stock exchange (SIX), has been defined. The peer group consists of Clariant, Geberit, Georg Fischer, Holcim, Lonza, Schindler, Sonova and Sulzer and is well balanced in terms of market capitalization, revenue and headcount. The compensation analysis was performed on the basis of the 2011 disclosure in the annual compensation reports of those companies.

On the basis of this analysis, the remuneration for the Board of Directors has been adjusted in order to be more aligned to the compensation practices of the peer companies:

- introduction of an annual fee for committee membership/chairmanship instead of the per-meeting fee;
- introduction of a long-term component in the form of a yearly grant of shares.

Therefore, as of 2012, members of the Board of Directors receive an annual fee, consisting of a basic fee for services to the Board and an additional fee for assignments to committees of the Board.

Further, they receive a fix number of Sika shares at the end of each year of mandate. The shares are granted shortly after the Annual General Meeting and their grant value is the closing share price on the Swiss Stock Exchange (SIX) at the grant date. The shares are blocked from trading for a period of four years, except in case of change of control or liquidation, where they are unblocked immediately. The shares remain blocked in all other instances.

The members of the Board of Directors receive no additional reimbursements of business expenses beyond actual expenditures for business travel. The members of the Board do not participate in Sika's employee benefit plan.

Overview of compensation of the Board of Directors (per April 2012)

	CHF	Number of shares
Basic annual fee (gross):		
Chairman of the Board of Directors	individually	individually
Vice Chairman of the Board of Directors	180 000	26
Members of the Board of Directors	150 000	26
Committee annual fees (gross):		
Committee Chairman	50 000	
Committee Members	30 000	

The compensation of the Chairman of the Board of Directors is defined individually, based on the person's skills and experience, and includes the following components: an annual basic fee, a fix number of Sika shares and a representation allowance. The Chairman of the Board of Directors is not eligible for committee fees.

In 2012, the members of the Board of Directors received a total remuneration of CHF 3.0 million (2011: CHF 2.7 million). This amount comprises fix fees of CHF 1.9 million (2011: CHF 2.0 million), committee membership fees and other expenses of CHF 0.2 million (2011: CHF 0.3 million), cash bonus of CHF 0.1 million (2011: CHF 0.1 million), social security contributions of CHF 0.2 million (2011: CHF 0.3 million) and shares of CHF 0.6 million (2011: CHF 0 million). The cash bonus payment and pension contributions to the Chairman of the Board of Directors are discontinued since April 2012.

The disclosure of compensation of the Board of Directors in this compensation report is based on accruals for the first time, therefore compensation for the year 2011 is being restated.

The details on compensation of the Board of Directors are shown in Note 19 in the Appendix to the Financial Statements of Sika AG on page 150 of this report.

COMPENSATION OF THE CEO AND MEMBERS OF GROUP MANAGEMENT

COMPENSATION PRINCIPLES

In order to ensure the company's success in the competitive global business environment, it is critical to attract, develop and retain qualified, talented and engaged employees and executives. Sika's compensation programs are designed to support this fundamental objective and are based on the following principles:

- Compensation is fair, equitable and transparent
- Compensation levels are competitive and in line with market practice
- Compensation is linked to individual and company performance
- Compensation rewards sustainable and long-term performance

Group Management members, like the other employees, are subject to a formal annual performance management process. This process aims to align individual and collective objectives, to stretch performance and to support personal development.

COMPETITIVE POSITIONING

In order to set compensation in line with the market, Sika compares, on a yearly basis, the overall target compensation of its senior executives to that of high-ranking executives in relevant companies. Relevant companies are defined as multinational companies of similar size, in terms of revenue and employees, in the industrial and construction chemical sector and multinational companies of similar size which are listed on the SIX Swiss Exchange.

Based on the external benchmark analysis and on internal peer comparisons, the Nomination and Compensation Committee defines the new target compensation for the CEO and the other members of Group Management. The actual compensation paid to the individual members of Group Management in a given year depends on the individual and company performance.

In 2012, and in light of the forecoming organizational changes at Group Management level effective as of January 1, 2013, a thorough review of the remuneration of Group Management was conducted, with the support of an independent consultant, Towers Watson. A peer group of selected companies, all Swiss multinational companies of the industry sector listed on the SIX Swiss Exchange, has been defined. The peer group consists of Clariant, Geberit, Georg Fischer, Holcim, Lonza, Schindler, Sonova and Sulzer. Towers Watson gathered the relevant benchmarking data of the selected companies through a so-called "club survey" and summarized them into a report. This report has been used as basis for the analysis of the compensation levels for the CEO and the other functions of Group Management and for setting their compensation for the year 2013. This customized survey has been conducted in the specific circumstances of the organizational changes in 2013 and will not necessarily be repeated on a yearly basis.

REMUNERATION SYSTEM AND COMPENSATION COMPONENTS

The compensation for members of Group Management includes the following components:

- Fixed base salary
- Variable compensation: short-term and long-term incentives
- Benefits and perquisites

FIXED ANNUAL BASE SALARY

Annual base salaries are established on the basis of the following factors:

- Scope, size and responsibilities of the role, and skills required to perform the role
- External market value of the role
- Skills, experience and performance of the individual in the role

Base salaries of the members of Group Management are reviewed every year taking into consideration company's affordability, benchmark information, market movement, economic environment and individual performance.

Remuneration system for members of Group Management

	Vehicle	Purpose	Drivers	Performance measures
Annual Base Salary	Monthly cash salary	Attract and retain	Position, market practice Skills and experience of person	
Performance Bonus (Short-Term Incentive)	Annual bonus Paid in cash and in Sika shares	Pay for performance	Achievement of business objectives over a 1-year period	Group EBIT and net sales Individual objectives
Long Term Incentive	Restricted stock unit with vesting conditional upon performance	Reward long-term performance Align to shareholders interests	Achievement of a Group objective over a 3-year period	ROCE
Benefits	Pension and insurances Perquisites	Protection against risks Attract and retain	Market practice Market practice and position	

PERFORMANCE BONUS (SHORT-TERM INCENTIVE)

The Performance Bonus scheme has been redesigned and simplified in 2012, in order to be fully aligned with the company strategy of driving profitable growth. The Performance Bonus is a short-term variable incentive designed to reward the collective performance of the company ("Group performance") and the individual performance of the incumbent, over a time horizon of one year. This variable compensation allows employees to participate in the company's success while being rewarded for their individual performance.

The Performance Bonus target is expressed as percentage of base salary. The policy over the next years is to implement ranges for the Performance Bonus target for the CEO and the other members of Group Management as stated in the table below.

Performance Bonus (STI) Targets
as % of annual base salary

	CEO	Group Mgt
to be implemented over time	70–100%	60–80%

In 2012, the Short-Term Incentive target of the CEO and the other members of Group Management was between 44% and 88% of annual base salary.

The performance measures for the Group performance are proposed by the Nomination and Compensation Committee and approved by the Board of Directors. For 2012, they were:

- EBIT (Earnings Before Interest and Tax) improvement during the year, relative to a peer group of companies;
- net sales growth during the year, relative to the same peer group.

EBIT improvement is weighted twice as much as net sales growth.

The individual performance includes personal objectives that are set as part of the annual performance management process. For the CEO and for the other members of Group Management, they are reviewed and approved by the Nomination and Compensation Committee. The personal objectives are to be set in four different categories:

- Top-line contribution: growth of the business under responsibility
- Bottom-line contribution: profitability of the business under responsibility
- Return on invested capital: Net Working Capital of the business under responsibility
- People and Projects management

Group performance accounts for 75% of the total bonus for the CEO, while the individual objectives account for 25%. For the other members of Group Management, Group performance represents 60% of the bonus and the individual performance 40%.

At the end of the incentive year, both Group and individual performance are assessed against the targets set at the beginning of the year.

Performance measures of the Short Term Incentive

			CEO	Group Management
Performance Bonus	Relative Group performance compared to peer group	EBIT improvement	50%	40%
		Net sales growth	25%	20%
	Individual performance	Top line / growth		10%
		Bottom line / profitability		10%
		Net working capital	10%	10%
		People and projects	15%	10%

The EBIT and net sales performance are measured based on an evaluation provided by an independent consulting firm, Obermatt. This benchmark, called the Obermatt benchmark, compares and ranks Sika amongst the performance of a selected peer group of 27 companies, all industrial firms with a comparable global structure and exposed to similar market cycles.

The indexation of the metrics EBIT improvement and net sales growth neutralizes external market factors, such as economic cycles, exchange rate fluctuations and moods of the stock market. Therefore, only the true performance of the company is rewarded and not the cycles of the industry.

For both objectives, the target is to be at least at the median performance of the peer group, which corresponds to a 100% payout factor. There is no payout for any performance below the lower quartile of the peer group. Performance at the upper quartile leads to a 150% payout factor and being the best in the peer group leads to a 200% payout factor. Any payout factor in between is interpolated linearly.

For individual objectives, actual achievement is compared with the targets set at the beginning of the year. The level of achievement for each objective determines a payout percentage for that target, always between 0% and 200%.

The CEO provides his performance assessment of each member of Group Management to the Nomination and Compensation Committee at year end, and formulates a recommendation for the bonus payout.

The Nomination and Compensation Committee assesses the performance of the CEO and formulates a recommendation for the bonus payout to the Board of Directors. The Committee also reviews the performance assessment and the proposed payout for each of the members of Group Management before submitting them to the Board of Directors for approval.

In discussing performance, the Nomination and Compensation Committee deliberates the achievement of the individual objectives of each member of Group Management.

The Committee also considers the extent to which the individuals have carried out their duties in line with the company values and expected leadership behaviors.

The overall bonus payout under the Short-Term Incentive is capped and cannot exceed 150% of the bonus target.

SIKA SHARE PURCHASE PLAN

Under the Sika Share Purchase Plan (SSPP), the members of Group Management must convert part of the Performance Bonus into Sika shares with a blocking period of four years. The objective of this program is to encourage members of Group Management to directly participate in the long-term success of the company and to strengthen the link between their compensation and the company performance, as they are exposed to the share value development over the blocking period of four years. In return, Sika provides one matching share for every five shares purchased under the SSPP.

The SSPP requires at least 20% of the Performance Bonus to be deferred in shares. The participant may voluntarily defer a further 20% of the bonus into shares, therefore 40% in total.

The shares are granted at their fair market value, which is defined as the average closing share price on the SIX Swiss Exchange during the month of February of the following year. The calculation of the share grant is made as follows:

Number of shares granted = [(deferred percentage of bonus of 20% or 40%) × (actual bonus amount) × (factor of 1.2 for matching shares)] divided by the average closing share price in February, rounded down to the next full number of shares.

In case of termination of employment due to retirement, death, disability, or termination without cause, the blocking period of the shares is accelerated. In case of termination for cause or resignation, the blocking period remains unchanged.

LONG-TERM INCENTIVE

Sika's remuneration policy is to also align a significant portion of compensation of senior management to the long-term company's performance. Members of Group Management are eligible to a long-term equity incentive that links the amount of compensation to Sika's market value (share price).

Based on the compensation analysis performed in 2012, the portion of long-term equity compensation of the members of Group Management is rather low compared to typical practice in the peer group. Therefore, it has been decided to increase the long-term equity portion of compensation over time, with the following objective over the next years:

LTI Targets
as % of annual base salary

	CEO	Group Mgt
to be implemented over time	100–150%	70–120%

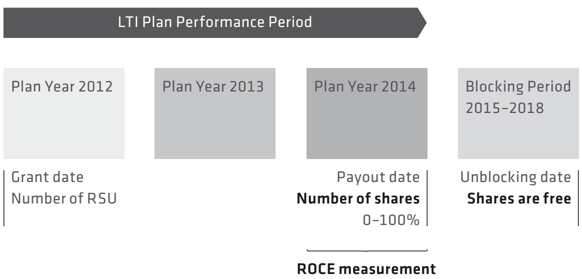
In 2012, the Long-Term Incentive targets of the CEO and the other members of Group Management was between 38% and 82% of annual base salary.

The Long-Term Incentive plan has been redesigned and simplified in 2012. It is now a Performance Restricted Stock Unit Plan. At the beginning of the plan vesting period, a number of Restricted Stock Units (RSU) is granted to each member of Group Management. The RSU vest after a period of three year, under a performance condition, the return on capital employed (ROCE). The ROCE target is determined at the beginning of the vesting period by the Board of Directors and is measured in the last year of vesting period. If the target is met, 100% of the RSU vest and are converted into Sika shares. There is no overachievement on the long-term incentive, therefore the maximum payout is 100%.

The final share allocation is determined after the three-year performance period, based on the following vesting rules:

- ROCE at or above target:
  100% of the RSU vest into shares
- ROCE at threshold level:
  50% of the RSU vest into shares
- ROCE between threshold and target levels:
  linear interpolation
- ROCE below the threshold level:
  0% of RSU vest into shares.

The shares are allocated at their fair market value (closing price at grant date on the SIX Swiss Exchange), shortly after the Annual General Meeting in the month of April following the three-year vesting period. The shares have a further blocking period of four years, during which they are excluded from trading.



In case of termination of employment due to retirement, death or disability, the blocking period of the shares is accelerated. The granted RSU are subject to an early-vesting, prorated for the period of the plan that was effectively worked, and based on an achievement payout of 75%. In case of termination for any other cause, such as resignation or involuntary termination, the shares remain blocked while the RSU forfeit. In case of change of control or liquidation, the shares are unblocked immediately and the Board of Directors has the discretion to determine any appropriate measure with regards to the RSU.

STRUCTURE OF COMPENSATION FOR MEMBERS OF GROUP MANAGEMENT: FIXED VERSUS VARIABLE COMPENSATION, SHORT-TERM VERSUS LONG-TERM COMPENSATION

The following tables and graphs show the relationship between fixed versus variable compensation, and the relationship between short-term versus long-term compensation.

Fix and variable compensation CEO

Fix and variable compensation (goal over next years)	Target	Maximum (% of Target)
Fix compensation	100%	100%
Variable compensation	170–250%	150% for STI 100% for LTI

Fix and variable compensation Group Management

Fix and variable compensation (goal over next years)	Target	Maximum (% of Target)
Fix compensation	100%	100%
Variable compensation	130–200%	150% for STI 100% for LTI

In 2012, the variable compensation target of the CEO and the other members of Group Management was between 78% und 151% of annual base salary. The objective is to disproportionately increase the variable component of compensation over time, especially the long-term incentive, as follows:

Short- and long-term compensation
Goal over next years

CEO

Group Management

In 2012, the remuneration of the CEO was 62% in cash and 38% in shares. For the other members of Group Management, the average split was 70% in cash and 30% in shares.

In 2012, the members of the Group Management received a total remuneration of CHF 18.7 million (2011: CHF 20.2 million). This amount comprises fixed salaries of CHF 6.5 million (2011: CHF 6.8 million), short-term bonus of CHF 5.3 million (2011: CHF 3.7 million), long-term incentives of CHF 3.2 million (2011: CHF 5.6 million), other benefits of CHF 0.8 million (2011: CHF 0.9 million) and contributions to social security and post-employment benefits of CHF 3.0 million (2011: CHF 3.1 million).

The changes in base salaries are explained by the organizational changes within the Group Management in 2012. The increase in the short-term bonus is driven by the very good results at Group level on both EBIT improvement and net sales growth compared to the peer group, while the performance in 2011 was below that of the peer group. Finally, the decrease in long-term incentives is due to the fact that in 2011, two long-term incentives were paid out, while a single long-term incentive is paid out for 2012. With the new plan design of the long-term incentive scheme, the early achievement feature does no longer exist and therefore simultaneous payment of more than one long-term incentive is no longer possible.

The details on compensation of members of Group Management are shown in Note 20 in the Appendix to the Financial Statements of Sika AG on page 151 of this report.

PENSIONS

As the Group Management is international in its nature, the members participate in the benefits plans available in their country of contract. Benefits consist mainly of retirement, insurance and health care plans that are designed to provide a reasonable level of protection for the employees in respect to retirement, the risk of disability, death or illness.

The members of Group Management with a Swiss employment contract participate in Sika's pension plans. These consist of the pension fund of Sika Schweiz AG, in which base salaries up to an amount of CHF 132 240 per annum are insured, as well as a supplementary plan in which base salaries in excess of this limit are insured. Sika's pension funds exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG).

Members of Group Management under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and are, as a minimum, in accordance with the legal requirements of the respective country.

Moreover, an early-retirement plan is in place for members of the top management of Sika. The plan, entirely financed by the employer, is administered by a Swiss foundation. Beneficiaries may opt for early retirement from the age of 60, provided that they have been in a top management position for at least five years. Benefits under the plan are twofold:

- Fixed pension payment until the age of legal retirement. The amount of pension depends on the last fixed salary and the actual age at early retirement.
- Partial financing of the reduction in the regular pension due to early retirement. The amount which may be received as life-long pension payment or as a capital contribution depends on the actual age at early retirement and benefits already accrued in existing pension plans. This portion of the plan is only applicable to beneficiaries being insured under a Swiss pension plan.

OTHER REMUNERATION ELEMENTS

Members of Group Management are also provided with certain executive perquisites such as a company car and other benefits in kind, according to competitive market practice in their country of contract. The monetary value of these other elements of remuneration is evaluated at fair value and is disclosed in the remuneration statement in Note 20 in the Appendix to the Financial Statements of Sika AG on page 151 of this report.

EMPLOYMENT CONTRACTS

The members of Group Management are employed under employment contracts of unlimited duration and are all subject to a notice period of one year. Members of Group Management are not contractually entitled to termination payments. In the year under review, no termination payments were made to members of Group Management.

SHAREHOLDINGS AND SHARES

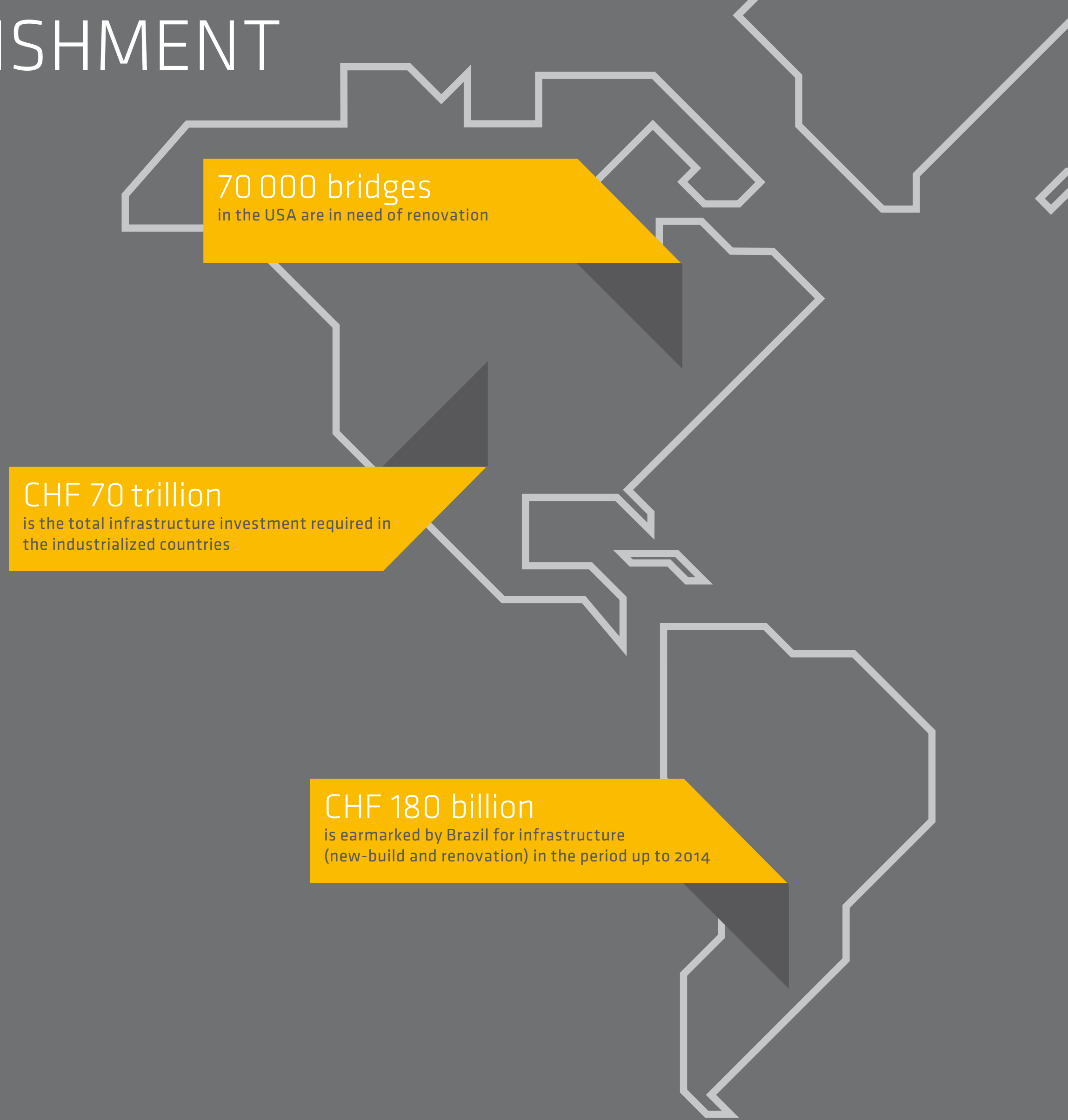
At the end of 2012, members of the Board of Directors held a total of 3 357 shares and 200 options of Sika AG. At the end of 2012, members of the Group Management held a total of 7 301 shares of Sika AG. This figure includes both privately acquired shares and those allocated under the Group's compensation schemes. At the end of 2012, members of Group Management did not hold any options.

The details of shareholdings of the members of the Board of Directors and Group Management are shown in Note 21 in the Appendix to the Financial Statements of Sika AG on page 152 of this report.

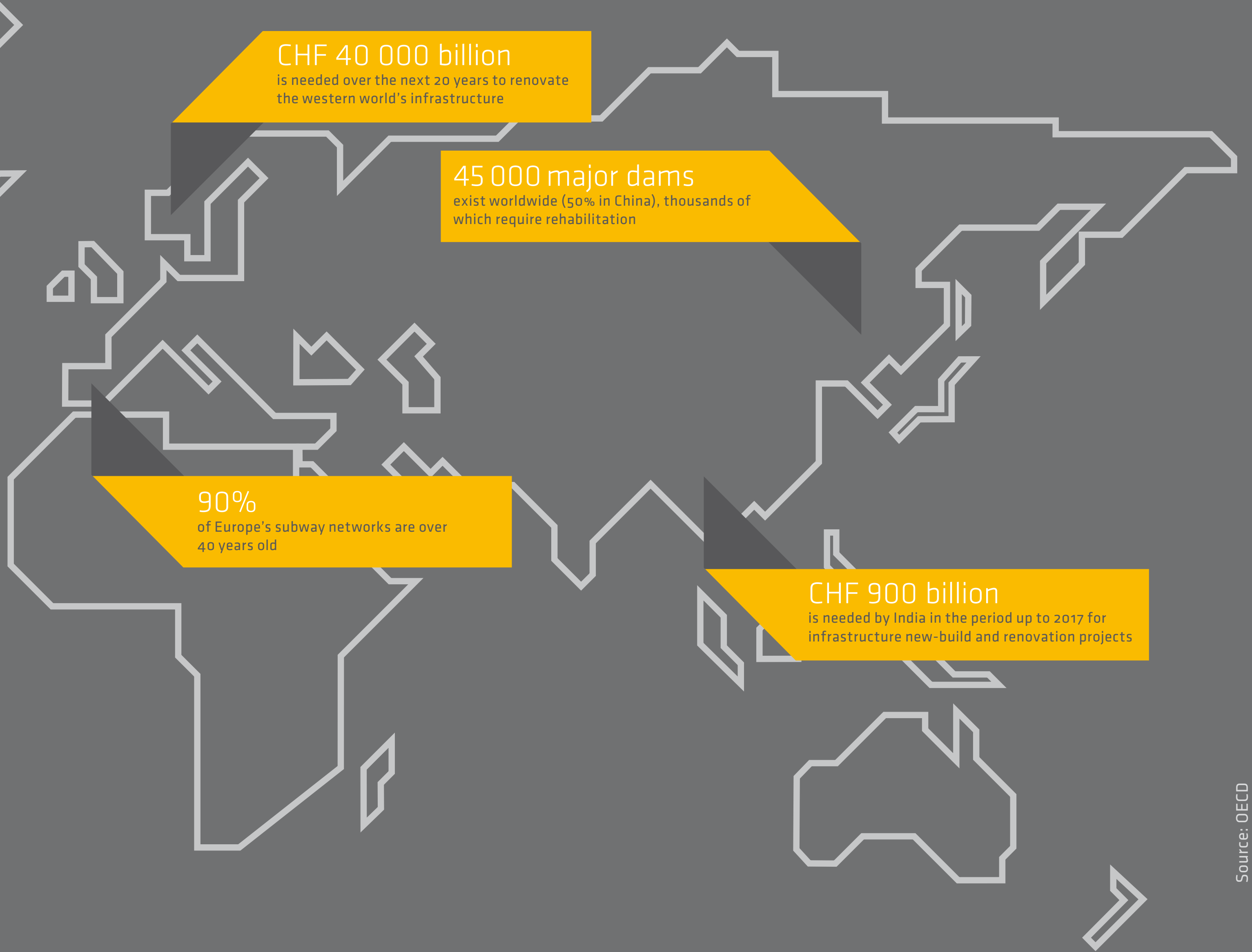
REFURBISHMENT
LONG LIFE CYCLES IN CONSTRUCTION

BUILDING TRUST

GREAT POTENTIAL FOR REFURBISHMENT



SOON TWO-THIRDS OF THE WORLD'S population live in cities and towns. Mushrooming demands are placed on the efficiency of major buildings and infrastructure facilities, and the associated capacity expansion poses a fundamental challenge. Hundreds of thousands of high-rise buildings, bridges, highways, road tunnels, dams and subways are decades old and scarcely able to accommodate the growing loads. Nor do they meet contemporary economic and ecological standards. This inevitably leads to the "refurbish or new-build" dilemma. Its resolution depends on a project-specific appraisal



of cost-effectiveness and sustainability, in the knowledge that the relevant facilities must not be viewed individually, but as part of overriding systems. Much of the built environment serves to promote mobility and, to safeguard this, there is often only a single economically and ecologically viable option, i.e. refurbishment, maintenance, repair or modernization. This is where Sika steps in: as with its new-build product and system range, Sika also offers in-depth know-how and tailored solutions for the repair, renewal and strengthening of existing facilities. The following pages show just what Sika is doing to make the built environment future-proof.

