2011

Sika Annual Report

Innovation & Consistency | since 1910

For Jean Nouvel, *a 32 000 m² façade* clad with *6 500 perfectly jointed glass panels.* For Daniel Libeskind, a *1400 m² roof* that

Freedom of Design

The precision-designed Sikasil® silicone joints are essential to the glass façade's filigree aesthetic, rigorous color scheme and environmental control performance.

Acceleration

Sika superplasticizers and shrinkage-reducing admixtures were instrumental in delivering a handsome fair-faced concrete finish and to keep the tight construction schedule.

reads as a fifth façade, *sloping at 37°* from 90 to 180 meters in height. *Turning architects' visions into reality,* drawing on in-depth experience and know-how to translate ideas into buildings and works of art – that is one side to Sika's definition of customer focus. The other is to *offer variety, deliver quality and build trust.* In all aspects of technology, materials and practical application. Its mission is to create fresh scope for ideas, formal designs and connecting assemblies which, in many cases, are still waiting to be discovered.

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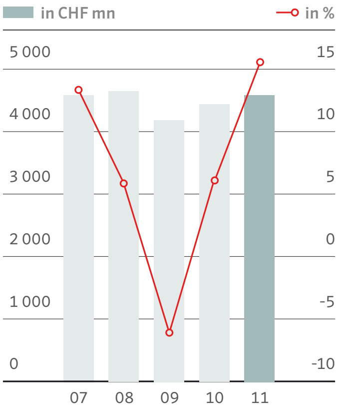
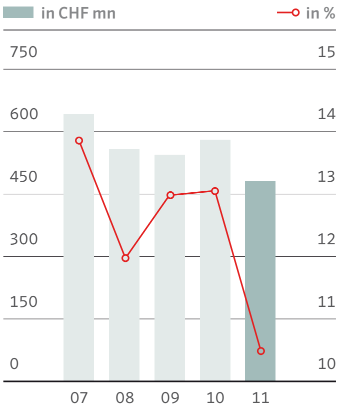
Brief Overview

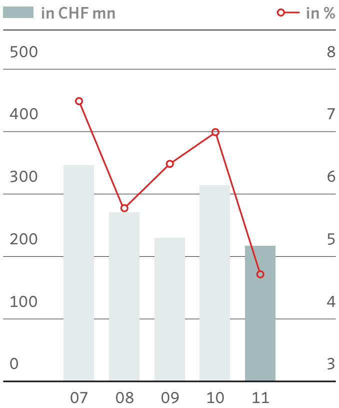
Net sales (consolidated) | Growth in local currencies



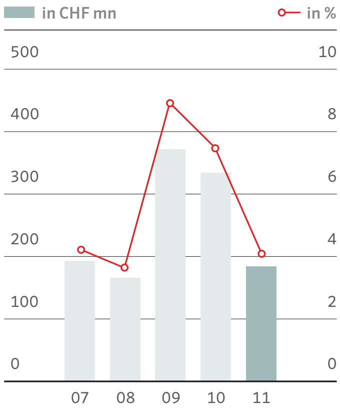
Operating profit before depreciation | as % of net sales



Net profit after taxes | as % of net sales



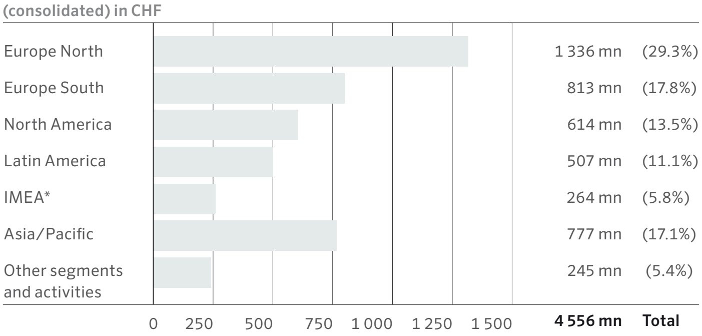
Operating free cash flow | as % of net sales



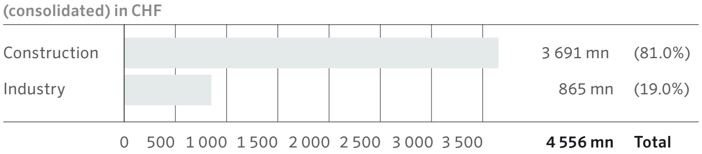
Sika Group

in CHF mn	2010	as % of net sales	2011	as % of net sales
Net sales	4 416.0		4 556.4	
Gross result	2 384.9	54.0	2 304.6	50.6
Operating profit before depreciation (EBITDA)	576.7	13.1	477.4	10.5
Operating profit (EBIT)	439.2	9.9	347.1	7.6
Net profit after taxes	310.6	7.0	214.8	4.7
Operating free cash flow	332.2	7.5	186.1	4.1
Capital expenditures	99.9	2.3	117.1	2.6
Balance sheet total	3 940.8		3 830.4	
Shareholders' equity	1 759.6		1 839.1	
Equity ratio in %	44.7		48.0	
ROCE in %	21.3		15.6	
Earnings per share in CHF	124.48		85.06	
Number of employees	13 482		15 254	
Energy consumption in MJ per ton sold	1 259		1 505	
CO_2 emissions in 1 000 tons	29 000		31 000	
Water consumption in 1 000 m^3	2.0		2.0	