THE GLOBAL CONSTRUCTION PROJECT

TEXT RODERICK HÖNIG – *PHOTO* JESSICA SIEGEL

SHOULD WE DEMOLISH AND RECONSTRUCT, or is it better to refurbish buildings for the future? This question is becoming ever more pressing as global growth continues apace. Does this change in perspective affect architects and planners only, or does it have an impact on society as a whole?

The world has already been built over – now let's set about renovating it! This could be the motto for construction in the 21st century. Declining reserves of oil and building materials, ambitious climate targets and global urbanization require us to rethink how we tackle the "Global Construction Project." It is not simply a question of constantly improving sustainability standards and labels, but rather, and above all, of taking integrated life-cycle considerations into account, both when planning new buildings and when renovating them. The next generation of construction experts will therefore not only have to construct shiny new buildings but also carry out the less prestigious work of refurbishing, renovating, converting, consolidating and extending existing infrastructures and houses.

Demographic and economic development forecasts also force us to reevaluate the current position: the UN predicts that the world population will stabilize at around nine billion people in about 2070 and not grow any further. By then, the process of urbanization in the densely populated countries such as China and India will be largely complete, with over three-quarters of the world's inhabitants living in towns and cities. This means that a great deal of work still remains to be done on the "Global Construction Project" before 2070, and also that growth and stagnation will balance each other out in two generations. It follows that a change of outlook is already required for the 21st century – the built environment is no longer just the objective, but will increasingly be the point of departure.

A short trip back to the beginnings of 200 years of ongoing exponential growth shows that social and economic development is usually sustainable when it is based on managing the resources available. Global growth started with industrialization, i.e. the switch from agrarian to industrial production in the 19th century. It turned society and the economy upside down and created a new world order which still holds today. Industrialization brought a massive increase in the movement of goods and people, which led to revolutionary technical achievements such as railroads, container ships, cars and passenger aircraft: today, these vehicles and transport systems are still vital lifelines for many countries and societies. These innovative means of transport led to the construction of roads, railway tracks, runways, bridges, tunnels and dams. Meanwhile, engineers pressed ahead with providing and standardizing the supply and safe disposal of electricity, water, gas and waste, first in towns, and then in rural areas. At the same time, telecommunications were steadily expanding – a construction project that is still experiencing frenzied growth today. This complex network of transport, supply and disposal systems formed the technical basis for huge economic and urban advances, especially in the 20th century.

The fruits of industrialization could then be harvested in the last century: in other words, the "capital infrastructure" was managed successfully. It was the century of tertiarization, when the industrial society was transformed into a service economy. By adding the supply of services to the technical infrastructure built up by their parents, our fathers and mothers paved the way for unprecedented growth and prosperity. This can be seen from the countless homes built in the 20th century. It is also evident from the technical infrastructure, the foundations of which were established by industrialization. This infrastructure underpins our society and economy. Transport and communication systems, utilities and waste disposal, protective structures – all are crucial to the smooth functioning of our social and economic coexistence.

In the 21st century, too, it is our task to manage the capital invested by our predecessors, and to do so as effectively and sustainably as we can. Here, managing does not simply mean building – it also means continuing to care for the existing stock. After all, most of the "Global Construction Project" consists of post-war infrastructure and housing. However, historically significant buildings and monuments account for only a small proportion of this; the greater part is made up of faceless, mass-produced constructions built in the economic-miracle years from the 1950s to the 1970s. Renovating them will require care in formulating what is needed, as well as innovative technical solutions and fresh architectural ideas, for if we wish to achieve our climate targets and satisfy the demand for sustainable construction, we must reflect more deeply than before on the theme of renovation. It is necessary to develop ideas and techniques which will safeguard or at least convert the vast amounts of grey energy stored in the buildings dating from the post-war period.

A look at how the world is currently managing its resources reveals the importance of considering the life cycle of a building in an integrated manner, and reevaluating the "building stock resources." For example, the Global Footprint Network has calculated that mankind is currently consuming the resources of one-and-a-half planets. This means that the Earth takes over 18 months to produce the amount we consume in one year. Reevaluating the "building stock resources" means above all investigating the options of refurbishing, renovating, converting and consolidating before choosing the new-build option. It is only by working on the existing stock that we can optimally exploit the "production energy" contained in a building and not let it disappear uselessly.

A LOOK AT HOW THE WORLD IS CURRENTLY MANAGING ITS RESOURCES REVEALS THE IMPORTANCE OF CONSIDERING THE LIFE CYCLE OF A BUILDING IN AN INTEGRATED MANNER, AND REEVALUATING THE "BUILDING STOCK RESOURCES."

There is a multitude of post-war buildings requiring renovation, not only because they were often poorly built and have deteriorated over the years, but also because they are no longer able to meet the demands placed on them. This huge mass of buildings can be divided into three groups: technical infrastructure, commercial buildings and housing. Owners of high-rise blocks are being prompted to perform an energy upgrade on their buildings not only because of more demanding requirements in terms of utilization and comfort, but also for economic reasons. They can thus make huge savings on energy consumption and energy costs, particularly in post-war buildings. In this respect ecological considerations are backed up by economic arguments, since the energy costs generated by a building during its lifetime can account for up to two-thirds of the original construction costs. A study by TH Projektmanagement in Berlin shows that post-war buildings in particular have a great deal of potential. It points out that houses in Europe that were built before 1980 account for 95% of the energy used for heating, hot water, cooling, lighting and ventilation. The energy costs saved were just one key factor in the decision to adapt a former large dairy (on the Toni site) in central Zurich. The vast industrial building dating from 1974 is now being converted into Switzerland's largest art college. Various departments which had previously been scattered over 44 different locations in the economic metropolis are being brought together on the 92 000 m² site. A 75-meter-high tower containing 100 rented apartments is also rising out of the old building. This means that the area will also be used at night. The project managers decided against a new-build for a number of reasons. First, the existing building was very robust and was always intended for high-capacity use. Second, planning regulations meant that a new-build would have resulted in significantly less usable space, running contrary to the principle of urban consolidation. Replacing the building would also have required enormous quantities of building materials and produced tonnes of waste. Furthermore, experts calculated that over 44 000 truck journeys will be saved by converting the building instead of constructing a new one. In fall 2013, around 5 000 students and workers will bring the old dairy back to life and transform the former industrial site into Zurich's new creative hub.

DECLINING OIL RESERVES AND OTHER FOSSIL FUELS, ALONG WITH CLIMATE CHANGE, ARE HAVING A GREATER IMPACT ON GLOBAL SETTLEMENT AND CONSTRUCTION DEVELOPMENT IN THE 21ST CENTURY THAN WE IMAGINE, AND THIS REQUIRES US TO THINK IN NEW WAYS.

Technical infrastructure buildings are the second-large group for which the question of renovation or replacement looms large. Many of these are not keeping pace with the growth of the cities they serve, or they will soon reach that point. Specialists have outlined the scope for renovating infrastructure buildings throughout the world: CHF 40 000 billion will need to be invested worldwide in the next twenty years in order to renovate roads, rail links, and water and power utilities in the western world and build new ones in emerging nations, according to a study by Morgan Stanley Investment Management. Bridges in the United States are in a particularly parlous state. This is shown by figures from the American Society of Civil Engineers (ASCE): one in four of the 280 000 or so bridges are unstable or unfit for purpose. One of these is Bay Bridge, which links San Francisco with Oakland and had to be renovated after the 1989 earthquake. It was opened in 1936 after three years under construction, and has since been subject to a constant round of improvement, renovation and upgrading. Today about 280 000 vehicles drive over the bridge each day on two decks. After the 1989 earthquake, the authorities decided that this "lifeline" should be able to withstand a quake with a magnitude of 8.5. On the western span, the bearing capacity of the towers was increased and old steel replaced, old rivets were burnt out and replaced with new ones made of hardened steel, and more stress-resistant steel girders were substituted for transverse beams.

The situation regarding the eastern span was more complicated, and a decision had to be made as to whether to strengthen it or rebuild it. The local authority decided to replace the entire eastern span as far as the main bridge with a new construction. After a long and labyrinthine planning phase, construction began in 2002, with the first cars expected to drive over the strait in 2007. However, countless changes as the project developed completely upset both schedule and costs. The bridge is now due to open in fall 2013. Meanwhile the costs have soared, making the project the most expensive in the history of California. Today, the cost of the eastern span is estimated at an incredible USD 6.3 billion. The Bay Bridge project demonstrates how renovation often represents a more feasible solution than a risky new-build. Yet like the famous suspension bridge in California, many other constructions used for supply and disposal, transport systems and protection cannot be replaced so easily if this means closing them temporarily. Too many people and businesses depend on them.

Declining oil reserves and other fossil fuels, along with climate change, are having a greater impact on global settlement and construction development in the 21st century than we imagine, and this requires us to think in new ways. The key concepts are refurbishment, renovation, revitalization, conversion, consolidation and extension. When tackling the ramshackle infrastructures and antiquated buildings of the post-war years, the new-build option will therefore receive significant competition from the refurbishment option.

With its life-cycle concept, Sika is in an ideal position to handle both options – new-build and refurbishment. Sika can be relied on throughout the entire life cycle of commercial buildings, residential properties and infrastructure constructions, from initial construction through decades of use up to the point when refurbishments, renovations or extensions are due or modifications to the building or its operations become necessary. Sika provides the optimum technologies for every phase of this life cycle: from "roof to floor" – available worldwide and adapted to local conditions anywhere in the world. Its extensive range of admixtures, waterproofing, flooring or system solutions for refurbishment and renovation provides Sika with enormous, fast-growing market potential: both in the constructed world and the one still to be built. ■


富士倉庫

Jessica Siegel explores the metaphor of the city as an organism for the Sika annual report. Her subtle scenic vision of Tokyo overturns expectations of the city's image. Her photographs release the pulsating life of the city, transforming noisy stillness into an echo chamber.

Jessica Siegel lives and works in Würzburg and Berlin. She is rapidly making a name for herself in editorial photography and publishes in well-known journals and magazines.

FOCUS ON THE BUILDING ENVELOPE

TIGHTNESS OF THE BUILDING ENVELOPE is becoming an ever more important factor in terms of enhancing energy efficiency and increasing the life span of a building. The purpose of sealing and protecting the building enclosure is to prevent the passage of air or water, to provide thermal and sound insulation, and to enhance the visual appearance of the whole construction.

A building needs a high-performance envelope that provides unyielding protection from the elements. Every portion of the building's outer structure, from roof and exterior walls to basement, may be vulnerable to water intrusion and weathering causing wet insulation, air leakage and premature deterioration of construction materials. These problems often result in costly maintenance and repair, exorbitant energy costs, poor indoor air quality – even a shortened life span for the building itself. Sika provides a broad range of solutions to completely seal the building enclosure, stop water intrusion and control air leakage for both new construction and restoration: for instance high-performance roofing products, concrete protection, repair mortars, façade sealants, fenestration and structural glazing sealants, joint sealing, protective coatings and waterproofing systems.

A good example of a building envelope renewal project is the ongoing renovation of a property on 215 East 68th Street in New York City. The building was completed in 1962 and includes office rental space as well as 608 residential apartments. The owner has a long-range perspective and focus on using materials that will provide the best value and longevity. A long-term façade repair solution was needed, which the owner also took as an opportunity to improve the energy efficiency of the building by adding insulation and installing an air/water barrier membrane.

Sikagard®-560, a waterborne vapor-permeable water and air barrier membrane, was selected. It was important to the building owner for the product to be free from strong odor and toxic fumes and that the cured membrane would tolerate substrate movement. The early strength gaining repair mortar SikaRepair®-223 was selected to repair and patch the mortar joints, cracks and voids of the existing concrete wall structure to provide a uniform substrate before applying the membrane. It was also decided that the roof and balcony waterproofing systems would be replaced as part of the project remit. The old membrane is being removed and the surfaces waterproofed with the Sikalastic® RoofPro system.

The project will span over 3 years, but the length of time for the repair and construction work going on outside each residence is limited to 5 days. With such tight time windows it is of the utmost importance that the selected products and systems work flawlessly and are mutually compatible. What is more, Sika was chosen as it was the only company that could provide the owner with a single-source solution for the entire project.

According to the American environmental protection agency EPA, buildings are responsible for 39% of total energy consumption and account for 68% of electricity use. Sika has the full range of integrated, compatible products and systems to produce superior protection for the building envelope. And the technical knowledge needed to fully support designers and building owners with building envelope solutions that safeguard structures from deterioration, that help them to maximize their return on investment and to promote sustainability. ■

An ongoing building envelope renewal project is the renovation of the property on 215 East 68th Street in New York City. The owner looked for a long-term façade repair solution which should also improve the energy efficiency of the building.

Repair mortar SikaRepair®-223 was selected to repair and patch the mortar joints, cracks and voids of the existing concrete wall structure to provide a uniform substrate before applying the membrane.

Sikagard®-560, a waterborne vapor permeable membrane was applied as a water and air barrier before installing the insulation and the new exterior rain screen cladding system.

Refurbishment of buildings and infrastructure is very important in today's construction business. Sika is a global player in the refurbishment market. Different technologies can be used in refurbishment, from ready-to-use cementitious mortars to structural strengthening solutions.

The driving forces behind Sika's Research and Development activities are multi-faceted: On the one hand, global trends and corporate R & D strategy have an impact on our research work, on the other hand, products have to be extensively adapted to local markets.

At Sika, ten Technology Centers in America, Europe and Asia are responsible for triggering innovation and for developing products that meet customer requirements. The Technology Center in Spain has primary responsibility for developments in the area of refurbishment. The technology strategy for refurbishment balances market needs with corporate needs. Market needs vary from country to country. To adapt to these needs, Sika sets up facilities close to the consumer market and uses local raw materials. Great effort goes into fulfilling restrictive "green" regulations with new products. At the same time, the Technology Center has to keep costs under control and make sure that the new developments are profitable.

In general, there are three main market trends in refurbishment :

- → Speed to market: This means simplified planning, reduced demolition and being able to reuse or recycle materials from existing buildings or infrastructure, which results in shorter construction time.
- → Optimization of costs: Avoiding total demolition and reconstructing major existing elements should result in capital cost savings of at least 20%, even on major projects.
- → Sustainability: The reuse of construction fabric and improvements to the buildings' performance in use mean that the overall environmental impact of refurbishment is likely to be lower than that of a newly built building or infrastructure.

To fulfil these market needs, R & D has to find the right balance between economic and ecological considerations with its new, innovative products. One example of a product innovation Sika is working on is a "green grout." SikaGrout® is a high-performance cementitious mortar. Continuously improved over the years, it is widely used in construction and refurbishment. R & D has developed ways to partly replace the cement content with industrial by-products such as fly ash. SikaGrout®-324 RC will have a low carbon footprint and will lead to cost optimization in terms of energy and CO_2 taxes. It will set an industry benchmark.

Our R & D activities have to cope with very different situations in the local markets, thereby adapting properly in order to constantly reach the highest quality standards and provide outstanding Sika service to customers worldwide. ■

DR. LUZ GRANIZO
Corporate Technology Head Refurbishment
Head Technology Center Spain

INNOVATION THROUGH MOTIVATION AND INSPIRATION

OUR TECHNOLOGY CENTER TAKES GLOBAL trends and local market needs into consideration when developing technologically advanced products and systems. The goal is to develop successful products for the refurbishment of buildings and infrastructure facilities.

EXTENDING THE LIFE CYCLE

THE BUILT ENVIRONMENT IS IN need of refurbishment. Maintenance and renewal make both economic and ecological sense. Sika has embraced the challenge. Armed with innovative products and new processes, it is well prepared to make ageing buildings and infrastructure facilities fit for the decades ahead.

The Empire State Building image is a registered trademark and is used with permission by ESBC.

1

EMPIRE STATE BUILDING
Transforming to New York's greenest building

New York has some 6 000 buildings that are more than 32 stories tall. Well over 50 of these are 200-m-plus skyscrapers. And, though never designed for such a long service life, several thousand of them are more than 50 years old. Much of what, from afar, appears intact falls short of contemporary technical and ecological standards upon closer inspection.

Erected in 1930/1931, the Empire State Building ranks among New York's most heavily frequented buildings, attracting some 4 million visitors each year. As an architectural monument of global standing, it merits particularly careful maintenance. As a result, roughly half a billion US dollars have been committed in recent years on its ongoing renovation and transformation into the city's most eco-friendly building. The overhaul is set to achieve energy savings in the order of 38%. Hence, the comprehensive, holistic refurbishment is not only designed to preserve a piece of the city's architectural and cultural heritage, but to lay the foundations for sustainable economic and ecological gains. The Empire State Building has a total of 6 500 windows that had to be renovated in the course of the project. The refurbishment process was simplified by the use of a special on-site processing center, where the windows were upgraded to contemporary standards. Here they were sealed with Sikaglaze® IG-4429 HM to increase their insulation value. Applying Sikasil®-200 MJS, they were then refitted water- and airtight. 95% of the original glass could be reused. Official measurements attest that in 2011 this method saved some CHF 400 000 in energy costs. At the same time, 10 000 m^2 of cornices, roof terraces and cladding elements were renovated and made watertight using the Sikalastic® RoofPro-621 waterproofing system. Now the very part of the building is being renewed that makes it at all usable: the elevator shafts. SikaTop®-123 repair mortar is used to secure the inside walls of the shafts.

The fact that all products and systems come from a single source plays no small part in Sika being able to carry out a cross-building renovation of this nature with such success. Sika's range of services and processes for renovating and renewing building structures will be in use in the construction industry all over the world in the near future: the global potential is huge. ■

ROBERT CLARKE
Senior Director Commercial Sales
Alpen High Performance Products

WITH THE HELP OF OUR OWN ON-SITE PROCESSING CENTER, WE WERE ABLE TO UPGRADE THE EMPIRE STATE BUILDING'S 6 500 WINDOWS TO CONTEMPORARY STANDARDS WHILE REUSING 95% OF THE GLASS.

The Empire State Building has undergone several years of renovation resulting in a significant reduction of the skyscraper's ecological footprint. The cuts in energy use, achieved despite the rigorous demands placed on utility and comfort, will save millions of dollars each year.

2

SYDNEY HARBOUR BRIDGE
Two weekends bring decades-long benefits

The existing built environment – and infrastructure facilities in particular – harbor many of the construction sector's main opportunities and challenges. Hundreds of thousands of bridges worldwide have now aged to an extent that they are overstretched by the increasing loads and capacity demands. At the same time, their economic significance as key nodes in the transport network is far too great to permit any disruption through demolition and rebuilding. The lifelines of the economy cannot be interrupted. Bridges, like high-rise blocks, road tunnels and dams, suffer an immense renovation backlog, which opens up new markets for Sika.

The Sydney Harbour Bridge is a prime illustration. An irreplaceable engineering monument and cultural icon, the bridge has long been the city's most familiar landmark. Construction of the 1 140 m long bridge, which has a maximum span of 503 m, started in 1924. It was inaugurated in 1932. It is wide enough to accommodate railroad and tram lines, eight lanes of traffic, plus sidewalk and cycle path. Some 160 000 vehicles cross the bridge every day despite the alternative route offered by the Harbour Tunnel, which was opened in 1992 to relieve congestion. The Sydney Harbour Bridge remains one of the key routes into the city center.

Like hundreds of thousands of other bridges worldwide, this structure faced a series of problems – increasing age, loads and user numbers – which, in combination, became even more acute. After 80 years of service, the concrete surfacing of the carriageway began to leak, leading to corrosion of the steelwork and compromising structural stability. However, use of the new fast-curing Sikalastic® waterproofing system made it possible to seal the bridge and successfully halt corrosion. The system consists of primers, a waterproofing liquid membrane and the newly developed Sikalastic®-827 HT hot melt pellets, which ensure durable bonding between the asphalt overlay and the membrane. Two weekends, during which the entire 10 000 m² bridge surface was renovated, were sufficient to make the structure fit for the coming decades.

The Sydney Harbour Bridge is a perfect illustration of how, using Sika's state-of-the-art technology, infrastructure facilities can be sustainably renovated in line with future demands without any major operational disruption. ■

ANTHONY ROBERTS
CEO and Owner
Concrete Remedial Services

ALEX DARE
Operations Manager
Concrete Remedial Services

↘ THANKS TO SIKA'S NEW WATERPROOFING SYSTEM, TWO WEEKENDS' WORK WAS SUFFICIENT TO RENOVATE THE BRIDGE CARRIAGEWAY AND PUT THE STEEL STRUCTURE INTO AN ADEQUATE CONDITION TO ACCOMMODATE THE LOADS FOR DECADES TO COME.

Corrosion can cause serious damage to loadbearing structures. Specially developed for the efficient execution of renovation projects, Sika's waterproofing technologies deliver effective and lasting protection.

3

LONDON UNDERGROUND
Putting things to rights while the city sleeps

The London Underground, commonly known as "the Tube," is the oldest, and still the second-largest, subway system in the world. Its overall length runs to 402 km, most of the lines having been built in the early twentieth century, so they are now between 60 and 150 years old. Around 1.2 billion journeys were recorded in 2011/2012. The Tube is used by up to four million passengers each weekday.

At Embankment station, two tunnel tubes run at different depths. The uppermost tunnel was constructed using the cut-and-cover method, i.e., a large trench was first excavated and then roofed over. The cast-iron tunnel ceiling beams, which carry the full weight of the structures above, date from 1870 and now, some 140 years later, were urgently in need of renewal. Yet, this subway line alone carries hundreds of thousands of passengers per day. Around 2 million of them get on or off at Embankment station each year, equivalent to 30 000 a day. These passenger volumes made a new-build solution absolutely unfeasible: renovation – without any disruption to services – was the only option.

The primary aim of the renovation program in the District Line tunnels on either side of Embankment station was to enhance safety by strengthening the "age-old" cast-iron beams. This was achieved using the innovative Sika® CarboDur® UHM carbon-fiber-reinforced polymer (CFRP) system: being only 4.7 mm thick, the strengthening plates reduced tunnel headroom only minimally. The plates were installed every weekday night during the so-called engineering hours, i.e., between 1 a.m. and 5 a.m. when no trains were running. Every night, the scaffolding was relocated, the cast-iron beams cleaned and primed, then coated with Sikadur® epoxy adhesive. The Sika® CarboDur® CFRP plates were then fixed to the beams. In all, some 1 300 m of strengthening plates were installed within five months, at a rate of two beams per night. Thanks to Sika's solution, the overall project was completed bang on schedule and without any disruption to services. The 90 tunnel ceiling beams are now well equipped to support the loads of another 100 years.

The Embankment station tunnel project is just one of many examples that showcase the use of Sika products and systems in infrastructure maintenance. Sika is active worldwide in refurbishment projects where the aim is to make existing structures fit for the future. Indeed, for Sika, it can truly be claimed that the past is a future market. ■

KEVIN JONES
Regional Manager
Concrete Repairs Ltd.

THANKS TO SIKA'S SOLUTION, THE OVERALL PROJECT WAS COMPLETED BANG ON SCHEDULE AND WITHOUT ANY DISRUPTION TO SERVICES.

A new, cutting-edge technique using the Sika® CarboDur® UHM system has given the 140-year-old cast-iron beams a new lease of life. The beams supporting the tunnel ceiling and structure above were strengthened during the engineering hours between 1 a.m. and 5 a.m.

4

TD GARDEN BOSTON
A new, recycled roof

"Time is money." Yet, on some construction projects, speed is not the only decisive factor – especially where any disruption to a facility's operation is out of the question. Here, the 20 000-seat TD Garden in Boston, one of the premier sports and entertainment arenas in the US, is a case in point. The venue hosts the home games of the Boston Celtics and the Boston Bruins with their legacy of championships. It is also graced by pop stars such as Madonna and Lady Gaga. Any temporary closure would have been unthinkable, for spectators, celebrities and operator alike.