Net sales by Region
(consolidated) in CHF

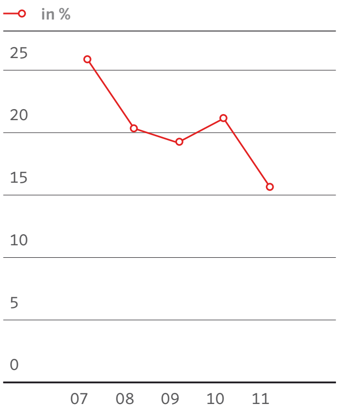


Net sales by market
(consolidated) in CHF

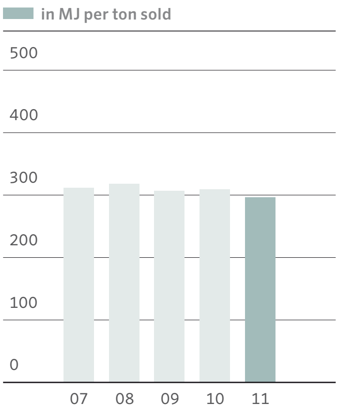


* India, Middle East, Africa

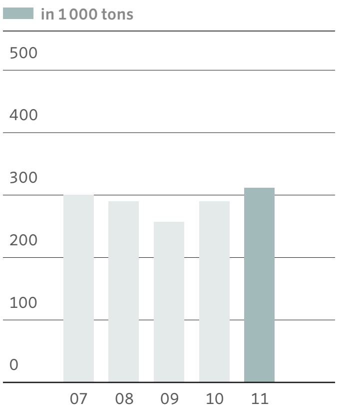
ROCE*



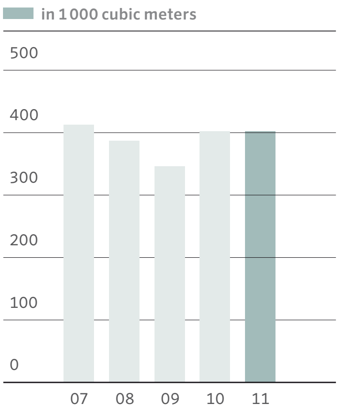
Energy consumption



CO_2 emissions



Water consumption



Portrait and core competencies.

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, alternative energies, building components). 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 76 countries and some 15 300 employees link customers directly to Sika and guarantee the success of all partners. Sika generates annual sales of CHF 4.556 billion.

Sealing Sealing minimizes the infiltration of gases and liquids through voids and cavities as well as the transmission, spread or loss of heat. Large expanses of flat roofing, complex tunnel systems, damage-prone water-retaining structures and sophisticated wall-cladding assemblies are durably weatherproofed and made resistant to temperature fluctuations, aging and vibration – thereby enhancing the functionality and comfort of the interior environment.

Bonding Bonding ensures the permanent, elastic and structurally continuous connection of different materials. Innovative processes are used to bond vehicle components, window assemblies or even concrete bridge units weighing several tons. Sika's bonding technology enhances the safety of end products while increasing design freedom. These applications may also be used to optimize manufacturing processes and reduce cycle times.

Damping Damping reduces vibrations of all frequencies in fixed and moving objects, thereby lowering resonance and noise emission in load-bearing structures and cavities. The attenuation of noise, for instance, in vehicle interiors – in cars, on buses or on cruise ships – significantly increases the comfort of drivers and passengers alike.

Reinforcing Reinforcing components are strategically incorporated in structures to improve their resistance to static and dynamic loads. Applications range from lightweight window frames and crash-resistant car bodies to monumental concrete bridges. These solutions can be used to strengthen existing and optimize new-build load-bearing structures.

Protecting Protective elements increase the durability of load-bearing structures and help to preserve the fabric of new and renovated facilities. Sika's solutions guarantee long-term protection for concrete and steelwork assemblies against climatic conditions, chemical action, pollution and fire.

- Net sales in local currencies were up 15.5% compared to previous year.
- Sika continued to gain market share worldwide.
- Sika posted double-digit growth in all regions except Europe South.
- Acquisitions are an important element of the growth strategy. In 2011 Sika acquired eight companies.
- In 2011 Sika increased its equity ratio to 48.0%.
- Sika is confident that in the 2012 business year it will generate continued growth and improve margins.

* Return On Capital Employed

Robust growth despite challenging markets. Sika achieved *impressive growth of 15.5% in local currencies* and posted

Robust Growth

double-digit expansion in all regions except Europe South. Sika recorded a decrease in profits. The huge increase in raw material prices and unfavorable exchange rate developments pressured our margins, with the result that profit was appreciably lower than in the previous year. *We expect challenging market conditions to continue in 2012, but remain cautiously optimistic.*

Letter to Shareholders

Market development

The Sika Group had a positive start to 2011. The construction industry made the most of a warm winter in Europe. In particular the Region Europe North benefited from the favorable conditions, and business in Germany continued on its solid development path. In summer the escalating debt crisis in the euro zone started to unsettle markets in the Mediterranean area. The austerity measures of the governments in Greece, Portugal, Ireland, Spain, and Italy began to weigh on domestic demand and construction activity in these countries.

In the stagnating North American market we achieved double-digit growth, thanks mainly to cooperation in the project business with Greenstreak, a company acquired in 2010, and record results in the roof membrane business.

By harnessing the unbroken momentum in the emerging markets of Asia and Latin America we were able to post well above-average growth in these markets. Thus, Sika has written another chapter in the history of its success in the emerging markets, which in the meantime generate not only 36% of our consolidated net sales, but also a significant share of our Group profit.

In many countries large infrastructure projects had a positive effect on Sika's sales. Examples include construction activity in connection with the European Football Championships in Poland and Ukraine in 2012 and investment in large infrastructure projects such as dams and power plants in the USA.

The industrial markets, in particular motor vehicle production, recovered surprisingly quickly from the 2008–2009 crisis. In 2011 there were no signs of this development slowing. Indeed, Germany's automotive industry enjoyed a record year and the three large US car makers rebounded strongly and regained market share.

Higher sales, lower profit

The satisfactory development in sales as measured in local currency (+15.5%) was only possible owing to worldwide gains in market share. However, this result was impacted by developments in the currency markets. On account of the unfavorable exchange rate development, sales in Swiss francs increased by only 3.2%, from CHF 4 416.0 million to CHF 4 556.4 million.

Dr. Walter Grüebler, Chairman of the Board of Directors,
Jan Jenisch, Chief Executive Officer

In 2011 construction industry markets experienced sharp increases in the prices of raw materials, in particular in the first half of the year. Because we can pass on increased costs of materials through higher market prices only with a time lag, our margins came under pressure. Operating profit of CHF 347.1 million corresponds to an EBIT margin of 7.6%. In the second half of the year price increases started to have an impact and toward the end of the year the increase in raw material prices began to tail off.

Balance sheet positions

In 2011 Sika increased its equity ratio from 44.7% to 48.0%. As a result of further acquisitions net debt rose from CHF 165.2 million to CHF 338.7 million. At the end of October Sika repaid a bond in the amount of CHF 275 million, which, in view of its solid cash position, it did not need to renew. The strong franc and Sika's good liquidity profile leave further scope for acquisitions.

Acquisitions

One element of our growth strategy is acquisitions. In the year under review Sika acquired a total of eight firms. Including Hebei (concrete admixtures), a company located southwest of Beijing, Colauto (automotives industry) in São Paulo, and Axim (Italy, concrete admixtures), a globally active subsidiary of Italcementi Group. Together, the eight companies generated annual sales of CHF 233.6 million in 2011.

Acquisition targets include companies that will give Sika better market access or have a technology that our sales network can successfully market worldwide. Because the market for construction chemicals is consolidating, there will be more buying opportunities. Since 2000 Sika has acquired a total of 46 companies, without jeopardizing the Group's healthy financial base.

Sustainability and solidarity

Sika technologies make an essential contribution to the sustainable development of our society. Our additives make it possible to massively reduce CO_2 emissions in the production of concrete and cement. Sika roofing systems reduce energy consumption in buildings by up to 15%. Moreover, as the global leader in waterproofing, we help to optimize global water management.

Sika employees demonstrated tremendous solidarity after the catastrophic earthquake and tsunami in Japan in March 2011. More than 2 000 Sika employees around the world donated about CHF 150 000 to rebuild the damaged houses of their Japanese colleagues. During the devastating floods in Thailand in October, Sika was able to provide safe accommodation outside the flooded districts in Bangkok for all of its affected employees. In both disaster areas employees demonstrated enormous commitment – including extra shifts – to maintain production.

Outlook for 2012

We are cautiously optimistic about 2012. Developments in Europe are still overshadowed by uncertainty. Sika will counter this uncertainty with an enhanced focus on customers and strict cost controls. The economy in North America has stabilized at a low level. In this region Sika forecasts further growth primarily through increased market share and solid prospects for its project business. Furthermore, we work on the premise that the emerging markets, with isolated exceptions, will continue to grow rapidly.

In the future Sika will continue to attach great importance to strong growth and growing market share. Although we are the global market leader in the field of construction chemicals, we are not yet number one in all our target markets. Our target markets have a potential market value in excess of CHF 50 billion, and in all of these markets there are growth opportunities.

While we assume that margins will improve as prices of raw materials stabilize, we continue to apply strict cost management and only approve plans for expansion if they are justified by performance.

Proposals of the Board of Directors

The Board of Directors proposes to the Annual General Meeting payment of an unchanged gross dividend of CHF 45.00 per bearer share and CHF 7.50 per registered share. The payment is divided into an ordinary gross dividend of CHF 24.00 per bearer share and CHF 4.00 per registered share that is subject to withholding tax and, in keeping with the capital contribution principle that Sika applies, a payment of CHF 21.00 per bearer share and CHF 3.50 per registered share that is not subject to withholding tax and for natural persons resident in Switzerland not subject to income tax either. The proposal is an expression of Sika's solid balance sheet and the consistency of its dividend payout policy.

Furthermore, it is recommended to the Annual General Meeting to re-elect current Board members Paul Hälg, Daniel J. Sauter, and Ulrich W. Suter and to newly elect Frits van Dijk, former Executive Vice President and Member of Executive Board of Nestlé responsible for Asia, Oceania, Africa and Middle East. Fritz Studer is not standing for re-election. We offer him our warmest thanks for many years of highly qualified work in Sika's interests.

Succession planning at the top

As previously announced, after the Annual General Meeting in April Walter Grüebler will be stepping down after about 15 years of service to the Sika Group. His successor, Paul Hälg, unites in his person the necessary specialized market and technological knowledge and experience.

The change of Chief Executive Officer has already taken place. After some ten years with Sika Ernst Bärtschi has retired. He was succeeded by Jan Jenisch as of January 1, 2012. We should like to take this opportunity as well to offer Ernst Bärtschi our warmest thanks for his great efforts on behalf of the Sika Group.

Vote of thanks

2011 was a challenging year for Sika. We had to contend with unfavorable developments in exchange rates and the prices of raw materials, and some of our markets were marked by great uncertainty. Many Sika managers and employees shouldered particularly heavy demands in the year under review. We thank all who successfully rose to the challenges: our customers, suppliers, and business partners, our employees and, last but not least, you, our shareholders for your loyalty. We look forward to further fruitful cooperation in 2012.

Sincerely,

Dr. Walter Grüebler
Chairman of the Board

Jan Jenisch
Chief Executive Officer

On the one hand: *15.5% growth in local currencies* resulting from gains in global market share, an *equity ratio of 48.0%* and

Investing in Sika

improved market access due to strategic acquisitions: *Sika is a soundly based, successful company that is fit for the future.* On the other hand: The Sika share price under pressure in the wake of global economic uncertainty, the debt crisis in Europe, the strong Swiss franc and high raw material costs. The upshot: price drop that bottomed out in August. Then slight, although not full, recovery by the end of 2011. One thing to emerge is that corporate performance and share prices are not always governed by the same logic. *Thanks to its strong growth, Sika defies economic turbulences.*

Lower margins weigh on Sika shares. On the back of the European debt crisis and the strong Swiss franc, the overall Swiss stock market declined year-on-year in 2011. In addition, Sika shares were hit by the lower margins as a result of higher raw materials. The share price began to recover at the end of the year.

Stock price development

Stock market developments in 2011
Sika's business year and the performance of the Sika share were shaped by the uncertainties in the global economy. Between January 3 and December 30, 2011, Sika shares fell by 13.7%, from CHF 2 051 to CHF 1 770. In 2011 Sika shares peaked at CHF 2 250 on April 4 and reached a low of CHF 1 528 on August 10.

On January 11, 2011, Sika published the sales figures for 2010. The Group achieved consolidated net sales of CHF 4.4 billion, which represents an increase of more than 10% in local currencies. Growth was particularly strong in the Region Asia/Pacific, which posted gains of 41.4%. The earnings figures came out at the beginning of March. In the 2010 business year net profit increased by 37.7% year-on-year to CHF 311 million. Although higher raw material prices trimmed gross margins, this impact was more than offset by growth in the emerging markets and one-off tax effects. The stock market reacted positively to the published figures.

Likewise in March, Sika announced that it had acquired a majority stake in Hebei Jiuqiang Construction Material, a Chinese supplier of building materials. In mid-April Sika published the results for the first quarter of 2011. In this period, sales rose to CHF 1.0 billion, an increase of 14.3% in local currencies compared to the same period in the previous year.