Yet, the TD Garden roof showed signs of ageing and needed urgent replacement, without any disruption to the game schedule. Moreover, given its commitment to sustainable business practice, the building owner, Delaware North Companies, demanded an eco-friendly renovation concept for the TD Garden project.

One particular focus was on the strategy of "urban mining," an increasingly common component in sustainable building solutions: this is founded on a view of the urban landscape not only as an ensemble of buildings and infrastructure, but also as a storehouse for raw materials. Accordingly, whenever a building is deconstructed or renovated, the existing materials are recycled and reused. Incorporating reclaimed materials in new buildings and avoiding tons of waste makes a major contribution to sustainability.

When the TD Garden roof was removed, the existing polymer membranes were salvaged and used in the production of new Sika® Sarnafil® membranes. The insulation was also recycled. To achieve long-term improvements in energy efficiency, a white Sika® Sarnafil® EnergySmart Roof® with 10 cm insulation was specified as the replacement. The gutters were waterproofed using Sikalastic® RoofPro liquid applied membrane. Since this product is fully compatible with the Sika Sarnafil roof membranes, the two systems integrated seamlessly and came with a single-source warranty.

JOHN KARMAN
Senior Project Manager
Wessling Architects

DELAWARE NORTH IS COMMITTED TO SUSTAINABLE BUSINESS PRACTICES AND INCORPORATED THAT THINKING INTO THE TD GARDEN PROJECT. THE EXISTING MEMBRANES WERE REMOVED AND USED IN THE PRODUCTION OF NEW SIKA® SARNAFIL® MEMBRANES. A NEW ENERGY-EFFICIENT ROOFING SYSTEM WAS INSTALLED AS REPLACEMENT.

The project team, comprising Wessling Architects, Shawmut Design and Construction, Greenwood Industries and Sika® Sarnafil®, managed to renew the entire, approximately 14 500 m² barrel roof within 15 months while maintaining business-as-usual operation of the venue below. The renovation project not only significantly improved the building's energy and ecological performance, but also enhanced its aesthetic appeal.

TD Garden perfectly illustrates how the right team armed with the right products can successfully deliver a tough reroofing project even under the most taxing conditions. ■

Any idea of shutting down the TD Garden – one of the premier arenas in the US – for months on end to renovate the roof was completely unrealistic. Sika® Sarnafil®'s products and know-how neatly resolved the problem to the full satisfaction of both owner and spectators.

JORGE RENDÓN
Product Engineer for Structural Rehabilitation
Sika Colombia

↘ NOW THAT THE PUMAREJO BRIDGE HAS BEEN SUCCESSFULLY RENOVATED USING SIKA PRODUCTS AND SYSTEMS, IT WILL NEED ONLY ROUTINE MAINTENANCE IN THE COMING DECADES. THE INVESTMENT HAS PAID DIVIDENDS FOR ALL CONCERNED.

5

PUMAREJO BRIDGE
Strengthening a major traffic artery in Colombia

Bridges – and existing bridges in particular – offer immense market potential for Sika and its customers. Most are in need of repair or even full-scale rehabilitation some 30–40 years after original construction.

As a single-source provider for the full range of concrete and steel bridge renovation products, Sika is ideally positioned. Not only does it offer mutually compatible products and systems to meet any particular requirement, it is above all able to provide customer advice and support based on in-depth know-how and 100 years of experience. These are indispensable prerequisites for sustainable solutions on projects such as bridge renovations.

Colombia's Pumarejo Bridge is one of the latest and most spectacular examples in this regard. It illustrates why, how and where bridges age rapidly, along with the options for remedial action.

As the most important bridge in Colombia, measuring 1 500 m from shore to shore, the Pumarejo Bridge was opened in the 1970s and now carries one of the country's major traffic arteries. It is supported by 56 piers, with maximum spans of 140 m, and its concrete structure is widely regarded as an engineering icon.

Yet, after nearly 40 years in service, the bridge began to show its age and, as of 2006, underwent a progressive rehabilitation program that recently came to a successful conclusion. In the course of the project only Sika products were used.

The Pumarejo Bridge is exposed to virtually all types of action that are harmful to bridges – capillary water, static and dynamic loads, temperature fluctuations, carbonation, saltwater, erosion and abrasion –, which additionally complicated the repair process. Sika's products and systems such as corrosion inhibitors, repair mortars, protective coatings and carbon-fiber-based strengthening systems, nonetheless allowed the full eco-efficient rehabilitation of the bridge such that only routine maintenance will be required in the decades ahead. ■

↗ **The full-scale renovation project** has given this engineering icon a new future. The Pumarejo Bridge will now be able to handle the rising traffic volumes, increased loads and fluctuating environmental actions for years to come.

SUSTAINABLE DEVELOPMENT IS A PROCESS, NOT A FIXED STATE

INTERVIEW RODERICK HÖNIG – *PHOTO* MARC EGGIMANN

WHAT IS THE FUTURE ROLE of renovation? How has the construction industry changed with regard to optimizing operation and maintenance? Hans-Rudolf Schalcher, Professor Emeritus for Planning and Management in Construction at the Swiss Federal Institute of Technology (ETH) Zurich, talks about the construction needs of the 21st century.

As Prof. Dr. Hans Rudolf Schalcher sees it, "the more affluent a society, the greater its need for buildings and infrastructure."

RODERICK HÖNIG: Major cities across the globe continue to grow. By 2030, two thirds of the world's inhabitants will live in urban centers. How will this trend affect the way we handle the existing built stock?
HANS-RUDOLF SCHALCHER: The global urbanization we are witnessing today is an irreversible process. The expansion of the big cities has major implications, above all, for the technical infrastructure at these locations, the reason being that growing development densities place a greater strain on infrastructure facilities. Their renewal always involves the question as to whether a capacity increase is needed.

What factors nowadays determine which of the two options renovation or replacement to adopt?
While the foremost criteria are financial and ecological, the decision should always be governed by an overall perspective. Take a heavily trafficked bridge, for instance. Whenever important and valuable facilities like this get long in the tooth, the same question always arises: should we retain and repair them or should we replace them and increase capacity and loadability at the same time? Renovation is inherently more eco friendly than replacement. This is because new builds tie up vast amounts of materials and energy at one site for one purpose. Moreover, demolishing existing facilities automatically entails considerable transportation volumes.

Futurologists predict an even balance between growth and stagnation towards the end of the 21st century. Would such a scenario bring about any shift in the importance afforded to renovating the built environment?
There is no universal answer to this question as it depends on the level of development in the region concerned. China is currently experiencing 8% growth, in both economic and demographic terms. Europe, on the other hand, is hit by stagnating economic and population trends. There can be no balanced solution at global level to the renovation needs of the built stock: some regions are struggling with growth, others are in the grips of stagnation, and these are two very different propositions.

Although the end of the 21st century is still far away, a long term view is nonetheless essential for planning and design. What horizons are normal for today's construction facilities?
This varies according to the level of development. 60 to 70 years are now standard for technical infrastructure while 30 years i.e. a single generation tend to be the norm for buildings. In the early days of industrialization, buildings, road and rail networks or energy supply systems were designed for a service life of 20 to 30 years. Highly

developed countries can no longer afford such short term thinking and we have significantly extended the projected life span of our facilities. Yet as horizons lengthen, the uncertainty surrounding the accuracy of forecasts automatically increases.

Does it make sense, despite this uncer tainty, to design and build facilities for the next 60 to 70 years?
Yes, because it is ridiculous to design and produce systems that are so expensive to construct, operate and maintain for a service life of only 20 to 30 years. Quite apart from that, the additional investment needed to double a structure s life span is often relatively low compared to the cost of constructing a facility built to last for only a single generation.

Is greater weight now attached to life cycle analysis in design and construction?
Yes, without a doubt. Today, life cycle analy sis is not just used for consumer products, but is also widely applied in the construction industry. The relevant issues are addressed as early as the design stage: what is the targeted service life of the facility? How well equipped is it to accommodate a potential rise in demand? How can it be renovated and, ultimately, deconstructed ?

Are sustainability criteria given adequate priority today when facilities are undergo ing renovation?
Economic factors are still prioritized over environmental and social considerations. Yet, here too, we should not over generalize: various major infrastructure refurbishment projects can be cited that give extremely high priority to ecological issues. Sustain able development is a process, not a fixed state. In Switzerland, for example, we are on the right path and our efforts compare well with those of our international partners. But we are still a long way from where we need to be.

Doesn't the move to sustainable refurbish ment also mean reappraising our comfort demands?
Yes, unfortunately, it does. We will not be able to meet the requirements imposed by sustainable development without tightening our belts. If the highly industrialized coun tries are genuinely committed to sustain able development, they will have to accept a somewhat lower level of affluence. The question we need to ask is: how can we use the existing facilities and infrastructure to meet our growing needs?

What other sectors "compete" for funding with, say, major infrastructure refurbish ment projects?
The more affluent a society, the greater its need for buildings and infrastructure. Yet, the tight controls on public sector spending in every country have inevitably sparked a battle for the available resources. Refurbishment s most serious competi tors include health care and education. The demand of the world s population for a long and healthy life is unbroken and no where near being satisfied. Similarly, the spiraling requirements placed on education reflect the view of a comprehensive school ing as the best means of safeguarding competitiveness. However, not all wishes can be granted. This balancing act in sharing out the available funds is a highly sensitive political and social issue.

Due to their status as common property, they are financed and maintained primarily through taxation. I personally think that the consumer pays principle should also apply to transport by means of a mobility pricing system.

What changes have there been in the construction process to factor in future refurbishment?
Surface mounted piping and wiring was once standard practice in residential proper ties. This was very convenient for main tenance, renovation and replacement. In the 1960s, house builders began to cast in or brick up these installations. In terms of maintenance, this practice is counter productive and completely at odds with sus tainable construction. At that time, though, people wanted to banish unsightly installa tions from their living environment. Today,

THE ADDITIONAL INVESTMENT NEEDED TO DOUBLE A STRUCTURE'S LIFE SPAN IS OFTEN RELATIVELY LOW COMPARED TO THE COST OF CONSTRUCTING A FACILITY BUILT TO LAST FOR ONLY A SINGLE GENERATION.

In a study, you have quantified the renova tion requirement for Switzerland's techni cal infrastructure. You estimate that CHF 65 billion is needed over the next 20 years to keep the Swiss built environment in good condition. Is the legacy of our fathers and forefathers a burden rather than an asset?
No. As I see it, infrastructure facilities are clearly an asset rather than a burden. They are normally well constructed and serve society and the economy as a whole rather than individuals. Like any other asset, how ever, they need to be managed properly.

How can the refurbishment of technical infrastructure be financed?
There are two possible models: one reflects consumption while the other relies on basic funding. With electricity, water or waste disposal, we always pay according to consumption. Only transport systems are subject to a different modus operandi.

much more thought is given to building maintenance and renovation, so mechanical and electrical equipment is installed so as to guarantee easy access.

Have construction materials also changed in response to maintenance and refurbish ment needs?
Yes. At one time, buildings were put togeth er from simple elements. Most were made of timber. Such buildings were easy to dis mantle and reassemble. Then came the age of composite materials, such as reinforced concrete, and later synthetic products were also used for building applications. However, they are not at all recycling friendly and their disposal is problematic. Here too, the right lessons have been learnt: today, materials recyclability and disposability is scrutinized much more closely before they are incorpo rated in buildings. ■

SIKA PRODUCTS FOR REFURBISHMENT IN CONSTRUCTION

Below an overview of Sika products that were used in the projects described in this magazine.

FINANCIAL REPORT

Consolidated Balance Sheet as of December 31

in CHF mn	Notes	2011	2012
Cash and cash equivalents	1	536.0	994.2
Accounts receivable	2	875.3	871.5
Inventories	3	530.6	521.6
Prepaid expenses and accrued income		75.8	83.9
Other current assets	4	34.0	26.5
Current assets		**2 051.7**	**2 497.7**
Property, plant, and equipment	5	860.6	873.3
Intangible assets	6	771.0	742.3
Investments in associated companies	7	21.1	15.3
Deferred tax assets	8	82.4	85.7
Other non-current assets	4	43.5	48.0
Non-current assets		**1 778.6**	**1 764.6**
ASSETS		**3 830.3**	**4 262.3**
Accounts payable	9	501.0	492.1
Accrued expenses and deferred income	10	191.4	197.6
Bond	12	0.0	249.9
Income tax liabilities		58.0	57.4
Current provisions	13	11.3	15.5
Other current liabilities	11	59.1	31.0
Current liabilities		**820.8**	**1 043.5**
Bonds	12	796.0	847.1
Non-current provisions	13	90.6	81.9
Deferred tax liabilities	8	100.9	97.5
Employee benefit obligation	14	142.9	152.9
Other non-current liabilities	11	40.0	32.0
Non-current liabilities		**1 170.4**	**1 211.4**
LIABILITIES		**1 991.2**	**2 254.9**
Capital stock		1.5	1.5
Treasury shares		-55.7	-27.6
Reserves		1 880.3	2 018.6
Equity attributable to Sika shareholders		**1 826.1**	**1 992.5**
Non-controlling interests		13.0	14.9
Shareholders' equity	15	**1 839.1**	**2 007.4**
LIABILITIES AND SHAREHOLDERS' EQUITY		**3 830.3**	**4 262.3**

Consolidated Income Statement from January 1 to December 31

in CHF mn	Notes	%	2011	%	2012	Change in %
Net sales	16	100.0	4 563.7	100.0	4 828.9	5.8
Material expenses	17	-49.5	-2 259.1	-47.8	-2 309.6	
Gross result		50.5	2 304.6	52.2	2 519.3	9.3
Personnel expenses	18	-21.0	-959.9	-21.6	-1 041.4	
Other operating expenses	18	-19.0	-867.3	-18.8	-909.0	
Operating profit before depreciation	18	10.5	477.4	11.8	568.9	19.2
Depreciation and amortization expenses	19	-2.9	-128.9	-2.9	-140.1	
Impairment	19	0.0	-1.4	0.0	0.0	
Operating profit		7.6	347.1	8.9	428.8	23.5
Interest income	21	0.1	5.0	0.1	6.9	
Interest expenses	20	-0.7	-33.4	-0.6	-30.6	
Other financial income	21	0.1	5.2	0.0	2.8	
Other financial expenses	20	-0.4	-18.0	-0.3	-16.3	
Income from associated companies	21	0.2	9.6	0.0	1.4	
Profit before taxes		6.9	315.5	8.1	393.0	24.6
Income taxes	8	-2.2	-100.7	-2.3	-111.9	
Net profit		**4.7**	**214.8**	**5.8**	**281.1**	**30.9**
Profit attributable to Sika shareholders		4.7	213.3	5.8	279.5	
Profit attributable to non-controlling interests	22	0.0	1.5	0.0	1.6	
Undiluted/diluted earings per bearer share (in CHF)	23		85.06		110.98	30.5
Undiluted/diluted earings per registered share (in CHF)	23		14.18		18.50	30.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	%	2011	%	2012	Change in %
Net profit	4.7	214.8	5.8	281.1	30.9
Exchange differences taken to equity	-0.6	-26.6	-0.5	-26.1	
Valuation gains (+)/losses (-) from financial assets	0.0	-0.2	0.0	0.0	
Other comprehensive income	-0.6	-26.8	-0.5	-26.1	
Comprehensive income	**4.1**	**188.0**	**5.3**	**255.0**	**35.6**
Attributable to Sika shareholders	4.1	185.4	5.3	253.7	
Attributable to non-controlling interests	0.0	2.6	0.0	1.3	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF mn	Capital stock	Capital surplus	Treasury shares	Currency translation differences	Fluctuations in value of financial instruments	Retained earnings	Equity attributable to Sika shareholders	Non-controlling interests	Total equity
January 1, 2011	**22.9**	**256.0**	**-69.9**	**-310.9**	**0.2**	**1857.6**	**1755.9**	**3.7**	**1759.6**
Profit of the year						213.3	213.3	1.5	214.8
Other comprehensive income				-27.7	-0.2		-27.9	1.1	-26.8
Comprehensive income	**–**	**–**	**–**	**-27.7**	**-0.2**	**213.3**	**185.4**	**2.6**	**188.0**
Transactions with treasury shares [1]			14.2			-3.5	10.7		10.7
Share based payments						8.7	8.7		8.7
Dividends [2]						-112.8	-112.8	-1.7	-114.5
Repayment of nominal value	-21.4						-21.4		-21.4
Non-controlling interests from acquisitions							–	6.3	6.3
Purchase of non-controlling interests						-1.8	-1.8	-4.9	-6.7
Capital increase							–	7.0	7.0
Inflation adjustment [4]						1.4	1.4		1.4
January 1, 2012	**1.5**	**256.0**	**-55.7**	**-338.6**	**–**	**1962.9**	**1826.1**	**13.0**	**1839.1**
Profit of the year						279.5	279.5	1.6	281.1
Other comprehensive income				-25.8			-25.8	-0.3	-26.1
Comprehensive income	**–**	**–**	**–**	**-25.8**	**–**	**279.5**	**253.7**	**1.3**	**255.0**
Transactions with treasury shares [1]			28.1			-9.1	19.0		19.0
Share based payments						6.5	6.5		6.5
Dividends [3]		-52.9				-60.4	-113.3	-0.9	-114.2
Non-controlling interests from acquisitions							–	3.8	3.8
Purchase of non-controlling interests						-1.9	-1.9	-2.5	-4.4
Revaluation [5]						1.4	1.4	0.2	1.6
Inflation adjustment [4]						1.0	1.0		1.0
December 31, 2012	**1.5**	**203.1**	**-27.6**	**-364.4**	**–**	**2179.9**	**1992.5**	**14.9**	**2007.4**

1 Including income tax of CHF 1.0 mn (CHF 0.9 mn) in retained earnings.
2 Dividend per bearer share: CHF 45.00, dividend per registered share: CHF 7.50.
3 Dividend per bearer share: CHF 45.00, dividend per registered share: CHF 7.50.
4 Hyperinflation accounting has been applied since January 1, 2010 and concerns the subsidiary in Venezuela.
5 Revaluation call-/put-option Hebei Jiuqiang refer to page 103.

Consolidated Statement of Cash Flows

in CHF mn	Notes	2011	2012
Operating activities			
Profit before taxes		315.5	393.0
Depreciation/amortization/impairment		130.3	140.1
Increase (+)/decrease (-) in provisions/ employee benefit obligation and assets		-7.9	12.4
Increase (-)/decrease (+) in net working capital		-62.5	1.5
Other adjustments	26	-3.0	3.6
Income taxes paid		-73.1	-123.3
Cash flow from operating activities		**299.3**	**427.3**
Investing activities			
Property, plant, and equipment: capital expenditures		-104.6	-125.5
Property, plant, and equipment: disposals		8.6	5.9
Intangible assets: capital expenditures		-12.5	-5.8
Intangible assets: disposals		0.1	0.6
Acquisitions less cash and cash equivalents		-143.8	-8.5
Acquisitions (-)/disposals (+) of financial assets		-6.9	-5.7
Capital increase at associated companies		-4.8	0.0
Cash flow from investing activities		**-263.9**	**-139.0**
Financing activities			
Increase in financial liabilities		20.6	0.6
Repayment of financial liabilities		-58.6	-28.9
Repayment of a bond		-275.0	0.0
Issuance of bonds		0.0	299.3
Acquisitions (-)/disposals (+) in treasury shares		11.6	21.5
Dividend payment to shareholders of Sika AG		-112.8	-113.3
Repayment of nominal value		-21.4	0.0
Dividends related to non-controlling interests		-1.7	-0.9
Purchase of non-controlling interests		0.0	-4.4
Capital increase from non-controlling interests		7.0	0.0
Cash flow from financing activities		**-430.3**	**173.9**
Exchange differences on cash and cash equivalents		-7.5	-4.0
Net change in cash and cash equivalents		-402.4	458.2
Cash and cash equivalents at the beginning of the year		938.4	536.0
Cash and cash equivalents at the end of the year		536.0	994.2
Cash flow from operating activities contains:			
Dividends from associated companies		4.9	2.5
Interest received		5.0	7.0
Interest paid		-34.4	-28.5

Principles of Consolidation and Valuation

CORPORATE INFORMATION

Sika is a globally active speciality chemicals company. Sika supplies the building and construction industry as well as manufacturing industries (automotive, bus, truck, rail, solar and wind power plants, façades). Sika is a provider of processing materials used in sealing, bonding, damping, reinforcing, and protecting load-bearing structures. Sika's product lines feature high-quality concrete admixtures, specialty mortars, sealants and adhesives, damping and reinforcing materials, structural strengthening systems, industrial flooring as well as roofing, and waterproofing systems.

ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements of the Sika Group are prepared in conformity with the provisions of the International Accounting Standards Board (IASB). All standards (IAS/IFRS) and interpretations (IFRIC/SIC) applicable as of December 31, 2012, were taken into account. The financial statements are prepared according to the going-concern principle. The consolidated financial statements have been prepared under the historical cost principle with the exception of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 94.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

There are no IFRS standards or IFRIC interpretations that are effective for the first time for the financial year 2012 that have a material impact on the Group.

As of 2013 Sika will adopt the revised standard IAS 19 – Employee Benefits. The standard is facing two key changes. First, the expected return on plan assets and interest costs on the defined benefit obligations are to be replaced by a single net interest component which is calculated by applying the discount rate to the reported net defined benefit asset or liability. Second, past-service costs are to be recognized in other comprehensive income in the period of a plan amendment, and unvested benefits will no longer be spread over a future period until the benefits become vested. The amendments are effective retroactively for the year 2012. The following financial impacts are calculated for 2012:

INCOME STATEMENT	
Personnel expenses	Higher expenses of CHF 3.2 million
Income taxes	Lower expenses of CHF 0.7 million
Net profit	Thus, lower net profit of CHF 2.5 million
Other comprehensive income	Higher other comprehensive income of CHF 3.3 million (including a positive tax effect of CHF 1.1 million)
BALANCE SHEET	
Employee benefit obligation	Higher liability of CHF 122.7 million
Deferred taxes	Lower net liability of CHF 27.7 million
Shareholder's equity as of January 1, 2012	Lower shareholder's equity of CHF 95.8 million
Shareholder's equity as of December 31, 2012	Lower shareholder's equity of CHF 95.0 million

A number of new standards and amendments to standards and interpretations are effective for the financial year 2013 and later, and have not been applied in preparing these consolidated financial statements. If they had been applied in 2012 they would have had no significant effect on the consolidated financial statements of the Group:

IFRS 7	Financial instruments: disclosures – offsetting (applicable as of January 1, 2013)
IFRS 9	Financial instruments (applicable as of January 1, 2015)
IFRS 10	Consolidated financial statements (applicable as of January 1, 2013)
IFRS 11	Joint arrangements (applicable as of January 1, 2013)
IFRS 12	Disclosure of interests in other entities (applicable as of January 1, 2013)
IFRS 13	Fair value measurements (applicable as of January 1, 2013)
IAS 1 (revised)	Presentation of financial statements (applicable as of January 1, 2013)
IAS 27 (revised)	Separate financial statements (applicable as of January 1, 2013)
IAS 28 (revised)	Investments in associates and joint ventures (applicable as of January 1, 2013)
IAS 32	Financial instruments: disclosures – offsetting (applicable as of January 1, 2013)
Improvements to IFRS 2012	Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology

IFRS 10 replaces IAS 27 – Consolidated and Separate Financial Statements. This new standard requires that the investor consolidates an investee when it has control over the investee, i. e. when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 replaces IAS 31 – Interests in Joint Ventures. This new standard requires companies to classify joint arrangements as either a joint operation or as a joint venture, based on the rights and obligations arising from the joint arrangement. The standard also requires companies to apply the equity method of accounting for interests in joint ventures.

IFRS 12 – Disclosures of interests in other entities. This standard sets out the disclosure requirements for subsidiaries, associated companies, joint ventures, structured entities, and unconsolidated entities.

IFRS 13 will introduce a fair value hierarchy, additional disclosures and a requirement for the fair value of liabilities to be based on assumptions that the liability will be transferred to another party.

New standards and interpretations are usually applied at the applicable date. However, the options for early adoption are considered individually by Sika.

CONSOLIDATION METHOD

BASIS
The consolidated financial statements are based on the balance sheets and income statements of Sika AG, Baar, Switzerland, and its subsidiaries as of December 31, 2012, prepared in accordance with uniform standards.

SUBSIDIARIES
Companies which are controlled by Sika are fully consolidated. The consolidation includes 100% of their assets and liabilities as well as expenses and income; non-controlling interests in shareholders' equity and net income for the year are excluded and shown separately as part of non-controlling interests.

ASSOCIATED COMPANIES
The equity method is applied to account for investments ranging from 20% to 50%, provided that Sika exercises significant influence. The investments are included in the balance sheet under "Investments in associated companies" in terms of the Group's percentage share in net assets; in the income statement the Group's share in the net income for the year is reflected in "Income from associated companies."

OTHER MINORITY INTERESTS
Other minority interests are carried at fair value.

INTRA-GROUP TRANSACTIONS
Transactions within the Group are eliminated as follows:
- Intra-Group receivables and liabilities are eliminated in full.
- Intra-Group income and expenses and the unrealized profit margin from intragroup transactions are eliminated in full.