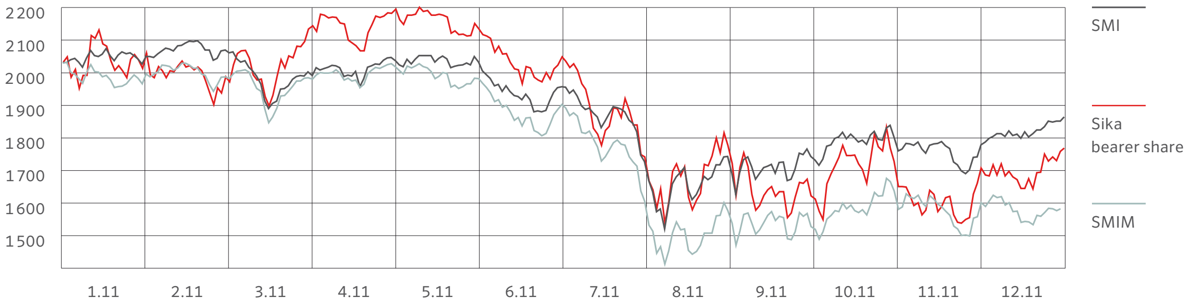
On June 20, Sika announced its succession plan. The Board of Directors nominated Paul Hälg as successor to the current Chairman of the Board of Directors, Walter Grüebler. Jan Jenisch was named as successor to Ernst Bärtschi as CEO and assumed office on January 1, 2012. In July the Group announced the acquisition of BIRO Edwin Bischof AG, a Swiss manufacturer of injection molded components, and of Technokolla, an Italian specialty chemicals company.

As a consequence of the debt crisis Sika shares plunged in summer, in line with the rest of the stock market. The share price bottomed in August. Owing to rising raw material prices, Sika's margins came under pressure. In the half-year report published in July, the company was able to announce that sales had increased by 6.6% to CHF 2.2 billion. As in the 2010 business year, growth was driven by the markets in Asia/Pacific and Latin America.

In the fall Sika announced further acquisitions: In Brazil the purchase of Colauto Adesivos e Massas strengthened the Group's position in the automotives industry. In Spain Sika acquired Comercial de Preresa, a flooring manufacturer.

Sika's third-quarter results, which were published at the beginning of November, indicated that growth was slowing. Sales in the first nine months of 2011 rose by 3.2% to CHF 3.4 billion. In local currency this represented an increase of 17.2%. Toward the end of the year Sika shares recovered to CHF 1 770, a level, however, that did not fully compensate for the losses sustained early in the year and in summer.

Performance of Sika bearer shares in Swiss francs from January 1, 2011, to December 31, 2011
Share prices as of December 31, 2011: CHF 1 770



Per share data

		2007	2008	2009	2010	2011
Bearer shares[1, 2]: Nominal value CHF 0.60 (CHF 9.00)						
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		2 117 179	2 089 691	2 095 572	2 115 291	2 122 071
of which entitled to vote		2 117 179	2 089 691	2 095 572	2 115 291	2 122 071
Gross dividend	CHF	45.00	45.00	45.00	45.00	24.00[3]
Repayment of nominal value / net payout of capital contribution reserves	CHF	–	–	–	8.40	21.00[3]
Stock quotations						
high	CHF	2 595	2 082	1 658	2 145	2 250
low	CHF	1 850	788	685	1 482	1 528
year-end	CHF	2 136	900	1 615	2 051	1 770
Stock price performance	%	13.0	-58.0	79.4	27.0	-13.7
Average daily trading volume[4]	Shares	8 870	8 871	5 746	10 735	6 333
Registered shares[5, 6]: Nominal value CHF 0.10 (CHF 1.50)						
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	7.50	4.00[3]
Repayment of nominal value / net payout of capital contribution reserves	CHF	–	–	–	1.40	3.50[3]
Key data per bearer share[7]						
Net profit per share (EPS)[8]						
basic EPS	CHF	135.4	107.00	91.03	124.48	85.06
EPS development	%	50.0	-22.0	-14.9	36.7	-31.7
Equity per share	CHF	584	587	640	704	728
Price-earnings ratio (P/E), year-end		15.8	8.4	17.7	16.5	20.8
Dividend/repayment of nominal value yield	%	2.1	5.0	2.8	2.6	2.5[6]
Other information						
Market capitalization[9]	CHF mn	5 426	2 286	4 102	5 210	4 496
in % of equity	%	369	156	258	297	246
Total dividend/repayment of nom. value	CHF mn	111.5	111.5	111.8	134.2	113.0[3]
in % of net profit (payout ratio)[7]	%	33	42	50	43	53

[1] Registration no. 58797/Reuters: SIK.S, Bloomberg: SIK SW
[2] Of which, in 2011, Sika owned 29 128 (35 908) 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 2011, Sika AG owned no (0) registered shares
[7] Excluding minority interests
[8] For EPS calculation, see note 25
[9] The registered shares were delisted from the Swiss stock exchange in 2003. In our calculation these are taken into account with ⅙ of the bearer share price of December 31, 2011

Early identification of possible risks. As a global player, Sika is exposed to a variety of risks. The permanent protection of the Group's reputation and the capital invested in Sika as well as safeguarding of its freedom of action necessitate a timely analysis of potential risks and their integration into strategic decision-making processes. Thereby new opportunities may unlock.

Risk Management

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 reacted years ago by introducing a comprehensive risk management system 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. 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 from the suppliers that offer the best quality and greatest reliability. Wherever possible, Sika obtains those materials required for special solutions from at least two providers. Base materials needed for one-of-a-kind technologies are manufactured in-house.

Production and logistics

Risk management in the areas of production and logistics entails the annual systematic analysis of possible operational risks that may lead to downtime or other disruptions along with the specification of suitable preventive measures. Sika is also insured against production losses. The practical and organizational procedures for handling operational and all other risks are laid down in Sika's Risk Management Policy. This policy is based on the mandatory standards governing environmental protection, health, and safety. Risk analyses performed by external specialists, frequently in close collaboration with the relevant property insurance companies, complement the in-house assessments.