BUSINESS COMBINATIONS AND GOODWILL
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquired company. For each business combination, the acquirer measures the non-controlling interests in the acquired company either at fair value or at the proportionate share of the acquired company's identifiable net assets. Acquisition related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in the income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit and loss.

Goodwill is subject to an annual impairment test. Impairments are recognized in the income statement. The impairment is not reversed at a later date.

When subsidiaries are sold, the difference between the selling price and the net assets including goodwill plus cumulative translation differences is recognized in the consolidated financial statements as an operating result. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition of control or up to the effective date of loss of control.

SEGMENT REPORTING
Sika carries out its worldwide activities according to regions, to which a certain number of countries belong. Region heads are members of Group Management. Group Management is the highest operative executive body measuring the profit and loss of segments and allocating resources.

SIGNIFICANT ACCOUNTING ESTIMATES

The key assumptions concerning the future as well as details of other key sources of estimation uncertainty on the balance sheet date that entail a risk of requiring a material adjustment to reported amounts of assets and liabilities within the next financial year are discussed below.

IMPAIRMENT OF GOODWILL

The Group tests at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates such as expected future cash flows and discount rates. The carrying value of goodwill as of December 31, 2012, was CHF 417.3 million (previous year CHF 416.9 million). Further details are presented in note 6.

FAIR VALUE OF ACQUISITION

In connection with acquisitions, all assets, liabilities and contingent liabilities are valued at fair value. Newly identified assets and liabilities are also included in the balance sheet. Fair value is determined in part based on assumptions regarding factors that are subject to a degree of uncertainty, such as interest rates and sales.

TRADEMARKS

Trademarks with an indefinite lifetime are tested annually for impairment in which the discounted future relief from royalties are calculated and compared with the book value. Future cash inflows must be estimated. Actual cash inflows can thereby deviate significantly from estimations. Discounting is in addition based on assumptions and estimations concerning business-specific capital costs, which are themselves dependent on country risks, credit risks, and additional risks resulting from the volatility of the respective business.

CUSTOMER RELATIONS

Customer relations are depreciated over their estimated useful life. The estimated useful life is based on estimates of the time period during which this intangible asset generates cash flows, as well as historic empirical data concerning customer loyalty. Calculation of the present value of estimated future cash flows includes essential assumptions, especially of future sales. Discounting is in addition also based on assumptions and estimations concerning business-specific capital costs, which are themselves dependent on national risks, credit risks, and additional risks resulting from the volatility of the respective business.

DEFERRED TAX ASSETS

Deferred tax assets resulting from unrealized tax loss carry forwards or timing differences are recognized to the extent that a realization of the corresponding tax advantage is probable. The assessment of the probability of the realization of a tax advantage requires assumptions based on the history of the respective company and on target figures for the future.

EMPLOYEE BENEFIT PLANS

The Group maintains various employee benefit plans. Diverse statistical and other variables are used in the calculation of expenses and liabilities to estimate future developments. These variables include estimations and assumptions concerning the discounting interest rate, expected income from plan assets as well as future wage and salary increases established by the management within certain guidelines. In addition for actuarial calculation of benefit liabilities actuaries employ statistical information such as withdrawal or death probabilities, which can deviate significantly from actual results due to changes in market conditions, the economic situation as well as fluctuating rates of withdrawal and shorter or longer lifespan of benefit plan participants.

PROVISIONS

The calculation of provisions requires assumptions about the probability, size and timely occurrence of an outflow of resources that represent economic value. As far as an outflow of resources is probable and a reliable estimation is possible, a provision is recorded.

CONVERSION OF FOREIGN CURRENCIES

The financial statements of subsidiaries outside Switzerland are converted into Swiss francs as follows:

- Balance sheet at year-end rates
- Income statements at annual average rates

Resulting translation differences are recognized separately in the statement of comprehensive income.

Foreign currency transactions are first translated into the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in a foreign currency are translated into the functional currency on every balance sheet date by applying exchange rates valid on the balance sheet date. All exchange rate differences are recognized in the income statement. The rates listed below were applied for translation of local currencies to Swiss francs.

Country	Currency	Quantity	2011 Balance sheet[1] CHF	2011 Income statement[2] CHF	2012 Balance sheet[1] CHF	2012 Income statement[2] CHF
Egypt	EGP	100	15.57	15.05	14.41	15.48
Australia	AUD	1	0.95	0.92	0.94	0.97
Brazil	BRL	100	50.32	53.40	44.65	48.29
Chile	CLP	10 000	18.08	18.58	19.11	19.28
China	CNY	100	14.90	13.81	14.68	14.87
Euro zone	EUR	1	1.22	1.24	1.21	1.21
Great Britain	GBP	1	1.46	1.43	1.48	1.49
India	INR	100	1.77	1.92	1.66	1.76
Japan	JPY	100	1.21	1.12	1.06	1.18
Canada	CAD	1	0.92	0.90	0.92	0.94
Colombia	COP	10 000	4.84	4.84	5.18	5.22
Mexico	MXN	100	6.73	7.21	7.02	7.13
Poland	PLZ	100	27.27	30.10	29.63	28.77
Russia	RUB	1 000	29.10	30.40	29.90	30.20
Sweden	SEK	100	13.64	13.66	14.07	13.84
Turkey	TRY	100	49.75	53.59	51.26	52.13
USA	USD	1	0.94	0.89	0.92	0.94

1 Year-end rates.
2 Annual average rates.

CONSOLIDATED BALANCE SHEET

CASH AND CASH EQUIVALENTS
The position includes cash and cash equivalents.

RECEIVABLES
Accounts receivable are recorded following deduction of an allowance for doubtful debts necessary for management reason. A specific value adjustment is carried out on accounts receivable for which payment is considered at risk.

INVENTORIES
Raw materials and merchandise are carried at acquisition cost (weighted average); finished and semifinished products are carried at manufacturing cost, however at the highest at their realizable sales value. Acquisition or production costs are capitalized using a standard cost approach.

PREPAID EXPENSES AND ACCRUED INCOME
This item includes accrued income unrelated to accounts receivable.

PROPERTY, PLANT, AND EQUIPMENT
Property, plant, and equipment are carried at acquisition cost, less accumulated depreciation required for business purposes. The capitalization is made based on components. Value-enhancing expenses are capitalized and depreciated over their useful life. Repair, maintenance, and replacement costs are charged directly to the income statement. Depreciation under the straight-line method is based on the anticipated useful life of the asset, including its operational usefulness and age-related technical viability. The acquisition costs include borrowing costs for long-term construction projects if the recognition criteria are met.

DEPRECIATION SCHEDULE

Buildings	25 years
Infrastructure	15 years
Plants and machinery	5 – 15 years
Furnishings	6 years
Vehicles	4 years
Laboratory equipment and tools	4 years
IT-Hardware	4 years

INTANGIBLE ASSETS

In-house developed patents, trademarks, and other rights are not capitalized. Research and development expenditures for new products are recognized in the income statement, since these do not fulfil the recognition criteria. Acquired intangible assets are usually capitalized and amortized using the straight-line method.

Development costs for software are capitalized as intangible assets, provided that the software will generate a future economic benefit through sale or through use within the Group and that its cost can be reliably estimated. Conditions for capitalization are the technical feasibility of the asset and the intention and ability to complete its development, as well as the availability of adequate resources. Sika has created a new SAP platform with standard processes that an initial number of companies have been using since 2010. The rollout will take several years. The capitalized costs are transferred to the companies in the year of first use.

AMORTIZATION SCHEDULE

Software	2 – 10 years[1]
Patents	5 years
Customer relations	2 – 20 years
Trademarks	3 – 10 years

1 With the exception of the SAP platform, which has a useful life of ten years, software is usually written off over two to five years.

Acquired trademarks are amortized insofar as a useful life can be determined. Otherwise trademarks are not amortized but are tested for impairment annually.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The impairment of property, plant, and equipment as well as intangible assets is reviewed if events or changed circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful live are not subject to amortization and are tested annually for impairment. If the carrying amount exceeds the recoverable amount, a special depreciation allowance is recorded on the higher of fair value less cost to sell and the value in use of an asset which corresponds to the discounted, anticipated future cash flows. For the purpose of impairment tests, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

LEASING

Fixed assets acquired under finance leasing contracts and therefore owned by the Group in respect to risks and rewards of ownership, are classified under finance leasing. Such assets are carried at fair value of the lease property or, if lower, present value of the minimum lease payments and are reported as non-current assets and financial liabilities. Assets classified as finance leasing are depreciated over their estimated useful life or amortized over a shorter leasing contract. Unrealized earnings from sale and leaseback transactions that fall under the definition of finance leasing are shown as a liability and are realized over the lease term. Payments for operating leases are recorded as operating expense and accordingly charged to the income statement.

DEFERRED TAXES (ASSETS/LIABILITIES)
Deferred taxes are considered using the liability method. According to this method the effects on income taxes resulting from temporary differences between Group-internal and taxable balance sheet values are recorded as non-current assets or respectively as non-current liabilities. The actual or anticipated tax rates are decisive if the tax liability is fulfilled or the tax claim realized. Changes in deferred taxes are reflected in the income tax expense or the statement of comprehensive income. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Accrued taxes including those that can be applied to tax loss carry forwards are considered to the extent that their realization is probable. Deferred taxes are recognized for all taxable temporary differences insofar as the accounting regulations foresee no exceptions.

LIABILITIES
Current liabilities consist of liabilities with maturities of less than twelve months. Tax liabilities include taxes due and accrued. Non-current liabilities include loans and provisions with a term of more than one year.

PROVISIONS
Provisions required for liabilities from guarantees, warranties, and environmental risks as well as restructuring are recognized as liabilities. Provisions are only recognized if Sika has a third-party liability that is based on a past event and can be reliably assessed. Potential losses due to future incidents are not recognized in the balance sheet.

EMPLOYEE BENEFIT PLANS
The Group maintains benefit plans that differ in accordance with local practices. Group contributions to defined contribution plans are recognized in the income statement. Defined benefit plans are administered either through self-governed pension funds (funded) or recognized in the balance sheet (unfunded). The amount of the liabilities resulting from defined benefit plans is regularly determined by independent experts under application of the projected unit credit method. Actuarial gains and losses are recognized in the income statement when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation or of the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans. Asset surpluses of employee pension funds are considered under application of IFRIC 14 only to the extent of possible future reimbursement or reduction of contributions.

CAPITAL STOCK
The capital stock is equal to the par value of all issued bearer and registered shares.

CAPITAL SURPLUS
This entry consists of the value of paid-in capital in excess of par value (less transaction costs).

TREASURY SHARES
Treasury shares are valued at acquisition cost and deducted from shareholders' equity. Differences between purchase price and sales proceeds of treasury shares are shown as a change in retained earnings.

CURRENCY TRANSLATION DIFFERENCES
This item consists of the differential amount that arises from the translation into Swiss francs of assets, liabilities, income, and expenses of Group companies that do not use the Swiss franc as functional currency.

HYPERINFLATION

In countries experiencing hyperinflation, prior to conversion into the reporting currency the annual financial statements are adjusted for local inflation in order to eliminate changes in purchasing power. Adjustment for inflation is based on the relevant price indices at the end of the period under review.

RETAINED EARNINGS

Retained earnings comprise accumulated retained earnings of the Group companies that are not distributed to shareholders as well as profit/loss of treasury shares. Profit distribution is subject to local legal restrictions.

FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are classified in the following categories:

- Financial assets and financial liabilities held for trading as well as designated by the Group and derivatives, "at fair value through profit and loss": these are initially recognized at fair value. Gains and losses arising from changes in the fair value are presented in the financial result. The designation as at fair value through profit and loss is consistent with the entity's risk management and investment strategy.
- Loans and receivables: this category includes loans granted and credit balances. The valuation occurs at nominal value insofar as repayment within one year is foreseen. Otherwise they are classified as assets carried at amortized cost using the effective interest method.
- All other financial assets are classified as available-for-sale. The assets are carried at fair value and gains and losses arising from changes in the fair value are presented in other comprehensive income. Upon sale, permanent depreciation in value or other divestiture, the cumulative gains and losses that had been recognized in other comprehensive income are reclassified from equity to the income statement.
- Non-current financial liabilities are carried at amortized cost. Once they have been settled, financial liabilities are derecognized.

All purchases and sales of financial assets and liabilities are recognized on the settlement date. Financial assets are derecognized when Sika loses the rights to receive cash flows for the investment. Normally this occurs through the sale of assets or the repayment of granted loans or accounts receivable. The financial liabilities include financing debts that are carried at amortized cost using the effective interest method.

On each balance sheet date the Group assesses whether a financial asset is impaired. If objective evidence exists that an impairment of financial assets carried at amortized cost has incurred, then the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If in the case of accounts receivable there is objective evidence that not all due amounts will be rendered according to originally agreed invoicing conditions (as for example in high probability of insolvency or significant financial difficulties of a debtor), an impairment is recognized through use of an allowance account. The derecognition of receivables occurs when they are assessed as uncollectible. If an available-for-sale asset is impaired in its value, the cumulative loss – measured as the difference between the acquisition cost and the current fair value – is removed from equity and recognized in the income statement.

INCOME STATEMENT

NET SALES
Proceeds from the sale of goods and services are only reported in the income statement if risks and rewards of ownership have been substantially transferred to the purchaser, the revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. Net sales include all revenues from the sale of goods and services less discounts granted.

CONSTRUCTION CONTRACTS
Contract revenue and contract costs are recognized in accordance with the stage of completion. An expected loss is recognized as an expense immediately.

PERSONNEL EXPENSES
Personnel expenses include all payments to persons standing in an employment relationship with Sika. This item also encompasses such expenditures as pension fund contributions, health insurance contributions, and taxes and levies directly associated with personnel compensation.

EMPLOYEE PARTICIPATION PLAN – SHARE BASED PAYMENTS
The Group operates a number of share based compensation plans. The total amount to be recognized in profit and loss is determined by reference to the grant date fair value of the equity instrument. The expenses are recognized in personnel expenses over the vesting period.

RESEARCH AND DEVELOPMENT
Research expenses are recognized in the income statement. Development expenses are not capitalized if the recognition criteria have not been met.

DEPRECIATION
Property, plant, and equipment are depreciated using the straight-line method based on the expected useful life of the asset.

INTEREST EXPENSE/OTHER FINANCIAL EXPENSES
In general, all interest and other expenses paid for the procurement of loans are recognized in the income statement. Any borrowing cost accruing in the course of development projects, e. g. the construction of new production facilities or software development, are capitalized together with the assets created.

INTEREST INCOME/OTHER FINANCIAL INCOME
Interest income is recognized and timely apportioned using the effective interest method. Dividend income is recognized when the right to receive payment is established.

INCOME TAXES
The reported income tax expenses include income taxes based on current taxable income and deferred taxes.

Scope of Consolidation and Acquisitions

The consolidated financial statements of the Sika Group encompass the financial statements of Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland, as well as its subsidiaries (see list starting on page 132) and associated companies (see note 7). In the year under review the scope of consolidation was expanded to include the following companies:

- AKIS Netherlands B.V., Utrecht, Netherlands
- AKIS Ireland Ltd., Dublin, Ireland
- Sika AG for General Trading LLC, Erbil, Iraq
- Sika Mongolia LLC, Ulaanbaatar, Mongolia
- Sika Qatar LLC, Doha, Qatar
- Sika Saudi Arabia Co Ltd., Riyadh, Saudi Arabia

The scope of consolidation was reduced to exclude the following companies:

- Iotech Limited and Liquid Plastics Limited, Lancashire, United Kingdom, was merged with Sika Ltd. Welwyn Garden City, United Kingdom.
- Axim Italia S.r.l., Milan, Italy, was merged with Sika Italia S.p.A., Milan, Italy.
- Comercial de Preresa, S.A.U., Cobena, Spain, was merged with Sika SA, Alcobendas, Spain.
- Axim Building Technologies SA, Malaga, Spain, was merged with Sika SA, Alcobendas, Spain.
- Duochem Inc., Quebec/QC, Canada, was merged with Sika Canada Inc., Pointe Claire/QC, Canada.
- Greenstreak Group Inc., St. Louis/MO, USA, was merged with Sika Corporation, Lyndhurst/NJ, USA.
- Axim Concrete Technologies Inc., Middlebranch/OH, USA, was merged with Sika Corporation, Lyndhurst/NJ, USA.
- Kowa Chemical Industries Co. Ltd., Tokyo, Japan, was merged with Dyflex Co. Ltd., Tokyo, Japan.
- DCT Co. Ltd., Tokyo, Japan, was sold.

ACQUISITIONS 2011

In 2011 Sika acquired various companies or parts of companies, including Technokolla and Axim. The acquisition of Technokolla closed on July 18, 2011, that of Axim on December 19, 2011. The purchase prices and their allocation (PPA) only changed insignificantly for Colauto and Axim, the others did not change and are now definitive.

ACQUIRED NET ASSETS AT FAIR VALUE

in CHF mn	Combined acquisitions[1]	Axim	Technokolla
Cash and cash equivalents	4.7	7.6	0.5
Accounts receivable	40.1	22.6	11.1
Inventories	19.6	7.4	4.4
Property, plant, and equipment	36.3	17.4	3.2
Intangible assets	21.9	17.5	8.9
Other non-current assets	4.9	1.6	2.2
Total assets	**127.5**	**74.1**	**30.3**
Short-term loans and bank overdrafts	38.4	26.1	0.0
Accounts payable	21.9	11.4	11.3
Other current liabilities	9.3	2.0	0.9
Long-term loans and financial liabilities	2.4	1.8	0.7
Provisions	0.0	0.0	2.0
Deferred tax liabilities	7.1	8.3	1.6
Total liabilities	**79.1**	**49.6**	**16.5**
Net assets	**48.4**	**24.5**	**13.8**
Non-controlling interest	-6.3	0.0	0.0
Acquired net assets	**42.1**	**24.5**	**13.8**
Goodwill	36.7	51.5	16.4
Fair value of initial investment	-6.0	0.0	0.0
Total purchase consideration	**72.8**	**76.0**	**30.2**
Cash in acquired assets (per December 31, 2011)	-4.7	-7.6	-0.5
Payments still due (per December 31, 2011)	-8.4	-14.0	0.0
Net cash outflow	**59.7**	**54.4**	**29.7**

1 Hebei Jiuqiang, Sika Gulf, BIRO, Colauto, Copsa, Duochem.

The directly attributable transaction costs of all acquisitions amounted to CHF 2.9 million and were charged to other operating expenses.

In March 2011, Sika acquired through its Chinese subsidiary Sika (China) Ltd. a controlling interest in Hebei Jiuqiang Construction Material Co. Ltd. The purchase price includes an component contingent which depends on the course of business, for which a market value of CHF 2.3 million has been estimated. In the year under review the liability was reduced by CHF 1.5 million and recognized in other financial expenses.

Regarding the outstanding 33% interest in the company, a put and call agreement has been arranged with the seller. The owners of the minority interests can exercise their put option as from the beginning of 2021. Sika can exercise its call option as of the beginning of 2016. The option price is contingent on the course of Hebei's business (EBITDA multiple), and the owners of the outstanding shares in the company retain their shareholder rights, as well as future shares in profits, which is the reason why these shares are considered as not yet acquired. The liability arising from this commitment was valued at CHF 6.3 million (present value) at the time of the acquisition. In the year under review the liability was reduced by CHF 1.4 million and recognized in retained earnings.

The purchase price of Axim includes a component contingent which depends on the course of business, for which a market value of CHF 12.9 million has been estimated. In the year under review the liability was reduced by CHF 2.4 million and recognized in other financial expenses.

If the acquisition of Technokolla had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 15.9 million. Consolidated net profit would have been CHF 0.6 million higher. If the acquisition of Axim had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 75.5 million. Consolidated net profit would have been CHF 3.9 million higher. If the combined acquisitions had taken place on the first day of the business year, their additional contribution to consolidated net sales would have been CHF 72.1 million. Consolidated net profit would have been CHF 3.1 million lower.

Since the respective purchases, Technokolla and the combined acquisitions have contributed sales of CHF 16.0 million and CHF 54.1 million, respectively, and net profit of CHF 0.2 million and CHF -5.1 million, respectively. Because Axim was acquired only at the end of the year, it has not contributed any sales or net profit.

ACQUISITIONS 2012

In 2012 Sika acquired various companies or parts of companies.

Company	Type of transaction	Stake in %	Closing date
Yean-Il Industrial Co. Ltd., South Korea	Asset deal	100.0	3/8/2012
Fire protection coating business from Rütgers Organics GmbH, Germany	Asset deal	100.0	11/17/2012
Sika Saudi Arabia Co. Ltd., Saudi Arabia	Share deal	51.0	12/31/2012

In March, Sika acquired through its Korean subsidiary, Sika Korea Ltd., all assets of Yean-il Industrial Co. Ltd., South Korea, a market leader in tunnel waterproofing membranes in South Korea.

In November Sika has taken over the fire protection coatings and systems business of Mannheim based Rütgers Organics GmbH.

At the end of the year the reorganization in the Middle East has been finalized. Sika increased its stake in the associated company Sika Saudi Arabia Co. Ltd, Saudi Arabia, to 51% and consolidated it for the first time as of December 31, 2012. On a net basis Sika increased its stake by 6% to 51%. The revaluation of the previous investment to fair value of CHF 5.0 million resulted in a gain of CHF 0.8 million, which has been recognized in the income statement under the item "Other operating expenses." The minority interests were stated at the proportionate share of the acquired net assets.

Since the purchase price allocations for all acquisitions still entail some uncertainty, all positions with the exception of cash and cash equivalents are provisional. Production synergies and combined distribution channels and product portfolios justify the goodwill posted. The goodwill in the amount of CHF 4.3 million is tax deductible. Accounts receivable have a gross value of CHF 11.7 million and were adjusted since CHF 2.5 million were classified as non-recoverable.

If the acquisitions had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 31.5 million. The impact on consolidated net profit can not be quantified as no numbers are available for asset deals. The impact of the acquisition of Sika Saudi Arabia is not material.

Since the respective purchases, the acquisitions have contributed sales of CHF 12.9 million and net profit of CHF 1.7 million. Because Sika Saudi Arabia was acquired only at the end of the year, it has not contributed any sales or net profit.

ACQUIRED NET ASSETS AT FAIR VALUE

in CHF mn	Acquisitions 2012
Cash and cash equivalents	2.4
Accounts receivable	9.2
Inventories	3.8
Property, plant, and equipment	8.1
Intangible assets	8.2
Other assets	0.6
Total assets	**32.3**
Accounts payable	13.9
Other liabilities	2.4
Deferred tax liabilities	0.3
Total liabilities	**16.6**
Net assets	**15.7**
Non-controlling interest	-3.8
Acquired net assets	**11.9**
Goodwill	9.6
Fair value of initial investment in Sika Saudi Arabia	-5.0
Total purchase consideration	**16.5**
Cash in acquired assets (per December 31, 2012)	-2.4
Settlement of debt claim against vendor	-3.1
Payments still due (per December 31, 2012)	-2.5
Net cash outflow	**8.5**

Notes to the Consolidated Financial Statements

1. CASH AND CASH EQUIVALENTS CHF 994.2 MN (CHF 536.0 MN)
The cash management of the Group includes cash pooling, in which cash and cash equivalents available within the Group are pooled. The item "Cash and cash equivalents" includes cash and equivalents with a maturity of less than three months, bearing interest at a respectively valid rate. Cash and cash equivalents increased significantly on one hand due to two bond issues in the total amount of CHF 300 million and on the other due to high operating free cash flow.

2. ACCOUNTS RECEIVABLE CHF 871.5 MN (CHF 875.3 MN)
The following tables show accounts receivable, the development of the allowance for doubtful accounts as well as the portion of not overdue and overdue receivables including their age structure. Accounts receivable are non-interest-bearing and are generally due within 30 to 90 days.

ACCOUNTS RECEIVABLE

in CHF mn	2011	2012
Receivables	939.8	939.4
Allowance for doubtful accounts	-64.5	-67.9
Net accounts receivable	**875.3**	**871.5**

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

in CHF mn	2011	2012
January 1	58.0	64.5
Allowance for acquired/sold businesses	5.8	2.7
Additions to or increase in allowances	47.0	46.9
Reversal or utilization of allowances	-44.6	-45.1
Exchange differences	-1.7	-1.1
December 31	**64.5**	**67.9**

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

in CHF mn	2011	2012
Net accounts receivable	**875.3**	**871.5**
Of which		
Not overdue	676.5	658.2
Past due < 31 days	131.5	142.4
Past due 31 – 60 days	38.4	43.5
Past due 61 – 180 days	37.4	38.1
Past due > 181 days	56.0	57.2
Allowance for doubtful accounts	-64.5	-67.9

The building up and reversal of allowances for doubtful accounts are recognized in other operating expenses. Amounts entered as allowances are usually derecognized when payment is no longer expected.

3. INVENTORIES CHF 521.6 MN (CHF 530.6 MN)

Inventory write-offs amount to CHF 16.8 million (CHF 12.1 million) and are charged to material expenses.

in CHF mn	2011	2012
Raw materials and supplies	157.3	151.7
Semi-finished goods	43.7	41.3
Finished goods	282.3	275.9
Merchandise	47.3	52.7
Total	**530.6**	**521.6**

4. OTHER ASSETS CHF 74.5 MN (CHF 77.5 MN)

The assets contained under this item and any changes in them can be seen in the following table.

OTHER CURRENT ASSETS

in CHF mn	2011	2012
Derivates (at fair value through P&L)	4.0	10.3
Loans (loans and receivables)	14.4	1.3
Securities (available-for-sale)	2.1	0.0
Securities (at fair value through profit and loss)	0.0	2.2
Other financial assets	20.5	13.8
Other non-financial assets	13.5	12.7
Other current assets	**34.0**	**26.5**

OTHER NON-CURRENT ASSETS

in CHF mn	2011	2012
Securities (available-for-sale)	13.4	0.0
Securities (at fair value through profit and loss)	0.0	21.7
Loans (loans and receivables)	0.0	3.7
Other financial assets	13.4	25.4
Employee benefit assets	24.5	18.9
Other	5.6	3.7
Other non-financial assets	30.1	22.6
Other non-current assets	**43.5**	**48.0**

5. PROPERTY, PLANT, AND EQUIPMENT CHF 873.3 MN (CHF 860.6 MN)

in CHF mn	Property	Plant	Equipment	Plants under construction	Total
As of January 1, 2011					
Acquisition cost	106.1	576.9	1 197.2	63.4	1 943.6
Cumulative depreciation and impairment	-0.7	-330.4	-795.5	-0.5	-1 127.1
Net values as of January 1, 2011	**105.4**	**246.5**	**401.7**	**62.9**	**816.5**
Additions	1.5	0.5	52.3	50.3	104.6
Acquired on acquisition	3.7	22.5	30.2	0.5	56.9
Exchange differences	-2.5	-5.2	-4.6	-0.9	-13.2
Disposals	-0.6	-0.7	-2.7	0.0	-4.0
Reclassifications [1]	0.0	18.0	32.5	-50.7	-0.2
Depreciation charge for the year	0.0	-20.4	-78.2	0.0	-98.6
Impairments	-0.1	0.0	-1.3	0.0	-1.4
As of December 31, 2011	**107.4**	**261.2**	**429.9**	**62.1**	**860.6**

As of January 1, 2012					
Acquisition cost	108.1	608.0	1 263.1	62.6	2 041.8
Cumulative depreciation and impairment	-0.7	-346.8	-833.2	-0.5	-1 181.2
Net values as of January 1, 2012	**107.4**	**261.2**	**429.9**	**62.1**	**860.6**
Additions	1.9	8.7	67.5	47.4	125.5
Acquired on acquisition	0.0	4.0	4.1	0.0	8.1
Exchange differences	-2.0	-1.3	-7.4	-1.1	-11.8
Disposals	-1.1	-0.9	-1.8	0.0	-3.8
Reclassifications [1]	-0.2	6.4	45.0	-52.6	-1.4
Depreciation charge for the year	0.0	-20.6	-83.3	0.0	-103.9
Impairments	0.0	0.0	0.0	0.0	0.0
As of December 31, 2012	**106.0**	**257.5**	**454.0**	**55.8**	**873.3**
Acquisition cost	106.8	617.4	1 326.9	55.9	2 107.0
Cumulative depreciation and impairment	-0.8	-359.9	-872.9	-0.1	-1 233.7
Net values as of December 31, 2012	**106.0**	**257.5**	**454.0**	**55.8**	**873.3**

1 Plants and buildings under construction are reclassified after completion within property, plant, and equipment as well as intangible assets.

Impairments in 2011 relate mainly to the discontinuation of a project in Switzerland which had no longer any value in use.

Included in the items “Property” and “Plant” are investment properties with a book value of CHF 0.0 million (CHF 0.8 million).

In principle all plants are owned by subsidiaries. Smaller plants as well as the adhesive plant, the R&D centre and the logistics centre of Sika Schweiz AG are financed by means of operating lease. Operating leases relate also to data processing equipment and copiers as well as vehicles used by the sales force. Leasehold contracts are insignificant. Plant and equipment includes machinery, vehicles, equipment, furnishings, and hardware.

in CHF mn	Operating leases 2011	Operating leases 2012	Finance leases 2011			Finance leases 2012		
	Minimum payments	Minimum payments	Minimum payments	Interest	Present value of payments	Minimum payments	Interest	Present value of payments
Within 1 year	42.6	40.9	2.2	0.2	2.0	1.5	0.2	1.3
1 – 5 years	90.5	89.6	4.0	0.4	3.6	2.3	0.3	2.0
Over 5 years	74.6	62.2	0.4	0.0	0.4	0.4	0.0	0.4
Total	**207.7**	**192.7**	**6.6**	**0.6**	**6.0**	**4.2**	**0.5**	**3.7**

6. INTANGIBLE ASSETS CHF 742.3 MN (CHF 771.0 MN)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangibles	Total
As of January 1, 2011						
Acquisition costs	321.3	137.8	87.8	190.0	86.6	823.5
Cumulative amortization and impairment	-10.7	-77.3	-5.2	-42.7	-56.7	-192.6
Net values as of January 1, 2011	**310.6**	**60.5**	**82.6**	**147.3**	**29.9**	**630.9**
Additions	0.0	12.2	0.0	0.0	0.3	12.5
Acquired on acquisition	104.6	0.0	8.4	30.8	9.0	152.8
Exchange differences	1.7	-0.1	0.0	2.7	0.9	5.2
Disposals	0.0	0.0	0.0	0.0	-0.3	-0.3
Reclassifications (net)	0.0	0.2	0.0	0.0	0.0	0.2
Amortization for the year	0.0	-8.5	-2.0	-13.5	-6.3	-30.3
As of December 31, 2011	**416.9**	**64.3**	**89.0**	**167.3**	**33.5**	**771.0**
As of January 1, 2012						
Acquisition costs	426.4	146.9	96.2	222.6	96.3	988.4
Cumulative amortization and impairment	-9.5	-82.6	-7.2	-55.3	-62.8	-217.4
Net values as of January 1, 2012	**416.9**	**64.3**	**89.0**	**167.3**	**33.5**	**771.0**
Additions	0.0	5.5	0.0	0.0	0.3	5.8
Acquired on acquisition	9.6	0.0	0.6	5.9	1.7	17.8
Exchange differences	-9.2	-0.3	-0.5	-5.4	-1.1	-16.5
Disposals	0.0	-0.8	0.0	0.0	0.0	-0.8
Reclassifications (net)	0.0	1.2	0.0	-0.4	0.6	1.4
Amortization for the year	0.0	-10.3	-3.2	-16.5	-6.4	-36.4
As of December 31, 2012	**417.3**	**59.6**	**85.9**	**150.9**	**28.6**	**742.3**
Acquisition costs	426.9	147.9	93.3	221.5	63.6	953.2
Cumulative amortization and impairment	-9.6	-88.3	-7.4	-70.6	-35.0	-210.9
Net values as of December 31, 2012	**417.3**	**59.6**	**85.9**	**150.9**	**28.6**	**742.3**

The intangible assets (except goodwill and trademarks) have a finite useful life over which the assets are amortized. The newly developed SAP platform used since 2010 will be amortized on the basis of its effective use within the Group. Amortization charges will increase over the next few years as SAP is introduced in stages at the individual subsidiaries. The carrying amount was CHF 46.6 million (CHF 49.6 million) as of December 31, 2012. The remaining useful life is estimated to be eight years.

Trademarks usually have an indefinite useful life because they are influenced by internal and external factors such as strategic decisions, competitive and customer behaviour, technical development, and altered market requirements. The carrying value of trademarks with an indefinite useful life amounts to CHF 72.4 million (CHF 72.4 million). The impairment test is based on estimated sales attributable to the trademark. The basis for the calculation of the asset's value in use are the Board of Director's target figures and cash flow forecasts. The forecasting horizon is five years. Assumed thereby is a growth rate of 2.2% (4.6%) for the planning period. Afterwards a growth rate of 2.0% (2.1%) is assumed. The discount rate amounts to 11.2% (11.3%). The sensitivity analysis carried out shows that a realistic change in the key assumptions (5% of the royalty rate) would not result in the realizable amount falling below the carrying amount.

Goodwill items tested for impairment. For all goodwill items an impairment test was carried out on the basis of the discounted cash flow method. The basis for the calculation of the value in use is constituted by the target figures and cash flow forecasts approved by the Board of Directors. The horizon of forecast encompasses five years. The rates of sales growth upon which the forecast is set correspond to the market expectations of the cash-generating units and range between 1.3% and 11.9% (5.3% and 15.2%) per year. The sensitivity analysis carried out shows that a realistic change in the key assumptions (10% of the EBIT margin; +/- 1% of the discount rate) would not result in the realizable amount falling below the book value. The cash flow forecast beyond the planning period is extrapolated with a growth rate of 2.0% to 3.0% (2.0% to 3.0%), which in no case exceeds the long-term average growth rate in the corresponding market in which the cash-generating unit operates. The discount rates are determined on the basis of the weighted average cost of capital of the Group, with country- and currency-specific risks within the context of cash flows taken into consideration. The business segments within the regions constitute the cash-generating units.

GOODWILL ASSIGNED TO CASH-GENERATING UNITS

			2011			2012
in CHF mn	Growth rates (%)[1]	Discount rates (%)[2]	Goodwill	Growth rates (%)[1]	Discount rates (%)[2]	Goodwill
Construction business Europe North	2.0	9.4	80.4	2.0	9.3	82.9
Construction business Europe South	2.0	9.9	117.9	2.0	12.5	117.7
Construction business North America	2.0	11.7	87.4	2.0	11.0	85.3
Construction business Asia/Pacific	3.0	10.5	61.2	3.0	10.0	59.7
Automotive	2.0	10.0	60.3	2.0	10.1	58.0
Various	2.0 – 3.0	9.4 – 17.8	9.7	2.0 – 3.0	9.3 – 15.9	13.7
Total			**416.9**			**417.3**

1 Growth rate beyond the planning period.
2 Pre-tax discount rates (%).

7. INVESTMENTS IN ASSOCIATED COMPANIES CHF 15.3 MN (CHF 21.1 MN)

The following associated companies are included in the consolidated financial statements as of December 31, 2012: Condensil SARL, France (stake Sika 40%), Part GmbH, Germany (50%), Addiment Italia S.r.l, Italy (50%), Sarna Granol AG, Switzerland (50%), Hayashi-Sika, Japan (50%), Chemical Sangyo, Japan (50%), and Seven tech Co. Ltd., Japan (50%). As of December 31, 2012 Sika Saudi Arabia Co. Ltd. was included in the consolidation scope and excluded from the investments in associated companies. In 2011 the former associated companies Sika Gulf B.S.C., Bahrain, and Copsa, Spain, were included in the consolidation scope.

The following amounts represent the Group's stake in assets, liabilities, net sales, and net income of associates.

ASSOCIATED COMPANIES (PARTICIPATIONS BETWEEN 20% AND 50%)

in CHF mn	2011	2012
Sales	42.2	34.6
Profit	2.1	1.4
Assets	28.4	19.8
Liabilities	9.3	6.8

8. INCOME TAXES

TAX LOSS CARRYFORWARDS, FOR WHICH NO DEFERRED TAX ASSETS HAVE BEEN RECOGNIZED

in CHF mn	2011	2012
1 year or less	3.9	0.5
1 – 5 years	15.5	5.4
Over 5 years or non-expiring	27.6	39.1
Total	**47.0**	**45.0**

RECONCILIATION

			2011			2012
in CHF mn	Assets	Liabilities	Net	Assets	Liabilities	Net
January 1	88.0	-80.9	7.1	82.4	-100.9	-18.5
Credited (+)/debited (-) to income statement	-5.6	-2.5	-8.1	-0.2	7.6	7.4
Exchange differences	-1.1	-0.5	-1.6	3.5	-3.9	-0.4
Acquisitions/divestments	1.1	-17.0	-15.9	0.0	-0.3	-0.3
December 31	**82.4**	**-100.9**	**-18.5**	**85.7**	**-97.5**	**-11.8**

ORIGIN

			2011			2012
in CHF mn	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses brought forward	12.0	–	12.0	10.7		10.7
Current assets	20.6	-4.8	15.8	19.7	-6.4	13.3
Property, plant, and equipment	10.2	-32.2	-22.0	10.2	-31.6	-21.4
Other non-current assets	0.4	-58.4	-58.0	1.7	-51.1	-49.4
Liabilities	39.2	-5.5	33.7	43.4	-5.4	38.0
Withholding taxes on dividends	0.0	0.0	0.0	0.0	-3.0	-3.0
Total	**82.4**	**-100.9**	**-18.5**	**85.7**	**-97.5**	**-11.8**

In the year under review deferred tax assets from tax loss carryforwards of CHF 7.3 million (CHF 11.5 million) were offset and deferred tax loss carryforwards of CHF 4.3 million (CHF 3.4 million) were generated.

The tax rate decreased significantly to 28.5% (31.9%). Income taxes of CHF 111.9 million (CHF 100.7 million) consist of:

INCOME TAXES

in CHF mn	2011	2012
Income tax during the year under review	92.4	117.5
Deferred income tax	8.1	-7.4
Income tax from prior years	0.2	1.8
Total	**100.7**	**111.9**

RECONCILIATION BETWEEN ANTICIPATED AND EFFECTIVE TAX EXPENSE

in CHF mn	%	2011	%	2012
Profit before taxes		315.5		393.0
Anticipated tax expense	27.9	88.1	25.3	99.4
Non-tax-deductible expenses	1.8	5.7	1.9	7.3
Change in anticipated tax rate	-0.1	-0.2	-0.1	-0.5
Adjusted tax expense from earlier periods	0.1	0.3	0.5	1.8
Valuation adjustment on deferred tax assets	0.6	1.8	-0.3	-1.0
Withholding tax on dividends	1.9	5.9	1.4	5.8
Other	-0.3	-0.9	-0.2	-0.9
Tax expense as per consolidated income statement	**31.9**	**100.7**	**28.5**	**111.9**

The anticipated average Group income tax rate of 25.3% (27.9%) corresponds with the average tax on profits of the individual Group companies in their respective fiscal jurisdictions. The change in the anticipated tax rate is attributable to changed profits of the Group companies in the respective fiscal jurisdictions and to changes in their tax rates in some cases.

9. ACCOUNTS PAYABLE CHF 492.1 MN (CHF 501.0 MN)

Accounts payable do not bear interest and will usually become due within 30 to 60 days.

10. ACCRUED EXPENSES AND DEFERRED INCOME CHF 197.6 MN (CHF 191.4 MN)

Deferred income and accrued expenses relate to outstanding invoices and liabilities of the current year, including performance-based compensation payable to employees in the following year and social security expenses.

11. OTHER LIABILITIES CHF 63.0 MN (CHF 99.1 MN)

OTHER CURRENT LIABILITIES

in CHF mn	2011	2012
Derivatives (at fair value through profit and loss)	4.5	2.2
Bank loans	27.0	10.9
Other	14.5	12.8
Other financial liabilities	46.0	25.9
Other non-financial obligations	13.1	5.1
Other current liabilities	**59.1**	**31.0**

A number of Group companies have their own credit lines. Although the total amount is insignificant in scale, the credit lines are used in individual cases when intra-Group financing is not permitted or there are benefits from local financing.

OTHER NON-CURRENT LIABILITIES

in CHF mn	2011	2012
Bank loans	7.6	2.2
Other	31.7	29.0
Other financial liabilities	39.3	31.2
Other non-financial obligations	0.7	0.8
Other non-current liabilities	**40.0**	**32.0**

12. BONDS CHF 249.9 MN SHORT-TERM/CHF 847.1 MN LONG-TERM (CHF 0.0 MN/CHF 796.0 MN)

Sika AG has the following bonds outstanding:

	2011		2012	
in CHF mn	Amortized costs	Nominal	Amortized costs	Nominal
2.375% 2006 – 2013	249.2	250.0	249.9	250.0
3.500% 2009 – 2014	298.6	300.0	299.1	300.0
2.875% 2006 – 2016	248.2	250.0	248.6	250.0
1.000% 2012 – 2018	0.0	0.0	149.5	150.0
1.750% 2012 – 2022	0.0	0.0	149.9	150.0
Total	**796.0**	**800.0**	**1 097.0**	**1 100.0**

13. PROVISIONS CHF 97.4 MN (CHF 101.9 MN)
Provisions for guarantees reflect all known claims anticipated in the near future. The provision amounts are determined on the basis of experience and are therefore subject to a degree of uncertainty. The outflow of funds depends on the timing of the filing and conclusion of warranty claims. Provisions for sundry risks include loan guarantees as well as open and anticipated legal and tax cases with a probability of occurence above 50%.

From the sum of provisions, CHF 81.9 million (CHF 90.6 million) are shown under non-current liabilities, since an outflow of funds is not expected within the next twelve months.

For provisions of CHF 15.5 million (CHF 11.3 million), an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

	Short-term provisions				Long-term provisions
in CHF mn		Warranties	Restruc-turings	Sundry risks	Total
As of January 1, 2011	16.8	68.8	0.4	22.8	92.0
Exchange differences	-0.3	-0.3	0.0	-0.2	-0.5
Assumed on acquisition	0.0	1.3	0.0	2.1	3.4
Additions	4.0	14.4	0.8	2.3	17.5
Utilization	-7.8	-8.7	0.0	-4.3	-13.0
Reversal	-1.5	-6.3	0.0	-2.4	-8.7
Transfers	0.1	-0.1	0.0	0.0	-0.1
As of December 31, 2011	**11.3**	**69.1**	**1.2**	**20.3**	**90.6**
Exchange differences	-0.3	-1.2	-0.1	-0.5	-1.8
Assumed on acquisition	0.0	0.0	0.0	0.0	0.0
Additions	9.3	16.2	0.0	3.7	19.9
Utilization	-4.9	-10.5	-1.1	-1.8	-13.4
Reversal	-1.4	-9.3	0.0	-2.6	-11.9
Transfers	1.5	-1.5	0.0	0.0	-1.5
As of December 31, 2012	**15.5**	**62.8**	**0.0**	**19.1**	**81.9**

The current provisions as of December 31, 2012, encompass CHF 4.6 million (CHF 3.8 million) for warranties, CHF 3.8 million (CHF 2.6 million) for restructuring and CHF 7.1 million (CHF 4.9 million) for sundry risks.

14. EMPLOYEE BENEFIT OBLIGATION

Complementary to the benefits of state-regulated retirement schemes, Sika maintains additional employee pension plans for a number of subsidiaries. These can be differentiated as follows:

Defined contribution pension funds. The majority of Sika subsidiaries operate defined contribution pension funds. Employees and employers thereby regularly contribute to funds administered by a third party. The consolidated balance sheet contains neither assets nor liabilities related to these funds.

Defined benefit pension funds. 38 Group companies maintain defined benefit employee pension funds. Included are the German pension plans, that include their pension in the companies' balance sheet. The Sika companies in Switzerland have legally independent foundations for this purpose, thereby segregating their pension obligation liabilities. In accordance with local legal regulations Sika bears no obligations toward these pension funds beyond the regulated contribution payments and possibly recapitalization contributions. According to IAS 19 the Swiss pension funds qualify as defined-benefit funds, therefore the actuarially calculated underfunding is recorded in the consolidated balance sheet.

For defined benefit plans the present value of ensured retirement provisions (Defined Benefit Obligation, DBO) is calculated periodically by independent actuaries applying the "projected-unit credit method" based on years of service, anticipated salary and pension development and the anticipated return on investment of assets. Actuarial gains and losses resulting from alterations in actuarial assumptions are recognized as income or expense over the expected average remaining working lives of the employees participating in the plans, to the extent that these cumulative, unrealized gains and losses exceed 10% of the higher of the defined benefit obligations or of the fair value of plan assets.

			2011			2012
in CHF mn	Assets	Liabilities	Net	Assets	Liabilities	Net
Employee benefit plans with defined benefits	24.5	104.6	80.1	18.9	109.0	90.1
Other employee commitments	0.0	38.3	38.3	0.0	43.9	43.9
Total	**24.5**	**142.9**	**118.4**	**18.9**	**152.9**	**134.0**

Sika companies in Switzerland also maintain a plan that allows for early retirement.

In 2011, an additional defined benefit plan was drawn up which makes it possible for the beneficiaries to take early retirement. The plan is managed by a foundation. Beneficiaries of the plan must be at least 60 years of age and have been a member of the Group Management for at least five years.

Two Swiss pension plans were merged in 2011, which resulted in an expense reduction of CHF 5.0 million.

Other employee commitments derive from service jubilee premiums and similar benefits that Sika grants to its employees.

ACTUARIAL PRESENT VALUE OF DEFINED BENEFIT OBLIGATION (DBO)

in CHF mn	2011	2012
Opening balance	637.1	715.9
Current service cost	27.3	31.2
Interest cost	20.2	20.2
Contributions by plan participants	11.0	11.6
Actuarial gains (-)/losses (+)	31.2	39.7
Exchange differences	-2.3	-2.8
Benefits paid	-32.9	-51.4
Past service costs	10.2	0.3
Business combinations and others	15.5	1.3
Settlements	-1.4	-0.7
Closing balance	**715.9**	**765.3**

FAIR VALUE OF PLAN ASSETS

in CHF mn	2011	2012
Opening balance	495.7	502.8
Expected return on plan assets	22.4	22.0
Actuarial gains (+)/losses (-)	-29.3	30.3
Exchange differences	-0.3	0.0
Contributions by employer	19.5	19.7
Contributions by plan participants	11.0	11.6
Benefits paid	-27.8	-46.4
Business combinations and others	11.6	0.1
Closing balance	**502.8**	**540.1**

STATUS

in CHF mn	2011	2012
Actuarial present value of defined benefit obligations (DBO)	715.9	765.3
Fair value of plan assets	502.8	540.1
Deficit (+)/surplus (-)	**213.1**	**225.2**
Unrecognized actuarial loss (-)/gain (+)	-135.5	-136.0
Unrecognized past service costs	-0.5	-0.2
Unrecognized assets	3.0	1.1
Net liability recognized in balance sheet	**80.1**	**90.1**

INCOME STATEMENT

in CHF mn	2011	2012
Current service costs	27.3	31.2
Interest cost	20.2	20.2
Expected return on plan assets	-22.4	-22.0
Actuarial gains (-)/losses (+)	4.8	8.5
Past service costs	10.7	0.7
The effect of any curtailments and settlements	-6.4	-0.7
The effect of the limit in paragraph 58b	-14.3	-1.8
Net periodic benefit costs	**19.9**	**36.1**
Actual gain (+)/loss (-) on plan assets	-6.9	52.3

Expected contributions to defined-benefit plans for 2013 amount to CHF 19.4 million.

The Group's entire pension expenses are recorded in the consolidated income statement under "Personnel expenses."

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in % of fair value	2011	2012
Shares	30.5	31.7
Bonds	34.3	39.8
Real estate	18.7	15.9
Other assets	16.5	12.6
Total	**100.0**	**100.0**

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2011	2012
Shares Sika AG	9.0	10.4
Own property occupied by Sika	14.5	14.5
Total	**23.5**	**24.9**

ANNUAL COMPARISON IN ABSOLUTE TERMS

in CHF mn	2008	2009	2010	2011	2012
Actuarial present value of defined benefit obligations (DBO)	567.9	586.1	637.1	715.9	765.3
Fair value of plan assets	423.3	475.6	495.7	502.8	540.1
Deficit (+)/surplus (-)	**144.6**	**110.5**	**141.4**	**213.1**	**225.2**
Experience adjustments on plan liabilities	-11.7	-3.9	-2.2	11.5	-10.9
Experience adjustments on plan assets	-100.1	35.7	-3.9	-28.1	30.0

The underfunding results in part from the DBO of the unfunded benefit plans of CHF 102.7 million (CHF 87.8 million). Primarily plans in Germany do not have segregated assets.

ANALYSIS OF THE DEFINED BENEFIT OBLIGATION FROM FUNDED AND UNFUNDED PLANS

in CHF mn	2011	2012
Funded plans	628.1	662.6
Unfunded plans	87.8	102.7
Total	**715.9**	**765.3**

ACTUARIAL ASSUMPTIONS (WEIGHTED AVERAGE)

	2011	2012
Discount rate in the year under review (%)	2.9	2.4
Expected return[1] on plan assets in the year under review (%)	4.5	4.5
Pension trend (%)	0.6	0.5
Salary trend (%)	2.0	1.6
Number of insured employees	5 637	5 459
Number of insured retired persons	1 512	1 529
Total number of defined benefit plans	36	36
Thereof number of defined benefit plans funded	13	13
Thereof number of defined benefit plans unfunded	23	23

1 The return on investment was established for the individual investment categories based on investment strategies and expected returns.

Health care cost increases neither have an influence on future service cost nor the present value of defined benefit obligations.

15. SHAREHOLDERS' EQUITY CHF 2 007.4 MN (CHF 1 839.1 MN)
Equity accounts for 47.1% (48.0%) of the balance sheet total.

CAPITAL STOCK

in CHF mn	Number	2011	2012
Registered shares, nominal value CHF 0.10	2 333 874	0.2	0.2
Bearer shares, nominal value CHF 0.60	2 151 199	1.3	1.3
Capital stock		**1.5**	**1.5**

The Board of Directors proposes to the Annual General Meeting payment of a dividend of CHF 8.50 per registered share and of CHF 51.00 per bearer share, in the total amount of CHF 128.8 million, to the shareholders of Sika AG.