1.5 %

Customer diversification:
No single customer accounts for more than 1.5% of Sika's turnover

On average, internal checks are carried out at Sika's major factories every three years. Accompanied by the local management and their teams, corporate specialists conduct two-day risk visits to identify and record those risks that may result in production downtimes, 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. Adopting the same procedure, each company independently conducts an annual in-house risk analysis on its production and logistics operations.

Sika sets defined standards for risk provisions that are binding for its production and logistics operations. They are part of a Group-wide management system and are displayed together with the statutory regulations in the management system of each site. For this purpose, Sika production companies are certified to DIN EN ISO 14001 (environmental protection) and 9001 (quality), and many already to OHSAS 18001 (safety and health). Detailed information on certifications of Group companies can be found on page 128 ff.

The risks potentially posed by products are minimized through the implementation of binding procedures governing product development and refinement – the so-called 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 counseling 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 risk of incorrect application of its products, Sika attach great importance to targeted customer support and quality controls.

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 – no single customer accounts 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 three long-term bonds, two to the value of CHF 250 million maturing in 2013 und 2016 and one for CHF 300 million maturing in 2014.

A—/stable

is the Standard & Poor's rating for Sika

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 and, through a cost structure dovetailed to the prevailing market conditions, ensures adequate cash generation at all times. 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).

Financial risk management is described in detail on page 117 ff of this Report.

To generate growth in clearly defined markets by means of new products, energy- and cost-efficient solutions, and

Strategy & Focus

targeted acquisitions. Key strategy is to *focus on core competencies – sealing, bonding, damping, reinforcing and protecting – and emerging markets,* in tandem with uncompromising brand management and innovation. One-third of Sika's sales comes from products that have been on the market for less than 5 years. *CHF 77.7 million was spent on research and development,* whose aim is to boost sustainability through the more efficient use of energy, water and materials plus a longer service life. Sika's firm commitment: to become the number 1 in all its target markets.

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 create sustainable growth.

Group Strategy

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 production
- Elastic sealing and bonding
- Waterproofing
- Roofing systems
- Flooring systems
- Refurbishment and strengthening
- Industrial manufacturing (primarily motor vehicle production)

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 crucial 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. For 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.

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.

The Sika Brand

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. Nearly as old as the company itself, 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 600 Sika product trademarks, such as Sikaflex®, Sika® ViscoCrete®, SikaBond® or Sarnafil®, 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 15 680 trademark registrations in 160 countries at the end of the period under review. Sika AG continuously monitors its trademarks and takes consistent legal action in cases of infringement.

Marketing

The company catchword "Know-how from Site to Shelf" encapsulates the principles behind Sika's distribution business: Sika exclusively sells high-grade products boasting a track record of top performance on the world's largest job sites and available from builders' merchants' shelves in uniform quality. Customers around the world, both large and small, reap the benefits of superior quality. "From Roof to Floor", another company slogan, this time underscores the wide variety of applications covered by the Sika range. Sika's products and systems deliver prime solutions for every phase of construction.

Individual solutions for global requirements. Sika's growth strategy focuses on four customer groups, whose varying requirements are conscientiously met at global, regional and local level.

Customers & Markets

Customers

Sika's marketing, service and sales operations are geared to four key customer groups, each with its own special demands.

Concrete producers ("Concrete") need cost-optimized solutions, purpose designed for the particular cement and application, and subject to individual fine-tuning in ready-mixed and precast concrete plants, or on the job site. As a result, Sika's business success largely hinges on its presence in all relevant local markets. Key account management is, however, also playing an ever more important role due to the increasingly globalized operations of major cement and concrete producers.

Specialized applicators ("Contractors") purchase Sika products, such as Sikaplan® or Sarnafil® polymeric sheet membranes, which they then incorporate as waterproof barriers in roof or basement constructions. They use liquid polymers to install industrial flooring or protective coatings, and apply sealants and adhesives to prevent water infiltration through structural joints or to bond wooden floor finishes. As these works are always part of a larger scheme, Sika offers its support and know-how to owners, architects, engineers and other involved parties at the earliest possible project stage. The professional counseling of all project parties is the key to success.

Builders' merchants ("Distribution") play a more or less prominent role in different countries, depending on the traditional organization of the construction sector. In some countries, the smaller tradesmen's businesses obtain materials from building supplies stores, while the larger contractors and specialist applicators purchase their products directly from Sika. In other countries, builders' merchant outlets represent the principal distribution channel for practically all users. In the latter case, merchants also act in an advisory capacity and help tradesmen to tackle the diverse challenges arising on the job site. This function is particularly important for Sika in the emerging markets, e.g. India or Latin America, given that merchants act as disseminators and promote market penetration.

Industrial customers ("Industry") require Sika products that are tailored to their particular needs – and these generally in larger volumes. Here, the focus tends to be on bonding, reinforcing and soundproofing applications. Sika technologies are primarily employed in the manufacture of automobiles, buses, trucks, railway cars and ships. Other sectors offering attractive sales potential include industrial window production, wind turbines and solar power stations.

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 six 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 as well as the marketing and development activities geared to the customer groups.

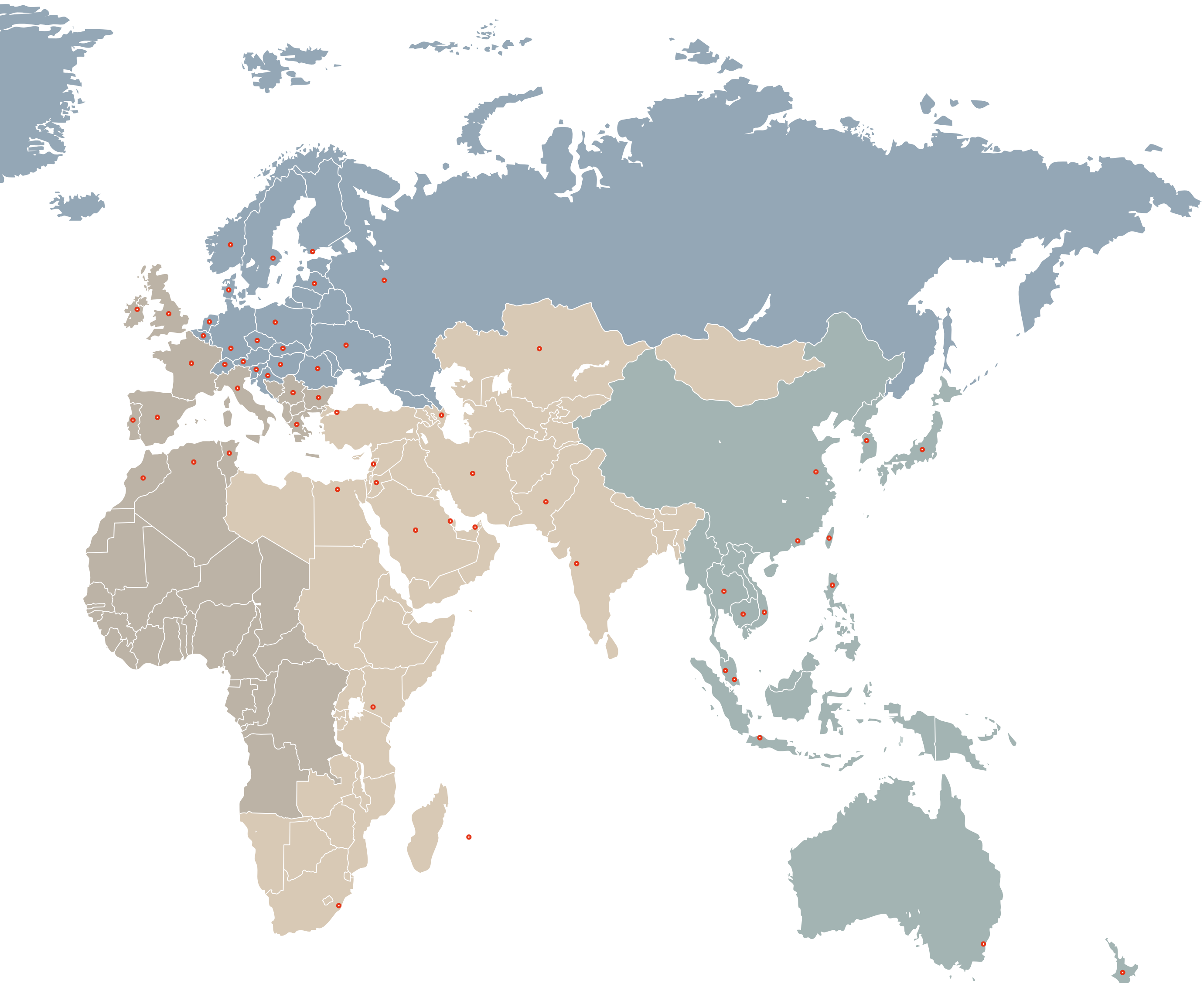
In 2002, following strong growth, the Region Europe was segmented into the Regions Europe North and Europe South. The latest restructuring, in 2006, set out to exploit Sika's full potential in the Middle East, where the company was thought to have underperformed for years. The grouping together of the Middle East with India and South and East Africa led to the creation of the new IMEA (India, Middle East and Africa) Region. The individual Regions' development in the year under review is described in detail on page 30 ff and on page 123 ff.

1932

Sika established the first subsidiary outside Europe in Japan

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
1 336	813	614	507	264	777
Employees	Employees	Employees	Employees	Employees	Employees
4 997	2 318	1 491	2 101	1 224	3 123



Sika subsidiary

Länder mit Sika Gesellschaft

Länder mit Verkaufsrepräsentant

Investment in a sustainable future. Products that have been on the market for a maximum of five years accounted for 32.7% of Sika sales in 2011. 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 customer groups.

Products & Innovation

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 organic growth 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 32.7% of Sika sales in the reporting year (previous year: 30.3%).

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.

Sealing. Sealing minimizes the infiltration of gases and liquids through voids and cavities as well as the transmission, spread or loss of heat. Large expanses of flat roofing, complex tunnel systems, damage-prone water-retaining structures and sophisticated wall-cladding assemblies are durably weatherproofed and made resistant to temperature fluctuations, aging and vibration – thereby enhancing the functionality and comfort of the interior environment.

Bonding. Bonding ensures the permanent, elastic and structurally continuous connection of different materials. Innovative processes are used to bond vehicle components, window assemblies or even concrete bridge units weighing several tons. Sika's bonding technology enhances the safety of end products while increasing design freedom. These applications may also be used to optimize manufacturing processes and reduce cycle times.

Damping. Damping reduces vibrations of all frequencies in fixed and moving objects, thereby lowering resonance and noise emission in load-bearing structures and cavities. The attenuation of noise, for instance, in vehicle interiors – in cars, on buses or on cruise ships – significantly increases the comfort of drivers and passengers alike.

Reinforcing. Reinforcing components are strategically incorporated in structures to improve their resistance to static and dynamic loads. Applications range from lightweight window frames and crash-resistant car bodies to monumental concrete bridges. These solutions can be used to strengthen existing and optimize new-build load-bearing structures.

Protecting. Protective elements increase the durability of load-bearing structures and help to preserve the fabric of new and renovated facilities. Sika's solutions guarantee long-term protection for concrete and steelwork assemblies against climatic conditions, chemical action, pollution and fire.

32.7 %

of sales in 2011 was generated by products that have been on the market for a maximum of five years

Research strategy

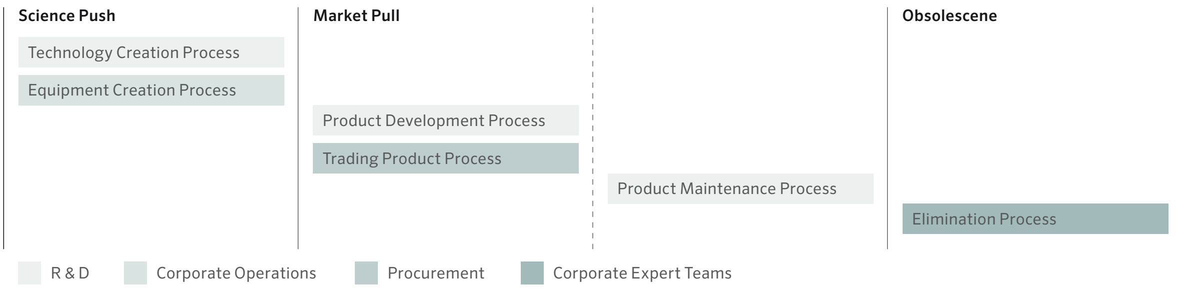
At Sika, research and development are dictated by two main factors. The first of these relates to global trends driven by the principles of sustainable development, such as the demand for resource-saving building methods, energy-efficient construction materials or lightweight vehicles. The second relates 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 decentralized 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 road maps governed by the five megatrends (population growth in the emerging countries, increasing urbanization, greater standardization, mounting shortages of natural resources, and more intensive environmental protection). Here, the identification of new products, alternative raw materials and new production methods is only one aspect. Equally important is the refinement of existing products or their introduction in new fields of application.