The capital stock breaks down as follows:

	Bearer shares[1] nominal value CHF 0.60 (CHF 0.60)	Registered shares nominal value CHF 0.10 (CHF 0.10)	Total[1]
12/31/2011 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	1 290 719	233 387	1 524 106
12/31/2012 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	1 290 719	233 387	1 524 106

1 Includes treasury shares 14 497 units (29 128 units) which do not carry voting and dividend rights.

16. NET SALES CHF 4 828.9 MN (CHF 4 563.7 MN)
Sales of goods account for practically all net sales. In comparison with the previous year, net sales denominated in Swiss francs increased by 5.8%. Taking currency effects amounting to +0.5% into consideration, sales increased in local currencies by 5.3%, included is a growth from acquisitions of 3.5%.

Revenue from construction contracts in the year under review amounted to CHF 7.1 million (CHF 26.3 million). On the balance sheet date accrued construction costs and recognized profits (less recognized losses) were CHF 118.7 million (CHF 111.6 million). On the balance sheet date, as in the previous year, there were insignificant receivables and no liabilities from construction contracts. Contract revenues and contract costs are recognized as income and expenses by reference to the stage of completion.

17. MATERIAL EXPENSES CHF 2 309.6 MN (CHF 2 259.1 MN)
Material expenses decreased as a percentage of net sales by 1.7 percentage points.

18. OPERATING PROFIT BEFORE DEPRECIATION CHF 568.9 MN (CHF 477.4 MN)

In the year under review the strong material price increases of the previous year could be passed on through sales prices. In combination with a temporarily volatile but generally moderate growth in material prices the gross margin improved from 50.5% to 52.2%.

Operational costs were at a slightly higher level mainly due to an increase in personnel expenses, furthermore due to selective adjustments of structures to take into account the current economic environment in individual countries.

Expenditures on research and development in the Group in the year under review totaled CHF 172.9 million (CHF 167.5 million), roughly equivalent to 3.6% (3.7%) of sales. Central expenditures totaled CHF 86.1 million (CHF 82.8 million). Research and development expenses are included in operating costs.

in CHF mn	2011	2012
Gross result	2 304.6	2 519.3
Personnel expenses	-959.9	-1 041.4
Other operating expenses	-867.3	-909.0
Operating profit before depreciation	**477.4**	**568.9**

PERSONNEL EXPENSES

in CHF mn	2011	2012
Wages and salaries	788.9	837.5
Social charges	171.0	203.9
Total personnel expenses	**959.9**	**1 041.4**

EMPLOYEE BENEFIT COSTS

in CHF mn	2011	2012
Employee benefit plans with defined benefits [1]	19.9	36.1
Other employee benefit plans	28.5	33.7
Total	**48.4**	**69.8**

1 Details to be found in note 14.

Share based payments. Senior managers and Group Management receive shares of Sika AG as a component of their salary. The shares are granted at the avarage market price of February of the subsequent business year. The allocated shares are subject to a vesting period of four years. The following different share plans are in place:

Senior managers may draw 20% of the performance-based short-term variable remunerations in the form of shares of Sika AG. As remuneration for the services rendered by them in 2011, in 2012 they drew 308 shares at a fair value of CHF 0.6 million (CHF 1 960 per share). In 2011, the fair value of the compensation for 2010 amounted to CHF 0.7 million.

The performance-based portion of the short-term variable remunerations for Group Management is paid out 20% in the form of shares of Sika AG. Moreover, members of Group Management have an option to draw a further 20% of the variable remunerations in the form of shares of Sika AG. As compensation for the services rendered by them in 2011, in 2012 they drew 602 shares at a fair value of CHF 1.2 million (CHF 1 960 per share). In 2011 the fair value of the compensation for 2010 amounted to CHF 1.3 million.

The performance-based portion of the long-term variable remuneration for Group Management is paid out in full in shares of Sika AG and is conditional on the vesting period of three years. In 2012, 3 026 shares at a fair value of CHF 5.9 million (CHF 1 960 per share) were allocated to the members of Group Management as part of the long-term compensation program. In 2011, the fair value of the compensation amounted to CHF 3.1 million.

Since this term of office the members of the Board of Directors receive shares of Sika AG as a component of their compensation. For the year under review 458 shares at a fair value of CHF 0.6 million (CHF 1 917 per share) were allocated to the members of the Board of Directors.

Share-based remunerations are made by means of the transfer of treasury shares of Sika AG. The personnel expenses recognized for services received in the 2012 business year totalled CHF 20.9 million (CHF 20.5 million) of which the amount of CHF 5.3 million (CHF 7.5 million) was taken to equity and the amount of CHF 15.6 million (CHF 13.0 million) was recognized under liabilities. Provided employees are entitled to the option of drawing shares of Sika AG, this portion will be recognized under liabilities as at the balance sheet date, and in the event that shares are drawn, this portion will be taken to equity in the subsequent year. In the year under review the fair value of the allocated shares taken to shareholders' equity amounted to CHF 0.7 million (CHF 1.1 million).

In the year under review modifications were made to the existing share based payment plans. Individual target values were changed but the terms and conditions did not deteriorate. The share based compensation is still based on shares of Sika AG. The adjustments to the terms and conditions had no impact on the fair value of the instruments as of the modification date.

No dilution effect results because no additional shares have been issued.

19. DEPRECIATION AND AMORTIZATION EXPENSES/IMPAIRMENT CHF 140.1 MN (CHF 130.3 MN)

In the year under review no impairments were taken (previous year CHF 1.4 million). The amount includes the regular depreciations and amortizations, which increased slightly as a result of acquisitions.

20. INTEREST EXPENSES/OTHER FINANCIAL EXPENSES CHF 46.9 MN (CHF 51.4 MN)

This item consists mainly of interest expenses for bond issues outstanding as well as gains and losses from foreign currency transactions and the hedging of loans. The effective interest on bonds amounts to CHF 27.2 million (CHF 31.8 million).

21. INTEREST INCOME/OTHER FINANCIAL INCOME/INCOME FROM ASSOCIATED COMPANIES CHF 11.1 MN (CHF 19.8 MN)

Short-term surpluses in liquidity in various countries led to interest income of CHF 6.9 million (CHF 5.0 million). Income from associated companies amount to CHF 1.4 million (CHF 9.6 million). Other financial income decreased to CHF 2.8 million (CHF 5.2 million).

22. NON-CONTROLLING INTERESTS CHF 1.6 MN (CHF 1.5 MN)

Most important companies with non-controlling interests:
- Jiangsu TMS Admixture Co. Ltd., China (30%)
- Hebei Jiuqiang Construction Material Co. Ltd., China (33%)
- Sika Arabia Holding Co. WLL, Bahrain (49%)
- Sika UAE LLC, UAE (49%)
- Sika Saudi Arabia Co. Ltd., Saudi Arabia (49%)
- Sika Gulf B.S.C., Bahrain (49%)
- Consorzio IGS, Switzerland (35%)

23. EARNINGS PER SHARE CHF 110.98 (CHF 85.06)

	2011	2012
Undiluted ("basic EPS")		
Net profit (in CHF mn)	213.3	279.5
Weighted average number of shares [1]		
Bearer shares [2]/units	2 118 681	2 129 387
Registered shares [3]/units	2 333 874	2 333 874
Earnings per share		
Bearer share [2]/CHF	85.06	110.98
Registered share [3]/CHF	14.18	18.50

1 Excluding bearer treasury shares held in the Group at a nominal value of CHF 0.60 (CHF 0.60).
2 Nominal value: CHF 0.60 (CHF 0.60).
3 Nominal value: CHF 0.10 (CHF 0.10).

Earnings per share (EPS) amount to CHF 110.98 (CHF 85.06). The EPS is calculated on the basis of net profit after non-controlling interests and the number of shares entitled to dividend, weighted over the course of the year. No dilution effect results because no options or convertible bonds are outstanding. For the business year 2011 the dividend amounted to CHF 45.00 per bearer share and to CHF 7.50 per registered share whereas CHF 21.00 and CHF 3.50 respectively were paid out of capital contribution reserves.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments and the related risk management of the Sika Group are presented in this note.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

		2011		2012	
in CHF mn	Level	Book value	Fair value	Book value	Fair value
Financial assets					
Cash and cash equivalents		536.0	536.0	994.2	994.2
Available-for-sale financial assets	1	15.5	15.5	0.0	0.0
Loans and receivables		889.7	889.7	876.5	876.5
Financial assets at fair value through profit and loss	1	0.0	0.0	23.9	23.9
Financial assets at fair value through profit and loss (derivatives)	2	4.0	4.0	10.3	10.3
Total		**1 445.2**	**1 445.2**	**1 904.9**	**1 904.9**
Financial liabilities					
Bank overdrafts		34.6	34.6	13.1	13.1
Bonds		796.0	836.1	1 097.0	1 144.9
Accounts payable		501.0	501.0	492.1	492.1
Other financial liabilities		46.2	46.2	41.8	41.8
Financial liabilities measured at amortized cost		1 377.8	1 417.9	1 644.0	1 691.9
Financial liabilities at fair value through profit and loss (derivatives)	2	4.5	4.5	2.2	2.2
Total		**1 382.3**	**1 422.4**	**1 646.2**	**1 694.1**

The hierarchy below classifies financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: procedures in which all input parameters having an essential effect on the registered market value are either directly or indirectly observable.
- Level 3: procedures applying input parameters having an essential effect on the registered market value but are not based on observable market data.

Sika does not own any financial instruments requiring evaluation according to level 3 procedures.

A net loss of CHF 17.6 million (net loss of CHF 42.8 million) on financial assets and liabilities held at fair value through profit or loss was recognized in the income statement under other financial expenses.

Management of financial risks

Basic principles. The Group's activities expose it to a variety of financial risks: market risks (primarily foreign exchange risks, price risks, and interest rate risks), credit risks, and liquidity risks. The Group's financial risk management program focuses on hedging volatility risks.

The Corporate Finance Department identifies, evaluates, and hedges financial risks in close cooperation with the Group's operating units.

TO SECURE OWN OBLIGATIONS, PLEDGED OR CEDED ASSETS (ENCUMBERED ASSETS)

in CHF mn	2011	2012
Receivables	1.9	2.0
Property, plant, and equipment	1.3	1.3
Total book value of encumbered assets	**3.2**	**3.3**

OPEN DERIVATIVES

			Contractual value upon maturity		
	Replacement value		Contract value	Up to 3 months	3 to 12 months
in CHF mn	(+)	(-)			
Open derivatives 2011					
Forward contracts (foreign exchange)	0.2	-0.6	41.6	41.6	0.0
Swaps (foreign exchange)	3.9	-4.0	813.2	393.6	419.6
Total derivatives	**4.1**	**-4.6**	**854.8**	**435.2**	**419.6**
Open derivatives 2012					
Swaps (foreign exchange)	10.3	-2.2	795.0	236.5	558.5
Total derivatives	**10.3**	**-2.2**	**795.0**	**236.5**	**558.5**

Foreign exchange risks. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro and the US dollar. Foreign exchange risk arises when commercial transactions as well as recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group makes every effort to offset the impact of exchange rate movements as far as possible by utilizing natural hedges. Foreign exchange forward contracts/swaps are used to hedge foreign exchange risks. Gains and losses on foreign exchange hedges and assets or liabilities carried at fair value are recognized through profit or loss. The Group does not apply hedge accounting.

Sika carries out a sensitivity analysis for the dominant foreign currencies euro and US dollar. The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments, Group-internal financing, and foreign currency hedge transactions in the corresponding currencies. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. All other variables are held constant. The impact on shareholders' equity is insignificant.

CURRENCY AND ASSUMED RATE OF CHANGE AGAINST CHF

Effect on profit before tax in CHF mn	2011	2012
EUR: +10% (+10%)	-5.1	-1.2
EUR: -10% (-10%)	5.1	1.2
USD: +10% (+10%)	-14.2	-13.0
USD: -10% (-10%)	14.2	13.0

Price risks. The Group is exposed to purchasing price risks because cost of materials represents one of the Group's largest cost factors. Purchasing prices are influenced far more by the interplay between supply and demand, the general economic environment, and intermittent disruptions of processing and logistics chains, ranging from crude oil to purchased merchandise, than by crude oil prices themselves. Short-term crude oil price increases only have limited impact on raw material prices. Sika limits market price risks for important products by means of maintaining corresponding inventories and Group contracts (lead buying). The most important raw materials are polymers such as polyurethane, epoxy resins, polyvinyl chloride and cementitious basic materials. Other measures such as hedging are not practical because there is no corresponding market for these semi-finished products.

Interest rate risk. Interest rate risks result from changes in interest rates, which could have a negative impact on the Group's financial position, cash flow and earnings situation. Interest rate risk is limited through emission of fixed interest long-term bonds (nominal CHF 1100 million). A change in the rate of interest would therefore alter neither annual financial expenses nor shareholders' equity materially. Local bank loans and mortgages are insignificant. Interest rate development is closely monitored by management.

Credit risk. Credit risks arise from the possibility that the counterparty to a transaction may not be able or willing to discharge its obligations, thereby causing the Group to suffer a financial loss. Counterparty risks are minimized by only concluding contracts with reputable business partners and banks. In addition, receivable balances are monitored on an ongoing basis via internal reporting procedures. Potential concentrations of risks are reduced by the large number of customers and their geographic dispersion. No customer represents more than 1.5% of the Group's net sales. The Group held no securities for loans and accounts receivable at year-end 2011 nor at year-end 2012. The largest possible risk represented by these items are the carrying amount of the accounts receivables and any warranties granted.

Liquidity risk. Liquidity risk refers to the risk of Sika no longer being able to meet its financial obligations in full. Prudent liquidity management includes maintaining sufficient cash and cash equivalents and securing the availability of liquidity reserves which can be called up at short notice. Group Management monitors the Group's liquidity reserve on the basis of expected cash flows.

The table below summarizes the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments.

MATURITY PROFILE OF FINANCIAL LIABILITIES

in CHF mn	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
December 31, 2011				
Bank loans	27.0	7.6	0.0	34.6
Bonds	23.6	855.7	0.0	879.3
Accounts payable	501.0	0.0	0.0	501.0
Other financial liabilities	14.5	29.2	2.5	46.2
Financial liabilities measured at amortized cost	566.1	892.5	2.5	1 461.1
Financial liabilities at fair value through profit and loss	4.5	0.0	0.0	4.5
Total	**570.6**	**892.5**	**2.5**	**1 465.6**
December 31, 2012				
Bank loans	10.9	2.2	0.0	13.1
Bonds	277.8	598.6	314.6	1 191.0
Accounts payable	492.1	0.0	0.0	492.1
Other financial liabilities	12.8	26.8	2.2	41.8
Financial liabilities measured at amortized cost	793.6	627.6	316.8	1 738.0
Financial liabilities at fair value through profit and loss	2.2	0.0	0.0	2.2
Total	**795.8**	**627.6**	**316.8**	**1 740.2**

Capital management. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2012, and December 31, 2011. The Group monitors its equity using the equity ratio, which is shareholders' equity divided by total capital.

25. FUTURE OBLIGATIONS

Raw material supply contracts. Sika concludes collective lead-buying purchase contracts at Group level for important raw materials.

Delivery contracts for finished goods. Supply contracts are in effect with major customers. No other future obligations in excess of normal business activities existed as of the date of this report.

in CHF mn	2011	2012
Raw material supply contracts [1]	175	174
Delivery contracts for finished goods [1]	422	391

1 Contracts run until 2018, maximum.

Contingent liabilities. Given the Group's international operations, there are inherent tax risks (e. g. owing to transfer prices) which cannot be conclusively estimated. In ongoing business activity the Group may be involved in legal proceedings such as lawsuits, claims, investigations, and negotiations due to product liability, mercantile law, environmental protection, health, and safety, etc. There are no current proceedings of this nature pending which could have significant influence on business operations, on the Group's financial position or income. The Group is active in countries in which political, economic, social, and legal developments could impair business activity. The effect of such risks as can occur in the course of normal business operations is unforeseeable. In addition, their probability of occurrence lies below 50%.

in CHF mn	2011	2012
Guarantees and letters of comfort	23	28

If guarantees were claimed at the earliest possible date, then all would be due within one year.

26. CASH FLOW ANALYSIS

Details to the cash flow analysis. Compared with the previous year, cash flow was influenced by:
- higher consolidated net profit before tax (CHF 77.5 million)
- the change in net working capital (CHF 64.0 million)
- higher income tax payments (CHF -50.2 million)
- lower acquisition activity (CHF 135.3 million)
- issue of a bond (CHF 574.3 million)

in CHF mn	2011	2012
Operating activities	299.3	427.3
Investment activities	-263.9	-139.0
Financing activities	-430.3	173.9
Exchange differences	-7.5	-4.0
Net change in cash and cash equivalents	**-402.4**	**458.2**

Free cash flow and operating free cash flow

in CHF mn	2011	2012
Cash flow from operating activities	299.3	427.3
Net investment in		
Property, plant, and equipment	-96.0	-119.6
Intangible assets	-12.4	-5.2
Acquisitions less cash and cash equivalents	-143.8	-8.5
Capital increase at associated companies	-4.8	0.0
Acquisitions (-)/disposals (+) of financial assets	-6.9	-5.7
Free cash flow	35.4	288.3
Acquisitions/disposals less cash and cash equivalents	143.8	8.5
Acquisitions (+)/disposals (-) of financial assets	6.9	5.7
Operating free cash flow	**186.1**	**302.5**

Other adjustments. Included in other adjustments are:

in CHF mn	2011	2012
Non-liquidity-related interest expenses/income	-0.9	1.5
Non-liquidity-related financial expenses/income	-1.6	-4.5
Profit/loss from disposals of PPE	-5.3	-1.1
Personnel expense settled through treasury shares	4.8	7.7
Total	**-3.0**	**3.6**

27. SEGMENT REPORTING

Sika conducts its worldwide activities according to regions, to which a certain number of countries belong. Region heads are members of Group Management. Group Management is the highest operative executive body measuring the profit and loss of segments and allocating resources. The key figure of profit by which the segments are directed is that of operating profit, which stands in correlation with the consolidated financial statement. The financing (including financial expenditures and revenues) as well as income taxes are managed uniformly across the Group and are not assigned to the individual segments. The precise composition of the regions is shown on page 14.

Products and services from all product groups are sold in all regions. Customers derive from the building and construction industry or from the area of industrial manufacturing. Sales are assigned according to company locations. Taxes and any effects of financing are allocated to other segments and activities. Transfer prices between segments are calculated according to generally recognized principles.

Since 2011, the Automotive segment has been managed centrally on a global basis and reported in "Other segments and activities." Certain sales activities were still allocated to regions in 2011 but are managed centrally since 2012. The prior year figures have been restated.

"Other segments and activities" include the Automotive segment, expenditures for Group head quarter and its proceeds from services and delivery of goods to Group companies. In addition they contain expenses and income that cannot be allocated to an individual region. Mainly there are expenses for research and development.

The acquired Yean-il Industrial Co. Ltd., Korea, was assigned to region Asia/Pacific. The acquisition of the fire protection coatings and systems business of Mannheim based Rütgers Organics GmbH, Germany, was classified in the region Europe North. Sika Saudi Arabia Co. Ltd., Saudi Arabia, was assigned to the region IMEA.

NET SALES

in CHF mn	2011 With third parties	2011 With other segments	2011 Total	2012 With third parties	2012 With other segments	2012 Total
Europe North	1 327.4	78.1	1 405.5	1 250.9	87.0	1 337.9
Europe South	802.9	29.6	832.5	799.3	33.0	832.3
North America	617.4	22.5	639.9	705.7	24.6	730.3
Latin America	507.3	0.1	507.4	586.3	0.1	586.4
IMEA	263.9	0.7	264.6	278.5	1.0	279.5
Asia/Pacific	776.7	5.0	781.7	874.7	6.7	881.4
Other segments and activities	268.1	–	268.1	333.5	–	333.5
Eliminations	–	-136.0	-136.0	–	-152.4	-152.4
Consolidated net sales	**4 563.7**	**–**	**4 563.7**	**4 828.9**	**–**	**4 828.9**
Products for construction industry			3 698.6			3 883.7
Products for industrial manufacturing			865.1			945.2

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	2011	2012	Change compared to prior year (+/- in %) In Swiss francs	In local currencies	Currency impact
By region					
Europe North	1 327.4	1 250.9	-5.8	-3.9	-1.9
Europe South	802.9	799.3	-0.4	1.0	-1.4
North America	617.4	705.7	14.3	9.0	5.3
Latin America	507.3	586.3	15.6	17.0	-1.4
IMEA	263.9	278.5	5.5	7.7	-2.2
Asia/Pacific	776.7	874.7	12.6	6.8	5.8
Other segments and activities	268.1	333.5	24.4	25.5	-1.1
Consolidated net sales	**4 563.7**	**4 828.9**	**5.8**	**5.3**	**0.5**
Products for construction industry	3 698.6	3 883.7	5.0	4.2	0.8
Products for industrial manufacturing	865.1	945.2	9.3	9.5	-0.2

OPERATING PROFIT

in CHF mn	2011	2012	Change compared to prior year (+/-)	(+/- in %)
By region				
Europe North	123.5	130.8	7.3	5.9
Europe South	84.8	67.8	-17.0	-20.0
North America	50.9	69.6	18.7	36.7
Latin America	94.4	107.9	13.5	14.3
IMEA	25.1	27.7	2.6	10.4
Asia/Pacific	95.8	116.8	21.0	21.9
Operating profit	474.5	520.6	46.1	9.7
Other segments and activities	-127.4	-91.8	35.6	n.a.
Operating profit of the Group	**347.1**	**428.8**	**81.7**	**23.5**

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	2011	2012
Operating profit of the Group	347.1	428.8
Interest income	5.0	6.9
Interest expenses	-33.4	-30.6
Other financial income	5.2	2.8
Other financial expenses	-18.0	-16.3
Income from associated companies	9.6	1.4
Profit before taxes	315.5	393.0
Income taxes	-100.7	-111.9
Net profit	**214.8**	**281.1**

			2011			2012
in CHF mn	Depreciation	Impairment	Capital expenditures	Depreciation	Impairment	Capital expenditures
Europe North	24.0	0.1	19.2	21.8	0.0	9.2
Europe South	14.0	0.0	11.7	19.6	0.0	16.4
North America	21.7	0.0	13.4	24.2	0.0	14.0
Latin America	6.0	0.0	19.2	6.5	0.0	24.3
IMEA	3.1	0.0	6.4	3.9	0.0	6.0
Asia/Pacific	19.3	0.0	17.3	20.5	0.0	22.7
Segment results	88.1	0.1	87.2	96.5	0.0	92.6
Other segments and activities	40.8	1.3	29.9	43.6	0.0	38.7
Total	**128.9**	**1.4**	**117.1**	**140.1**	**0.0**	**131.3**

The following countries had a share of greater than 10% of at least one of corresponding Group key figures:

			Net sales				Non-current assets[1]	
in CHF mn	2011	%	2012	%	2011	%	2012	%
Switzerland	332.3	7.3	302.0	6.3	526.5	31.8	502.9	30.8
USA	589.3	12.9	690.8	14.3	246.8	14.9	226.0	13.8
Germany	562.8	12.3	562.4	11.6	128.9	7.8	141.7	8.7
All other	3 079.3	67.5	3 273.7	67.8	752.1	45.5	764.0	46.7
Total	**4 563.7**	**100.0**	**4 828.9**	**100.0**	**1 654.3**	**100.0**	**1 634.6**	**100.0**

1 Non-current assets less financial instruments, deferred tax assets and post-employement benefit assets.

28. RELATED PERSONS

At the end of the year under review Sika had one significant shareholder with a share of voting rights of over 3.0%: this is the Burkard-Schenker familiy, which according to information provided by the family as of December 31, 2012 holds 53.0% of all share votes, in part through the Schenker-Winkler Holding AG, Baar.

Associated companies. In the year under review goods totalling CHF 7.9 million (CHF 9.8 million) were delivered to Addiment Italia S.r.l. In addition Sika made further deliveries of goods and services to the other associated companies in a total amount of CHF 11.0 million (CHF 13.6 million). These transactions occurred on the usual conditions between wholesale partners.

Employee benefit plans. In Switzerland, employee benefit plans are handled through legally independent foundations, to which a total of CHF 21.6 million (CHF 21.3 million) was paid in the year under review. As of the balance sheet date no material receivables or payables were due from these foundations. Sika offices are located in a building leased from the pension fund foundation. Rent for 2012 amounted to CHF 0.5 million (CHF 0.5 million). No further major transactions were conducted with related parties.

Members of the Board of Directors. In the year under review property, plant, and equipment in the amount of CHF 0.2 million (CHF 1.3 million) and services in the amount of CHF 0.7 million (CHF 0.6 million) were acquired from companies of two members of the Board of Directors.

All transactions were conducted at market conditions.