Corporate expert teams play a crucial role in the management of research and development projects. These global teams include representatives from wide-ranging corporate functions, such as purchasing, development, fabrication, marketing and logistics. They ensure that the different perspectives are given due consideration in projects and they assume responsibility for implementation in the Regions and Business Units.

The regional components of Sika's research strategy are entrusted to the eleven 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.

Product Creation Process



Collaborations

In the field of basic research, Sika relies mainly on collaborations with premier universities in Switzerland, the USA, Germany, Spain, France, China, India and other countries, with the focus being mainly on doctoral theses. Sika is also sponsoring a professorship for sustainable construction at the ETH (Swiss Federal Institute of Technology) Zurich. 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 and 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.

Sika Technology AG participates in a range of projects funded by the European Union or its member countries. These projects range from basic research into sustainable chemistry to process and application development.

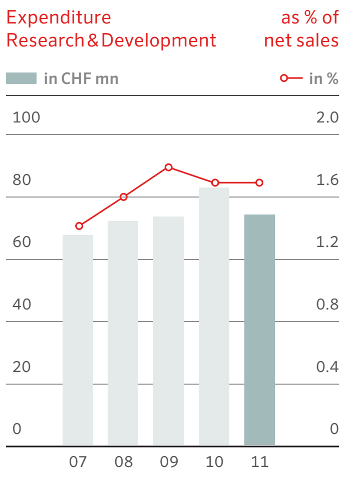
Sika Technology AG is also active in the United Nations Sustainable Buildings and Climate Initiative (SBCI), whose aim is to establish sustainable building practices worldwide.

Innovation

Expenditure on research and development in the Group in the year under review totaled CHF 77.7 million (2010: CHF 74.4 million), roughly equivalent to 1.7% of sales (2010: 1.7%). The R & D budget was allocated in accordance with strategic priorities.

The Sika Group's Corporate 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 Corporate Operations, 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 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, innovative ideas from the Regions are collected and leveraged for the Group.



2011 saw Sika launch onto the market a number of new important products, which include the following:

- Unique one-component structural polyurethane adhesives for automotive industry, combining advantages of i-Cure technology, proprietary Booster system and ultra-high-modulus adhesives
- New generation of reinforcer technology and high-expansion (2000%) baffles for profile extrusion in automotive industry
- Aluminum-compatible, crash-resistant SikaPower® products for lightweight construction in automotive industry
- Next generation of polyurethane/cementitious industrial flooring (PurCem®) with high load capacity
- Liquid polyurethane membrane for European and Latin American markets
- New shotcrete accelerator, tailored to raw materials situation in emerging markets
- ViscoCrete®-based concrete plasticizer for major markets, specifically China and Japan
- Hot-melt adhesives for bonded roof membranes and for connecting polar and nonpolar substrates
- New i-Cure curing technology for Sikaflex® flooring adhesives

Patents

In 2011, Sika filed for 70 patents (2010: 60) and made 75 invention disclosures (2010: 82).

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 decades ahead. At the same time, these developments act as powerful drivers for new technologies and solutions.

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.

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 is determined to help shape these change processes proactively 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.

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 signed member 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.

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." To increase the sustainability of its own activities, Sika this year launched a global three-year program for safety and efficiency. The 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 over the next three years together with substantial cuts per manufactured unit in energy use, water consumption or waste production, as appropriate for the particular site.

40

national subsidiaries of Sika have participated in the Responsible Care program since 1992

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 boast 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.

Stronger growth in target markets. Acquisitions are a key plank of Sika's growth strategy in that they enable the company to complement its core business areas with related technologies or improve its access to target markets. Through capacity expansion fine-tuned to market demands and investment in plant efficiency, the Group ensures the consolidation of its global growth potential.

Acquisitions & Investments

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. This 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. The assessment of takeover offers is based on gained experience and competencies 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.

2011 Acquisitions

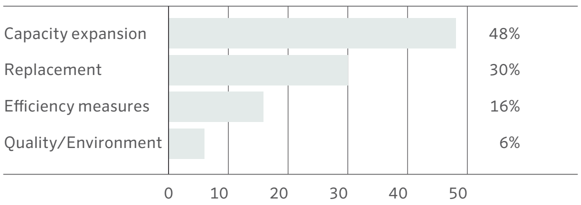
In March of the year under review, Sika, through its Chinese subsidiary Sika (China) Ltd., acquired a majority stake in Hebei Jiuqiang Construction Material Co. Ltd., a leading provider of concrete admixtures in northern China. The company's main plant is located 280 km southwest of Beijing in Hebei Province. The company enjoys a strong market position, has an extensive sales network and benefits from the well-known Jiuqiang brand name in the Chinese market for powder concrete admixtures. The new partnership will enable Sika to expand its market position in China and supply the construction industry in this dynamic region with a wide range of products and technologies.

In the course of the ongoing reorganization in the Middle East, Sika established a regional holding company (Sika Arabia Holding Company WLL, Bahrain) with its local partner. Sika holds a 51% stake. The previous associated company Sika Gulf B.S.C. was taken over by the holding company and consolidated for the first time as of June 30, 2011.

At the start of July, Sika AG acquired BIRO Edwin Bischof AG in Romanshorn, Switzerland, a plastic products manufacturer with strong skills in multicomponent injection molding. BIRO Edwin Bischof AG produces components for the European automotive industry, including sound-damping parts and reinforcers for bodywork structures. The company has come under increasing pressure in recent years as a result of the economic and financial crisis. BIRO Edwin Bischof AG has been producing parts for the automotive industry on Sika's behalf for over ten years. By acquiring the company, Sika thus ensured that production would continue and that various supply commitments to its partners would be honored. The move also allowed the Group to establish its own European center of excellence for injection molding.