29. REMUNERATION OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

For the business year 2012, the Board of Directors is entitled to the following remuneration:

in CHF mn	2011	2012
Current benefits [1]	19.6	16.1
Non-current benefits [2]	2.3	2.4
Social security contributions	3.3	3.2
Total	**25.2**	**21.7**

1 Members of Group Management draw 20% or 40% of their variable short-term bonus in the form of shares. The allocation occurs at fair value.
2 The long-term variable salary portion is based on a target to be met within a period of three years. This portion is paid out entirely in Sika shares. The allocation occurs at fair value. The amounts disclosed are the annual accruals and refer to Group Management.

Detailed information regarding remuneration of the Board of Directors and Group Management as well as participations in Sika AG can be found in notes 19 to 21 of the Sika AG Financial Statements (as of page 150).

30. RELEASE OF FINANCIAL STATEMENTS FOR PUBLICATION

The Board of Directors of Sika AG approved the Consolidated Financial Statements for publication on February 22, 2013. The financial statements will be submitted for approval to the Annual General Meeting on April 16, 2013.

31. EVENTS AFTER THE BALANCE SHEET DATE

The following event occurred between December 31, 2012 and the release of these consolidated financial statements:

At the end of 2012, Sika agreed to acquire Inatec SRL, Paraguay. The transactions will close only after publication of the consolidated financial statements and the precise details of the size and breakdown of the assets is still not known. From a Group perspective the amounts are immaterial. For this reason, Sika has decided against a provisional purchase price allocation. Inatec has annual sales of about CHF 7 million.

32. INFORMATION ON EXECUTION OF RISK ASSESSMENT

Risk management is carried out by the Board of Directors of Sika AG and by Group Management. The Board of Directors is the highest authority for risk assessment. The Board assesses risks annually at the level of the Group and Sika AG. Group Management regularly reviews the processes which form the basis for risk management. The risk management process comprises four steps: risk identification, risk assessment, risk monitoring, and risk controlling.

Details regarding the assessment of risk management can be found in note 24 to the Consolidated Financial Statements.

List of Group Companies

Country	Company[1]		Capital stock in thousands	% holding	Certification
Europe North					
Austria	❍ Sika Österreich GmbH, Bludenz	EUR	2 500	100	◆ ★
Belgium	✜ Sika SA, Brussels	EUR	2 500	100	◆ ★
	❍ Sika Automotive Belgium SA, Saintes	EUR	1 649	100	◆ ★ ✲
	❍ Sika Viscocrete Belgium NV, Brussels	EUR	7 000	100	◆ ★
Croatia	✜ Sika Croatia d.o.o., Zagreb	HRK	4 000	100	◆ ★
Czech Republic	❍ Sika CZ, s.r.o., Brno	CZK	30 983	100	◆ ★
Denmark	❍ Sika Danmark A/S, Fredensborg	DKK	5 000	100	◆ ★ ✲
Finland	❍ Oy Sika Finland Ab, Espoo	EUR	850	100	◆ ★
Germany	▲ Sika Holding GmbH, Stuttgart	EUR	26 000	100	◆ ★
	❍ Sika Deutschland GmbH, Stuttgart	EUR	75	100	◆ ★
	❍ Sika Automotive GmbH, Hamburg	EUR	5 300	100	◆ ★
	❍ Sika Trocal GmbH, Troisdorf	EUR	4 000	100	◆ ★
	▮ Tricosal Bauabdichtungs GmbH, Stuttgart	EUR	50	100	
Hungary	✜ Sika Hungária Kft., Budapest	HUF	483 000	100	◆ ★
Latvia	❍ Sika Baltic SIA, Riga	LVL	870	100	
Netherlands	✜ Sika Nederland B.V., Utrecht	EUR	1 589	100	◆ ★
	❍ BV Descol Kunststof Chemie, Deventer	EUR	1 588	100	◆ ★
	▲ AKIS Netherlands B.V., Utrecht	CHF	10	100	
Norway	❍ Sika Norge A/S, Skytta	NOK	42 900	100	◆ ★
Poland	❍ Sika Poland Sp.z.o.o., Warsaw	PLZ	12 188	100	◆ ★ ✲
Romania	❍ Sika Romania s.r.l., Brasov	RON	1 285	100	◆ ★ ✲
Russia	❍ Sika LLC, Lobnya	RUB	285 394	100	◆
Slovakia	✜ Sika Slovensko spol. s.r.o., Bratislava	EUR	1 131	100	◆ ★
Slovenia	✜ Sika Slovenija d.o.o., Trzin	EUR	1 029	100	◆ ★
Sweden	❍ Sika Sverige AB, Spånga	SEK	10 000	100	◆ ★
Switzerland	❍ Sika Schweiz AG, Zurich	CHF	52 000	100	◆ ★ ✲
	▮ Consorzio IGS, Zurich	CHF	0	65	
	▲ Sika Services AG, Zurich	CHF	300	100	◆ ★
	▲ Sika Technology AG, Baar	CHF	300	100	◆ ★
	▲ Sika Informationssysteme AG, Urdorf	CHF	400	100	
	▮ SikaBau AG, Zurich	CHF	5 300	100	◆
	▲ Sika Finanz AG, Baar	CHF	2 400	100	
	❍ Sika Manufacturing AG, Sarnen	CHF	14 000	100	◆ ★ ✲
	▲ Sika Supply Center AG, Sarnen	CHF	1 000	100	◆ ★
	✜ Sucoflex AG, Pfäffikon	CHF	1 000	100	◆ ★
	✜ Sika Sarnafil AG, Sarnen	CHF	1 650	100	
	❍ BIRO Edwin Bischof AG, Romanshorn	CHF	3 000	100	◆ ★
Ukraina	✜ LLC “Sika Ukraina”, Kiev	UAH	2 933	100	

Country	Company[1]		Capital stock in thousands	% holding	Certifi-cation
Europe South					
Algeria	❑ Sika El Djazaïr SpA, Eucalyptus Alger	DZD	313 400	100	◆
Bulgaria	✜ Sika Bulgaria EOOD, Sofia	BGL	340	100	◆ ★
France	❍ Sika France SAS, Paris	EUR	14 794	100	◆ ★
	❍ Axim SAS, Guerville	EUR	496	100	◆ ★
Greece	❍ Sika Hellas ABEE, Athens	EUR	3 000	100	◆ ★ ✲
Ireland	❍ Sika Ireland Ltd., Ballymun, Dublin	EUR	635	100	◆
	▲ AKIS Ireland Ltd., Dublin	CHF	70	100	
Italy	❍ Sika Italia S.p.A., Milan	EUR	5 000	100	◆ ★
	❍ Sika Engineering Silicones S.r.l., Milan	EUR	1 600	100	◆ ★
	❍ Sika Polyurethane Manufacturing S.r.l., Cerano	EUR	1 600	100	◆ ★
	❍ Technokolla S.p.A., Sassuolo (Modena)	EUR	5 000	100	◆
Mauritius	❍ Sika Mauritius Ltd., Plaine Lauzun	MUR	2 600	100	
Morocco	❍ Sika Maroc SA, Casablanca	MAD	55 000	100	◆ ★ ✲
	❍ Axim Maroc SA, Casablanca	MAD	11 000	100	
Portugal	❍ Sika Portugal – Productos Construção Indústria SA, Vila Nova de Gaia	EUR	1 500	100	◆ ★
Serbia	❍ Sika d.o.o. Beograd, Belgrade-Batajnica	EUR	373	100	
Spain	❍ Sika SA, Alcobendas	EUR	19 867	100	◆ ★
Tunisia	❑ Sika Tunisienne Sàrl, Douar Hicher	TND	150	86	◆ ★
United Kingdom	❍ Sika Ltd., Welwyn Garden City	GBP	10 000	100	◆ ★
	❍ Incorez Ltd., Lancashire	GBP	1	100	◆ ★ ✲

❑ Production, sales, construction contracting
❍ Production and sales
✜ Sales
▲ Real estate and service companies
▮ Construction contracting

◆ ISO 9001 (Quality Management)
★ ISO 14001 (Environmental Management)
✲ OHSAS 18001 (Occupational Health and Safety)

1 For associated companies see note 7.

Country	Company[1]		Capital stock in thousands	% holding	Certifi-cation
IMEA (India, Middle East, Africa)					
Azerbaijan	❍ Sika Limited Liability Comp., Baku	CHF	250	100	
Bahrain	❍ Sika Gulf B.S.C., Adliya	BHD	1 000	51	◆ ★ ✲
	▲ Sika Arabia Holding Company WLL, Adliya	BHD	6 000	51	
Egypt	❍ Sika Egypt for Construction Chemicals S.A.E., Cairo	EGP	10 000	100	◆ ★
	❍ Sika Manufacturing for Construction, S.A.E., Cairo	EGP	2 000	100	◆ ★
India	❍ Sika India Private Ltd., Mumbai	INR	45 000	100	◆
Iran	✜ Sika Parsian P.J.S. Co., Teheran	IRR mn	3 000	100	
Iraq	✜ Sika AG for General Trading LLC, Erbil	IQD	1 000	100	
Jordan	✜ The Swiss Construction Chemicals Co Ltd., Aqaba	JOD	50	100	
Kazakhstan	❍ Sika Kazakhstan LLP, Almaty	KZT	22 384	100	◆
Kenya	❍ Sika East Africa Ltd., Nairobi	KES	50 000	100	
Lebanon	❍ Sika Near East SAL, Beirut	LBP	400	100	
Pakistan	❍ Sika Pakistan Ltd., Lahore	PKR	82 958	100	
Qatar	✜ Sika Qatar LLC, Doha	QAR	200	51	
Saudi Arabia	❍ Sika Saudi Arabia Co Ltd., Riyadh	SAR	41 750	51	◆
South Africa	❍ Sika South Africa (Pty) Ltd., Pinetown	ZAR	25 000	100	◆ ★ ✲
Turkey	❍ Sika Yapi Kimyasallari A.S., Istanbul	TRY	6 700	100	◆ ★ ✲
UAE	❍ Sika UAE LLC, Dubai	AED	1 000	51	◆ ★ ✲
	✜ Sika FZCO, Dubai	AED	500	100	
North America					
Canada	❍ Sika Canada Inc., Pointe Claire/QC	CAD	5 600	100	◆ ★
	❍ Axim Concrete Technologies, Cambridge/ON	CAD	0	100	
USA	❍ Sika Corporation, Lyndhurst/NJ	USD	72 710	100	◆ ★
Latin America					
Argentina	❍ Sika Argentina SAIC, Buenos Aires	ARS	7 600	100	◆ ★ ✲
Bolivia	❍ Sika Bolivia SA, Santa Cruz de la Sierra	BOB	1 800	100	◆
Brazil	❍ Sika SA, São Paulo	BRL	40 000	100	◆ ★ ✲
	❍ Colauto Adesivos e Massas Ltda., São Paulo	BRL	18 410	100	★
Chile	❍ Sika SA Chile, Santiago	CLP mn	4 430	100	◆ ★ ✲
Colombia	❍ Sika Colombia SA, Tocancipá	COP mn	14 500	100	◆ ★
Costa Rica	✜ Sika productos para la construcción SA, Heredia	CRC	153 245	100	
Dominican Republic	✜ Sika Dominicana SA, Santo Domingo D.N.	DOP	12 150	100	
Ecuador	❍ Sika Ecuatoriana SA, Guayaquil	USD	1 982	100	◆ ★
Guatemala	❍ Sika Guatemala SA, Ciudad de Guatemala	GTQ	2 440	100	
Mexico	❍ Sika Mexicana SA de CV, Querétaro	MXN	40 035	100	◆ ★
Panama	✜ Sika Panamá SA, Ciudad de Panamá	USD	200	100	
Peru	❍ Sika Perú SA, Lima	PEN	3 500	100	◆ ★
Uruguay	❍ Sika Uruguay SA, Montevideo	UYP	22 800	100	◆ ★
Venezuela	❍ Sika Venezuela SA, Valencia	VEF	3 398	100	

Country	Company[1]		Capital stock in thousands	% holding	Certification
Asia/Pacific					
Australia	❍ Sika Australia Pty. Ltd., Wetherill Park	AUD	4 000	100	◆ ★ ✲
Cambodia	✤ Sika (Cambodia) Ltd., Phnom Penh	KHR	422 000	100	
China	❍ Sika (China) Ltd., Suzhou	USD	35 000	100	◆ ★ ✲
	❍ Sika Sarnafil Waterproofing Systems, (Shanghai) Ltd., Shanghai	USD	22 800	100	◆ ★ ✲
	❍ Sika Guangzhou Ltd., Guangzhou	CNY	80 730	100	◆ ★
	❍ Sika Ltd., Dalian	CNY	45 317	100	◆
	✤ Sika (Guangzhou) Trading Company Ltd., Guangzhou	CNY	3 723	100	
	❍ Sichuan Keshuai Admixture Co. Ltd., Chengdu	CNY	10 000	100	◆
	❍ Jiangsu TMS Concrete Admixture Co. Ltd., Zhengjiang	CNY	24 500	70	◆ ★ ✲
	❍ Hebei Jiuqiang Building Material Co. Ltd., Zhengding County	CNY	30 000	67	◆ ★ ✲
Hong Kong	❍ Sika Hong Kong Ltd., Shatin	HKD	30 000	100	◆ ★
Indonesia	❍ Sika Indonesia P.T., Bogor	IDR mn	3 282	100	◆ ★
Japan	❍ Sika Ltd., Tokyo	JPY	490 000	100	◆ ★
	▲ Dyflex HD Co. Ltd., Tokyo	JPY	10 000	76	
	✤ Dic Proofing Co. Ltd., Tokyo	JPY	90 000	76	
	❍ Dyflex Co. Ltd., Tokyo	JPY	315 175	76	◆ ★
	▮ DCS Kyoshin Co. Ltd., Tokyo	JPY	30 000	76	
	✤ U-Plex Co. Ltd., Tokyo	JPY	100 000	76	
Korea	❍ Sika Korea Ltd., Ansong-city Kyunggi-Do	KRW mn	5 596	100	◆ ★
Malaysia	❍ Sika Kimia Sdn. Bhd., Nilai	MYR	5 000	100	◆ ★
	▲ Sika Harta Sdn. Bhd., Nilai	MYR	10 000	100	
Mongolia	❍ Sika Mongolia LLC, Ulaanbaatar	MNT	278 884	100	
New Zealand	❍ Sika (NZ) Ltd., Auckland	NZD	1 100	100	◆ ★
Philippines	❍ Sika Philippines Inc., Manila	PHP	56 000	100	◆ ★
Singapore	✤ Sika Singapore Pte. Ltd., Singapore	SGD	400	100	◆
	▲ Sika Asia Pacific Mgt. Pte. Ltd., Singapore	SGD	100	100	
Taiwan	❍ Sika Taiwan Ltd., Taoyuan County	TWD	40 000	100	◆ ★
Thailand	❍ Sika (Thailand) Ltd., Cholburi	THB	200 000	100	◆ ★
Vietnam	❍ Sika Limited (Vietnam), Dong Nai Province	VND mn	44 190	100	◆ ★

❏ Production, sales, construction contracting
❍ Production and sales
✤ Sales
▲ Real estate and service companies
▮ Construction contracting

◆ ISO 9001 (Quality Management)
★ ISO 14001 (Environmental Management)
✲ OHSAS 18001 (Occupational Health and Safety)

1 For associated companies see note 7.

Report of the Statutory Auditors to the Annual General Meeting of Sika AG, Baar

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Sika AG, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes (pages 86 to 135) for the year ended on December 31, 2012.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the consolidated financial statements for the year ended December 31, 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Zug, February 22, 2013

ERNST & YOUNG LTD

BERNADETTE KOCH Licensed audit expert (Auditor in charge)	PASCAL KOCHER Licensed audit expert

Consolidated Balance Sheet as of December 31

in CHF mn		2008	2009	2010	2011	2012
Cash, cash equivalents		318.3	801.6	938.4	536.0	994.2
Accounts receivable	a	778.7	739.4	780.6	875.3	871.5
Inventories	b	512.7	451.4	499.7	530.6	521.6
Other current assets [1]		134.1	100.7	132.3	109.8	110.4
Total current assets		**1 743.8**	**2 093.1**	**2 351.0**	**2 051.7**	**2 497.7**
Property, plant, and equipment		832.9	861.7	816.5	860.6	873.3
Intangible assets		524.9	562.0	630.9	771.0	742.3
Other non-current assets [2]		107.8	122.0	142.4	147.0	149.0
Total non-current assets		**1 465.6**	**1 545.7**	**1 589.8**	**1 778.6**	**1 764.6**
TOTAL ASSETS		**3 209.4**	**3 638.8**	**3 940.8**	**3 830.3**	**4 262.3**
Accounts payable	c	398.1	355.2	478.2	501.0	492.1
Bonds (short-term)		0.0	0.0	274.6	0.0	249.9
Other current liabilities [3]		286.9	311.1	303.9	319.8	301.5
Current liabilities		685.0	666.3	1 056.7	820.8	1 043.5
Bonds		767.9	1 066.9	794.4	796.0	847.1
Non-current provisions, employee benefit liabilities		220.8	233.4	223.7	233.5	234.8
Other non-current liabilities [4]		71.0	71.5	106.4	140.9	129.5
Total non-current liabilities		1 059.7	1 371.8	1 124.5	1 170.4	1 211.4
Total liabilities		**1 744.7**	**2 038.1**	**2 181.2**	**1 991.2**	**2 254.9**
Capital stock		22.9	22.9	22.9	1.5	1.5
Treasury shares		-117.6	-106.3	-69.9	-55.7	-27.6
Reserves		1 556.8	1 679.4	1 802.9	1 880.3	2 018.6
Equity attributable to Sika shareholders		1 462.1	1 596.0	1 755.9	1 826.1	1 992.5
Non-controlling interests		2.6	4.7	3.7	13.0	14.9
Total shareholders' equity	d	**1 464.7**	**1 600.7**	**1 759.6**	**1 839.1**	**2 007.4**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	e	**3 209.4**	**3 638.8**	**3 940.8**	**3 830.3**	**4 262.3**

1 Prepaid expenses and accrued income, other current assets.
2 Investments in associated companies, deferred tax assets, and other non-current assets.
3 Accrued expenses and deferred income, income tax liabilities, current provisions, and other current liabilities.
4 Deferred tax liabilities and other non-current liabilities.

Consolidated Income Statement from January 1 to December 31

in CHF mn	2008	2009	2010	2011	2012
Net sales	4 632.4	4 162.3	4 421.8	4 563.7	**4 828.9**
Material expenses	-2 241.6	-1 867.0	-2 036.9	-2 259.1	-2 309.6
Gross result	2 390.8	2 295.3	2 384.9	2 304.6	**2 519.3**
Personnel expenses	-957.8	-954.3	-953.7	-959.9	-1 041.4
Other operating expenses	-876.9	-801.1	-854.5	-867.3	-909.0
Operating profit before depreciation and restructuring	556.1	539.9	576.7	477.4	**568.9**
Depreciation/impairment	-134.1	-139.3	-137.5	-130.3	-140.1
Operating profit before restructuring	422.0	400.6	439.2	347.1	**428.8**
Restructuring expenses	0.0	-56.6	0.0	0.0	0.0
Operating profit	422.0	344.0	439.2	347.1	**428.8**
Interest income/expense	-20.7	-24.3	-30.0	-28.4	-23.7
Financial income/expense/income from associated companies	-28.0	-4.1	-5.8	-3.2	-12.1
Net profit before taxes	373.3	315.6	403.4	315.5	**393.0**
Income taxes	-105.9	-89.9	-92.8	-100.7	-111.9
Net profit	267.4	225.7	310.6	214.8	**281.1**
Free cash flow	89.5	312.5	244.0	35.4	288.3
Gross result as % of net sales	51.7	55.2	54.0	50.5	52.2
Operating profit before restructuring as % of net sales	9.1	9.6	9.9	7.6	8.9
Net profit as % of net sales (ROS)	5.8	5.4	7.0	4.7	5.8
Net profit as % of shareholders' equity (ROE)	18.3	14.1	17.7	11.7	14.0

KEY BALANCE SHEET DATA

in CHF mn	Calculation	2008	2009	2010	2011	2012
Net working capital	(a + b - c)	893.3	835.6	802.1	904.9	901.0
Net working capital as % of net sales		19.3	20.1	18.1	19.8	18.7
Net debt [1]	f	465.1	264.8	165.2	338.7	155.5
Gearing in %	(f : d)	31.8	16.5	9.4	18.4	7.7
Equity ratio in %	(d : e)	45.6	44.0	44.7	48.0	47.1

1 Net debt: interest-bearing indebtedness (short and long-term bank debt, bonds and other current and non-current liabilities "other") less interest-bearing current assets (cash and cash equivalents and securities).

VALUE-BASED KEY DATA

in CHF mn	Calculation	2008	2009	2010	2011	2012
Capital employed [1]		2 108.6	2 041.2	2 086.3	2 351.5	2 334.2
Annual average of capital employed	g	2 074.9	2 074.9	2 063.8	2 218.9	2 342.9
Operating profit before restructuring	h	422.0	400.6	439.2	347.1	428.8
Return on capital employed (ROCE) in %	(h : g)	20.3	19.3	21.3	15.6	18.3

1 Capital employed = current assets, PPE, intangible assets less cash and cash equivalents, current securities, current liabilities (excluding bank loans and bond).

Segment Information

in CHF mn	Europe North 2008	2009	2010	2011	2012	Europe South 2008	2009	2010	2011	2012
Net sales	1 736	1 475	1 313	1 327	1 251	1 050	937	875	803	799
Operating profit before restructuring	191	159	143	124	131	145	136	127	85	68
in % of net sales	11.0	10.8	10.9	9.3	10.5	13.8	14.5	14.5	10.6	8.5
Depreciation/amortization	28	29	25	24	22	15	19	16	14	20
Impairment	6	2	0	0	0	0	0	0	0	0
Capital expenditures	67	45	26	19	9	21	17	12	12	16

in CHF mn	IMEA 2008	2009	2010	2011	2012	Asia/Pacific 2008	2009	2010	2011	2012
Net sales	258	266	285	264	279	483	473	661	777	875
Operating profit before restructuring	32	43	46	25	28	32	54	93	96	117
in % of net sales	12.4	16.2	16.1	9.5	10.0	6.6	11.4	14.1	12.3	13.4
Depreciation/amortization	3	3	3	3	4	12	13	17	19	20
Impairment	0	0	0	0	0	0	1	0	0	0
Capital expenditures	7	11	4	6	6	20	11	11	17	23

Since 2011 the automotive business segment has been managed centrally on a global basis. Internal reporting structures have been adjusted accordingly. The corresponding automotive units are no longer broken down by region but reported as "Other segments and activities." The 2010 figures have been adjusted accordingly. Figures for earlier years have not been adjusted.

Due to the first application of IFRS 8, data for 2008 were adjusted.

	North America					Latin America				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
	661	605	589	617	706	433	395	478	507	586
	47	64	56	51	70	59	57	88	94	108
	7.1	10.6	9.5	8.3	9.9	13.6	14.4	18.4	18.5	18.4
	25	25	25	22	24	6	6	6	6	6
	0	0	0	0	0	0	0	0	0	0
	26	24	9	13	14	26	8	11	19	24

	Other segments and activities					Total				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
	11	12	221	268	334	4 632	4 162	4 422	4 564	4 829
	-83	-112	-113	-127	-92	422	401	439	347	429
						9.1	9.6	9.9	7.6	8.9
	40	42	43	41	44	128	137	136	129	140
	0	0	2	1	0	6	3	2	1	0
	64	46	27	30	39	230	161	100	117	131

Employees

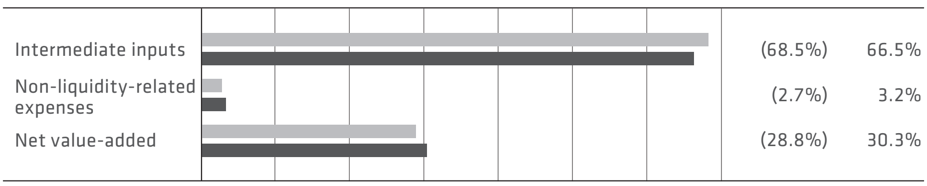
	2008	2009	2010	2011	2012
Employees by region (as of December 31)					
Europe North	4 741	4 417	4 455	4 997	4 907
Switzerland	2 036	1 900	1 912	2 312	2 164
Germany	1 422	1 336	1 321	1 417	1 440
Europe South	1 994	2 108	2 103	2 318	2 218
France	685	617	603	595	582
North America	1 358	1 163	1 360	1 491	1 437
USA	1 180	991	1 189	1 256	1 218
Latin America	1 729	1 561	1 703	2 101	2 170
Brazil	209	220	244	530	508
IMEA	873	892	1 082	1 224	1 281
Asia/Pacific	2 205	2 228	2 779	3 123	3 220
Japan	212	197	614	608	615
Total	**12 900**	**12 369**	**13 482**	**15 254**	**15 233**
Personnel expenses (in CHF mn)					
Wages and salaries	780	769	775	789	837
Social charges, other	178	185	178	171	204
Total personnel expenses	**958**	**954**	**953**	**960**	**1 041**
Personnel expenses as % of net sales	21	23	22	21	22
Key data per employee (in CHF 1 000)					
Net sales	376	329	342	318	317
Net value-added [1]	112	103	108	92	96

1 See next page, five-year reviews, value-added statement.

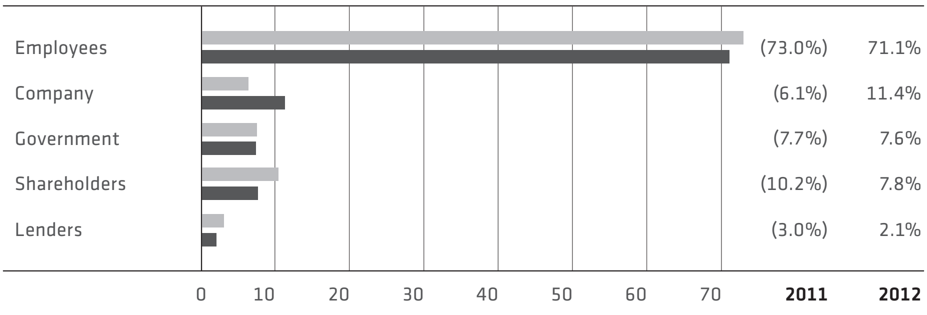
Value-Added Statement

in CHF mn	2008	2009	2010	2011	2012
Source of value-added					
Corporate performance (net sales)	4 632	4 162	4 422	4 564	4 829
Intermediate inputs	-3 139	-2 683	-2 914	-3 127	-3 212
Gross value-added	1 493	1 479	1 508	1 437	1 617
Expenses not affecting liquidity					
Depreciation and amortization	-134	-139	-138	-130	-140
Change in provisions	21	-42	23	8	-12
Net value-added	**1 380**	**1 298**	**1 393**	**1 315**	**1 465**
Distribution of value-added					
To employees					
Wages and salaries	780	769	775	789	837
Social charges	178	185	179	171	204
To governments (income taxes)	106	90	93	101	112
To lenders (financial expenses)	49	28	35	39	31
To shareholders (dividend payout, including minority interests)	112	112	112	134	114
To the company					
Net profit for the year	267	226	311	215	281
Less dividend payout	-112	-112	-112	-134	-114
Net value-added	**1 380**	**1 298**	**1 393**	**1 315**	**1 465**
Number of employees					
End of year	12 900	12 369	13 482	15 254	15 233
Annual average	12 312	12 635	12 926	14 368	15 244
Net value-added per employee (in CHF 1 000)	**112**	**103**	**108**	**92**	**96**

NET VALUE-ADDED 2012



DISTRIBUTION OF VALUE-ADDED = 100%



Sika AG Balance Sheet as of December 31

in CHF mn	Notes	2011	2012
Cash in bank	1	395.6	637.9
Securities		0.1	0.1
Accounts receivable from subsidiaries	2	1 056.9	581.2
Accounts receivable from third parties	2	6.9	4.2
Treasury shares	3	29.5	27.6
Accrued income		0.1	0.0
Current assets		**1 489.1**	**1 251.0**
Trademark licenses	5	6.7	6.3
Investments	6	1 180.0	1 890.6
Long-term loans and other non-current assets		3.8	5.5
Non-current assets		**1 190.5**	**1 902.4**
ASSETS		**2 679.6**	**3 153.4**
Accounts payable to subsidiaries	7	155.7	203.2
Accounts payable to third parties	7	16.8	16.9
Bond	9	0.0	250.0
Deferred income	8	48.8	23.7
Current liabilities		**221.3**	**493.8**
Other non-current liabilities	9	12.9	11.3
Bonds	9	800.0	850.0
Provisions for risks related to investments	10	92.1	120.7
Non-current liabilities		**905.0**	**982.0**
LIABILITIES		**1 126.3**	**1 475.8**
Capital stock		1.5	1.5
Legal reserves		169.1	88.1
Free reserves		65.9	94.0
Retained earnings		1 316.8	1 494.0
Shareholders' equity	11	**1 553.3**	**1 677.6**
LIABILITIES AND SHAREHOLDERS' EQUITY		**2 679.6**	**3 153.4**

Sika AG Income Statement from January 1 to December 31

in CHF mn	Notes	2011	2012
Income from subsidiaries	13	230.7	190.3
Financial income	14	71.5	83.9
Trademark licenses		32.0	37.6
Other income	15	0.1	17.0
Income		**334.3**	**328.8**
Administrative expenses	16	24.2	14.0
Personnel expenses		0.0	4.1
Financial expenses	17	73.0	60.9
Taxes		0.2	5.7
Depreciation/change in provisions	18	12.7	3.9
Other expenses		7.6	2.6
Expenses		**117.7**	**91.2**
NET PROFIT FOR THE YEAR		**216.6**	**237.6**

Notes to the Sika AG Financial Statements (in accordance with article 663b, Swiss Code of Obligations)

The balance sheet of Sika AG has changed due to the transfer of financing activities to Sika Finanz AG in November 2012. This relates in particular to accounts receivables and accounts payables from subsidiaries. A direct comparison with the prior year is therefore partially non-informative.

1. CASH IN BANK CHF 637.9 MN (CHF 395.6 MN)
All bank deposits are held in interest-bearing accounts. CHF 617.5 million (CHF 297.3 million) from bank deposits are invested in Swiss francs and CHF 20.4 million (CHF 98.3 million) in foreign currencies.

2. ACCOUNTS RECEIVABLE FROM SUBSIDIARIES AND THIRD PARTIES CHF 585.4 MN (CHF 1 063.8 MN)
Receivables consist mainly of loans to subsidiaries. A significant proportion of the loans to subsidiaries were transferred to Sika Finanz AG. The other loans of CHF 545.5 million (CHF 1 020.2 million) remain within Sika AG.

Sika AG has additional receivables of CHF 35.7 million (CHF 36.7 million) due from Sika subsidiaries on open accounts.

Receivables from third parties of CHF 4.2 million (CHF 6.9 million) include CHF 2.3 million (CHF 2.0 million) in credits from the Swiss tax authorities, CHF 1.7 million (CHF 1.7 million) from an insurance company and others of CHF 0.2 million (CHF 3.2 million).

3. TREASURY SHARES CHF 27.6 MN (CHF 29.5 MN)
Treasury shares are appropriated for Group-wide share based payment plans and used to invest liquidity. The value adjustment for treasury shares of CHF 12.6 million was released.

in CHF mn	Bearer shares nominal value CHF 0.60		Registered shares nominal value CHF 0.10		Total
	Units		Units		
As of January 1, 2011	35 908	33.7	0	0.0	33.7
Reductions	-9 496	-8.6	0	0.0	-8.6
Additions	2 716	4.4	0	0.0	4.4
Valuation adjustment	–	0.0	0	0.0	0.0
As of December 31, 2011	29 128	29.5	0	0.0	29.5
Reductions	-24 114	-33.7	0	0.0	-33.7
Additions	9 483	19.2	0	0.0	19.2
Valuation adjustment	–	12.6	0	0.0	12.6
As of December 31, 2012	14 497	27.6	0	0.0	27.6

4. FURNISHINGS CHF 1.00 P. M. (CHF 1.00 P. M.)
Acquired furnishings, as well as hardware and software, are depreciated in the year of acquisition and included as memo items at CHF 1.00. The fire insurance value amounts to CHF 0.6 million (CHF 0.6 million).

5. TRADEMARK LICENSES CHF 6.3 MN (CHF 6.7 MN)
Capitalized trademark licenses are amortized over their useful life.

6. INVESTMENTS CHF 1 890.6 MN (CHF 1 180.0 MN)
The increase in shareholdings is essentially attributable to the foundation of the finance companies. Major participations are indicated in the list of Group companies beginning on page 132.

7. ACCOUNTS PAYABLE TO SUBSIDIARIES AND THIRD PARTIES CHF 220.1 MN (CHF 172.5 MN)
The total includes CHF 203.2 million (CHF 155.7 million) in liabilities to Sika subsidiaries, resulting from the worldwide cash management concept. The increase is attributable to the transfer of financing activities to Sika Finanz AG. The transfer includes a loan debt with Sika Finanz AG of CHF 190.3 million. The remaining liabilities of CHF 16.9 million (CHF 16.8 million) consist of accounts payable to third parties.

8. DEFERRED INCOME CHF 23.7 MN (CHF 48.8 MN)
Deferred income includes pro-rata interest of CHF 18.6 million (CHF 16.7 million) as well as other accrued expenses of CHF 5.1 million (CHF 3.5 million). The provision for unrealized gains of CHF 28.6 million was realized in 2012 and released to the income statement.

9. BONDS AND OTHER NON-CURRENT LIABILITIES CHF 250.0 MN/CHF 850.0 MN (CHF 0 MN/CHF 800.0 MN) AND CHF 11.3 MN (CHF 12.9 MN)
Two bonds of each CHF 150 million were issued on July 12, 2012.

2.375%	fixed-interest bond	2006 – 2/15/2013	CHF 250.0 million
3.500%	fixed-interest bond	2009 – 6/4/2014	CHF 300.0 million
2.875%	fixed-interest bond	2006 – 3/23/2016	CHF 250.0 million
1.000%	fixed-interest bond	2012 – 7/12/2018	CHF 150.0 million
1.750%	fixed-interest bond	2012 – 7/12/2022	CHF 150.0 million

Other long-term liabilities contain the long-term, conditional purchase price obligation for the acquisition of Axim of CHF 11.3 million (CHF 12.9 million).

10. PROVISIONS FOR RISKS RELATED TO INVESTMENTS CHF 120.7 MN (CHF 92.1 MN)
Provisions for credit risks were increased by CHF 30.6 million. They relate to the economical, financial and political risks of the subsidiaries. Other provisions of CHF 2.0 million were released. Provisions for risks related to investments are unchanged.

11. SHAREHOLDERS' EQUITY CHF 1 677.6 MN (CHF 1 553.3 MN)
Shareholders' equity surpasses the previous year's level. The ratio of shareholders' equity to balance sheet total decreased from 58.0% to 53.2%.

in CHF mn	Capital stock	General statutory reserve	Capital contribution reserves	Reserve for treasury shares	Retained earnings	Shareholders' equity
January 1, 2011	22.9	113.4	–	69.9	1 264.8	1 471.0
Dividend payment	–	–	–	–	-112.8	-112.8
Repayment of nominal value	-21.4	–	–	–	–	-21.4
Transactions with treasury shares	–	–	–	-14.2	14.2	–
Capital contribution reserves [1]	–	-53.2	53.2	–	–	–
Net profit for the year	–	–	–	–	216.6	216.6
January 1, 2012	1.5	60.2	53.2	55.7	1 382.7	1 553.3
Dividend payment	–	–	–	–	-60.4	-60.4
Distribution of contribution reserves	–	–	-52.9	–	–	-52.9
Transactions with treasury shares	–	–	–	-28.1	28.1	–
Net profit for the year	–	–	–	–	237.6	237.6
December 31, 2012	**1.5**	**60.2**	**0.3**	**27.6**	**1 588.0**	**1 677.6**

1 Under Swiss tax law, effective 1 January 2011, repayments of capital contribution reserves are no longer subject to withholding tax deduction.

The capital stock remains unchanged. Net profit for the year reflects the regular business activities. The increase was mainly due to reduced administrative expense as well as reduced financial expense. A dividend of CHF 60.4 million as well as a distribution of capital contribution reserves of CHF 52.9 million was distributed to shareholders in April 2012. In accordance with the Swiss Code of Obligations, reserves for treasury shares are to be reported separately.

On December 31, 2012, the company had 51 (54) registered shareholders. Information regarding major shareholders can be found on page 130.

There is CHF 155 893.20 in contingent capital, unrestricted in time, comprising 259 822 bearer shares with a per-share nominal value of CHF 0.60. These shares are reserved for the exercise of option or conversion rights.

The capital stock consists of:

	Bearer shares[1] nominal value CHF 0.60 (CHF 0.60)	**Registered shares nominal value CHF 0.10 (CHF 0.10)**	**Total[1]**
12/31/2011 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	1 290 719	233 387	1 524 106
12/31/2012 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	1 290 719	233 387	1 524 106

1 Includes treasury shares which do not carry voting and dividend rights.

12. CONTINGENT LIABILITIES

Letters of guarantee and letters of comfort are issued to finance business transactions. No guarantees are required for any established zero-balanced cash pooling. Sika AG is part of the Sika Schweiz AG value-added tax group and is jointly and severally liable to the tax authorities for the value-added tax obligations of the tax group.

in CHF mn	2011	2012
Letters of guarantee		
Issued	131.9	123.3
Used	1.0	0.0
Letters of comfort		
Issued	3.6	3.4
Used	0.1	0.2
Credit lines to subsidiaries		
Issued	4.0	4.0
Used	0.6	0.6

13. INCOME FROM SUBSIDIARIES CHF 190.3 MN (CHF 230.7 MN)
The income from associated companies includes dividend distributions and a capital gain on the participation in Sika Saudi Arabia.

14. FINANCIAL INCOME CHF 83.9 MN (CHF 71.5 MN)
Financial income includes interest income and gains from foreign exchange transactions. The increase is largely due to higher gains from foreign exchange.

15. OTHER INCOME CHF 17.0 MN (CHF 0.1 MN)
Other income includes the release of the value adjustment for treasury shares of CHF 12.6 million as well as other valuation adjustments and other income.

16. ADMINISTRATIVE EXPENSES CHF 14.0 MN (CHF 24.2 MN)
Administrative expenses include expenses for the holding company and an allocation for the higher Group Management costs. The decline is linked to the revised allocation of costs.

17. FINANCIAL EXPENSES CHF 60.9 MN (CHF 73.0 MN)
Financial expenses mainly include the cost of interest on loans as well as foreign currency losses from foreign exchange transactions and loans. Losses from foreign exchange transactions arise from hedging transactions to secure loans granted to local companies.

18. DEPRECIATION/CHANGE IN PROVISION CHF 3.9 MN (CHF 12.7 MN)
This item includes changes in provisions amounting to CHF 2.0 million (CHF 11.8 million) and amortization of trademark licences to the usual extent according to their useful lives.

19. REMUNERATION OF THE BOARD OF DIRECTORS

For the business year 2012 (2011) the Board of Directors is entitled to the following remuneration:

	Walter Grüebler, Chairman until April 17, 2012		Paul Hälg, Chairman since April 18, 2012		Thomas W. Bechtler[4], Vice Chairman		Urs F. Burkard[5]	
in CHF 1 000	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
Fix fees	546.8	181.6	300.9	444.3	182.7	181.0	150.8	150.3
Committee fee[1]	41.4	13.8	30.0	29.2	30.0	43.3	28.0	28.0
Variable compensation[2]	148.0	96.7						
Shares[3]				319.5		33.2		33.2
Compensation	736.2	292.1	330.9	793.0	212.7	257.5	178.8	211.5
Social security contributions	70.6	19.2	26.2	54.8	17.1	19.3	14.5	16.0
Management insurance	55.3	18.5						
Benefit obligations	125.9	37.7	26.2	54.8	17.1	19.3	14.5	16.0
Total	**862.1**	**329.8**	**357.1**	**847.8**	**229.8**	**276.8**	**193.3**	**227.5**

	Willi K. Leimer		Monika Ribar		Daniel J. Sauter		Fritz Studer	
in CHF 1 000	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
Fix fees	150.0	150.0	100.2	150.0	150.9	150.2	159.3	52.2
Committee fee[1]	14.0	24.0	10.0	37.3	30.0	26.0	39.0	6.5
Variable compensation[2]								
Shares[3]		33.2		33.2		33.2		
Compensation	164.0	207.2	110.2	220.5	180.9	209.4	198.3	58.7
Social security contributions	13.4	15.7	9.1	16.7	12.2	12.5	13.0	2.8
Management insurance								
Benefit obligations	13.4	15.7	9.1	16.7	12.2	12.5	13.0	2.8
Total	**177.4**	**222.9**	**119.3**	**237.2**	**193.1**	**221.9**	**211.3**	**61.5**

	Ulrich W. Suter		Christoph Tobler		Frits van Dijk		Total	
in CHF 1 000	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
Fix fees	147.7	149.0	150.6	150.2		100.0	2 039.9	1 858.8
Committee fee[1]	19.0	10.7	24.0	26.0			265.4	244.8
Variable compensation[2]							148.0	96.7
Shares[3]		33.2		33.2		33.2	0.0	585.1
Compensation	166.7	192.9	174.6	209.4	0.0	133.2	2 453.3	2 785.4
Social security contributions	10.8	12.2	14.2	15.9		11.7	201.1	196.8
Management insurance							55.3	18.5
Benefit obligations	10.8	12.2	14.2	15.9	0.0	11.7	256.4	215.3
Total	**177.5**	**205.1**	**188.8**	**225.3**	**0.0**	**144.9**	**2 709.7**	**3 000.7**

1 Includes meeting fees (until the Annual General Meeting of April 2012) and Commitee Fees (after the Annual General Meeting of April 2012).
2 20% or 40% has to be drawn in the form of shares. The allocation occurs at market values.
3 At fair market value which is defined as the closing price of the share on the SIX Swiss Exchange on the first day of the year of mandate (April 18, 2012).
4 In the year under review CHF 0.7 million (CHF 0.6 million) was paid for services to a company associated with T. Bechtler.
5 In the year under review CHF 0.2 million (CHF 1.3 million) was paid for equipment to a company owned by U. Burkard.

The disclosure of compensation of the Board of Directors was cash-based until 2011. The disclosure in 2012 is based on accruals for the first time, therefore, year 2011 is being restated.

No member of the Board of Directors was granted a loan during the business year. No loans were outstanding at the end of the year under review.

In the year under review no compensation was paid to former members of the Board of Directors.

20. REMUNERATION OF GROUP MANAGEMENT

For the business year 2012 Group Management is entitled to the following remuneration:

	Ernst Bärtschi, CEO until 12/31/2011	Jan Jenisch, CEO since 1/1/2012		Total
in CHF 1 000	2011	2012	2011	2012
Fix salary[1]	1 000	862	6 818	6 521
Variable short-term bonus[2]	613	842	3 742	5 265
Variable long-term incentive[3]	1 071	532	5 637	3 152
Other expenses[4]	46	46	907	788
Compensation	2 730	2 282	17 104	15 726
Pension benefits[5]	473	307	3 080	2 985
Benefit obligations	473	307	3 080	2 985
Total	**3 203**	**2 589**	**20 184**	**18 711**

1 Includes annual base salary and anniversary payments. All compensation amounts in this report are gross payments including social security and withholding tax.
2 Estimated short-term bonus of the reporting year that will be paid in April 2013 (accrual principle) including 20% uplift on the portion taken in form of shares (20% or 40% of bonus amount). The allocation occurs at market values.
3 The long-term incentives shown are accrued and pertain to entitlements acquired in 2012 which will be paid out in 2013 or in future years, based on the estimated performance payout for each plan.
4 Includes company car cash allowance, representation allowance and home office allowance for members of Group Management with a Swiss contract of employment and perquisites and other compensation for members of Group Management with a contract of employment outside Switzerland. Does not include cost allowances for international assignees such as tax equalization, housing, home leave, schooling.
5 Includes social security contributions as well as contributions to company provided pension plans.

In the year under review compensation in the amount of CHF 3.9 million was paid to the former CEO, which includes the standard compensation during the notice period as well as the net present value of the benefit provided under the early retirement plan.

21. PARTICIPATIONS IN SIKA AG

Members of the Board of Directors and Group Management hold the following participations in Sika AG:

	Number of shares		Number of warrants (potential voting rights)	
	2011	2012	2011	2012
Board of Directors				
Paul Hälg, Chairman since April 18, 2012	100	100	0	0
Walter Grüebler, Chairman until April 17, 2012	2 237	n.a.	0	n.a.
Thomas W. Bechtler, Vice Chairman	687	687	0	0
Urs F. Burkard [1]	213	213	0	0
Willi K. Leimer	0	0	0	0
Monika Ribar	22	22	0	0
Daniel J. Sauter	2 000	2 000	0	0
Fritz Studer until April 17, 2012	20	n.a.	0	n.a.
Ulrich W. Suter	0	0	0	0
Christoph Tobler	210	310	0	200
Frits van Dijk	0	25	0	0
Group Management				
Jan Jenisch, CEO since January 1, 2012	500	1 000	0	0
Ernst Bärtschi, CEO until December 31, 2011	794	n.a.	0	n.a.
Silvio Ponti, deputy CEO	556	911	0	0
Alexander Bleibler	456	697	0	0
Iven Chadwick	209	386	0	0
Bruno Fritsche	194	292	0	0
Christoph Ganz	176	313	0	0
Peter Krebser	241	299	0	0
Urs Mäder	257	383	0	0
Hubert Perrin de Brichambaut	124	278	0	0
Ernesto Schümperli	261	443	0	0
Paul Schuler	401	659	0	0
Ronald Trächsel	542	792	0	0
José Luis Vásquez	480	686	0	0
Heinz Gisel	151	162	0	0
Total	**10 831**	**10 658**	**0**	**200**

1 Urs. F. Burkard also has an interest in the Schenker-Winkler Holding, which holds 2 359 511 Sika AG shares.

22. INFORMATION ON EXECUTION OF RISK ASSESSMENT

Risk management is carried out by the Board of Directors of Sika AG and by Group Management. The Board of Directors is the highest authority for risk assessment. The Board assesses risks annually at the level of the Group and Sika AG. Group Management regularly reviews the processes which form the basis for risk management. The risk management process comprises four steps: risk identification, risk assessment, risk monitoring, and risk controlling.

Information on the Group-wide risk assessment processes can be found in note 24 to the Consolidated Financial Statements.

Proposal by the Board of Directors

The Board of Directors proposes to the Annual General Meeting the following appropriation of retained earnings:

in CHF mn	2011	2012
Composition of retained earnings		
Net profit for the year	216.6	237.6
Profit brought forward	1 100.2	1 256.4
Retained earnings	**1 316.8**	**1 494.0**
Dissolution of capital contribution reserves	52.9	0.0
Total for disposition to Annual General Meeting	**1 369.7**	**1 494.0**
Dividend payment		
Dividend payment out of retained earnings [1]	60.4	128.8
Dividend payment out of capital contribution reserves [1, 2]	52.9	0.0
Total	**1 256.4**	**1 365.2**

1 Dividend payment for shares entitled to dividends (without treasury shares as per December 31, 2012).
2 The distribution of capital contribution reserves has no impact on retained earnings.

As the general statutory reserve currently exceeds 20% of shareholders' equity, a further allocation to the reserve was waived.

On approval of this proposal, the following payment will be made:

in CHF	2011	2012
Bearer share[1] nominal value CHF 0.60		
Gross dividend	24.00	51.00
35% withholding tax on gross dividend	8.40	17.85
Net dividend	**15.60**	**33.15**
Registered share nominal value CHF 0.10		
Gross dividend	4.00	8.50
35% withholding tax on gross dividend	1.40	2.98
Net dividend	**2.60**	**5.53**
Bearer share[1] nominal value CHF 0.60		
Repayment of nominal value/distribution of capital contribution reserves	21.00	0.00
35% withholding tax	–	–
Net repayment of nominal value/net distribution of capital contribution reserves	**21.00**	**0.00**
Registered share nominal value CHF 0.10		
Repayment of nominal value/distribution of capital contribution reserves	3.50	0.00
35% withholding tax	–	–
Net repayment of nominal value/net distribution of capital contribution reserves	**3.50**	**0.00**

1 Bearer shares held by Sika AG are non-voting shares and do not qualify for a dividend.

Payment of the dividend is tentatively scheduled for Tuesday, April 23, 2013 upon presentation of coupons no. 23 for bearer shares.

Registered shareholders will receive payment of the dividend at the address provided to the company for purposes of dividend distribution.

The Annual General Meeting of Sika AG will be held on Tuesday, April 16, 2013, 3 p.m. in the Lorzensaal in Cham, Switzerland.

Baar, February 22, 2013

For the Board of Directors
The Chairman:
DR. PAUL HÄLG

Report of the Statutory Auditors to the Annual General Meeting of Sika AG, Baar

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Sika AG, which comprise the balance sheet, income statement, and notes (pages 144 to 154) for the year ended December 31, 2012.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the financial statements for the year ended December 31, 2012 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations, CO, and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

Zug, February 22, 2013

ERNST & YOUNG LTD

BERNADETTE KOCH
Licensed audit expert
(Auditor in charge)

PASCAL KOCHER
Licensed audit expert

FINANCIAL CALENDAR

TUESDAY, APRIL 16, 2013
Shareholder letter (first quarter 2013)
Annual General Meeting

TUESDAY, APRIL 23, 2013
Dividend payment

TUESDAY, JULY 30, 2013
Shareholder letter (Half-Year Report 2013)

WEDNESDAY, OCTOBER 30, 2013
Shareholder letter (nine months 2013)

TUESDAY, JANUARY 14, 2014
Net sales 2013

THURSDAY, MARCH 4, 2014
Full-year results 2013; media conference / analysts' presentation

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The Sika Annual Report is published in German and English. The statements in this review relating to matters that are not historical facts are forward-looking statements. They are no guarantee of future performance and involve risks and uncertainties with regard to future global economic conditions, foreign exchange rates, regulatory rules, market conditions, the actions of competitors and other factors beyond the control of the company.

The consolidated financial statements are prepared according to the International Financial Reporting Standards (IFRS).

This Annual Report is available in both German and English and can also be accessed on our website www.sika.com. The printed German text is the definitive version.

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