July also saw Sika AG acquire Technokolla, a company based in northern Italy with a modern production site at Sassuolo. Technokolla has a strong position in the Italian market for tile adhesive systems and also operates in the neighboring countries. Thanks to the new partnership, Sika will be able to capitalize on new distribution channels to strengthen its market position and supply the Italian construction industry with an even wider range of products and technologies.

Investments 2011



At the end of August, Sika took over Colauto Adesivos e Massas Ltda, a Brazilian manufacturer of adhesives and sealants as well as acoustic damping and structural reinforcement elements for the fast-growing automotive and transport industry. Colauto enjoys an excellent reputation as a customer- and solution-led company and ranks among the leading suppliers of chemical process materials for the Latin American automotive sector. Acquisition of Colauto has provided Sika with ready access to this very promising growth market.

The start of October saw Sika AG, through its Spanish subsidiary Sika S.A.U., acquire full ownership of Comercial de Preresa S.A.U. (Copsa), a company operating in the flooring, repair and reinforcement markets in Spain and Portugal. Sika had started collaborating with Copsa several years previously after buying a 35% stake in the company. The full takeover will enable Sika to strengthen its position and penetration in the Iberian market.

Through its Canadian subsidiary, Sika took over Duochem Inc. at the start of December. The company develops, manufactures and sells polymer flooring and waterproofing products for the construction industry. Its core products include polymer flooring systems for a wide variety of applications together with polyurethane waterproofing membranes and coatings used to protect parking decks and concrete structures. By acquiring Duochem Inc., Sika has further bolstered its strong position in the Canadian market.

Shortly before the year-end, Sika took over Axim, the market name for the global concrete admixture and cement grinding aid business of the Italcementi Group. Operating several production units and sales organizations in Italy, France, the USA, Canada, Morocco and Spain, Axim offers a broad range of innovative products. Apart from concrete admixtures and cement grinding aids, these include specialized chemicals that enhance the performance of cement and concrete, as well as improve cement production efficiency.

This acquisition allows Sika to significantly strengthen its market position in the relevant countries and expand market share in the admixtures business worldwide.

2011 Investments

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. Through its decentralized market development policy Sika is close to its customers, and invests locally in production and logistics capacities.

Investments in the year under review rose from CHF 99.9 million to CHF 117.1 million, equivalent to 2.6% 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 declined from 59% to 48%. The breakdown of the remaining investment is as follows: 16% (2010: 16%) was used for rationalization, 30% (2010: 18%) was needed to replace existing facilities, and 6% (2010: 7%) 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.

Sales growth across all Regions: Asia/Pacific +28.1%, North America +21.5%, Latin America +21%, IMEA +12.9%, Europe

Performance

North +11.3%, Europe South +4.2%. *Total sales: CHF 4 556.4 million, of which 36% was generated in the emerging markets.* Rising raw material prices, in particular, squeezed the gross margin and cut operating profit from the previous year's CHF 439.2 million to CHF 347.1 million in 2011. The sustainability measures throughout the value chain showed impact: *The energy requirement per ton of product sold fell from 616 to 595 megajoules.* Sika views its prospects for 2012 with cautious optimism and stands by its medium-term growth target of 8–10%.

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 relate to sales objectives, profit, cash flow and return on capital employed (ROCE).

Group Report Targets

Medium-term targets		Results				
		2007	2008	2009	2010	2011
Growth in local currencies in %	**8–10**	13.0	5.9	-6.2	6.1	11.6
Operating profit before depreciation as % of net sales	**12–14**	13.9	12.0	13.0	13.1	10.5
Net profit as % of net sales	**>6**	7.5	5.8	6.5	7.0	4.7
Operating free cash flow as % of net sales	**4–6**	4.2	3.6	8.9	7.5	4.1
ROCE* in %	**20–25**	26.0	20.3	19.3	21.3	15.6

* Return On Capital Employed, see also page 135

Financial targets

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 Board of Directors regularly reviews the Sika Group's strategy and targets, and adjusts these as appropriate. Sika's medium-term targets envisage sales growth in local currencies of between 8 and 10% a year. Sika seeks to gain market share in its key sales markets and, in the longer-term, achieve a 20% share in all regions and target markets.

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. The introduction of a uniform ERP system will pave the way for a further optimization of performance fundamentals.

Higher sales and lower profit. In the 2011 business year, Sika increased sales by 15.5% in local currencies. Owing to the huge rise in prices of raw materials, gross profit declined to CHF 2 304.6 million (previous year: CHF 2 384.9 million), which corresponds to a gross margin of 50.6%. Operating profit fell to CHF 347.1 million (previous year: CHF 439.2 million). Sika is confident that in the 2012 business year it will generate continued growth and improve margins.

Group Report Group

Growth in all regions

In the 2011 business year, Sika lifted sales by 15.5% in local currencies. This figure includes an acquisition effect of 3.9%. Due to the negative exchange rate effects (-12.3%), sales in Swiss francs were only 3.2% up year-on-year, from CHF 4 416.0 million to CHF 4 556.4 million.

Sika expanded in all regions and witnessed strong growth in the emerging markets of Asia/Pacific and Latin America. Sika also increased sales in the Region North America, gaining additional share in a fiercely competitive market. Europe North reported double-digit growth due to a mild winter and strong sales in Germany, Poland and Russia, while Europe South was able to maintain growth in the single-digit range on the back of the markets in France and Great Britain. Broken down by region, Sika expanded as follows in 2011 in local currencies: Europe North +11.3%, Europe South +4.2%, North America +21.5%, Latin America +21.0%, IMEA (India, Middle East, Africa) +12.9%, Asia/Pacific +28.1%. Growth in North America and Asia/Pacific was significantly boosted by acquisitions, which accounted for 5.1% and 14.0% respectively.

In 2011 Sika acquired eight firms. Together these companies generated annual sales of about CHF 233.6 million in 2011, which is in line with Sika's strategic target for nonorganic growth. Sika usually targets companies for acquisition which provide it with better market access or which possess technologies that are easy to market through Sika's global sales network.

In the year under review Sika generated 36% of its sales in emerging markets.

Sika increased sales of products for the building and construction industry by 16.3% in local currencies, with an acquisition effect of 4.2%. Sales of products for industrial manufacturing increased 12.1% in local currencies, including an acquisition effect of 2.3%.

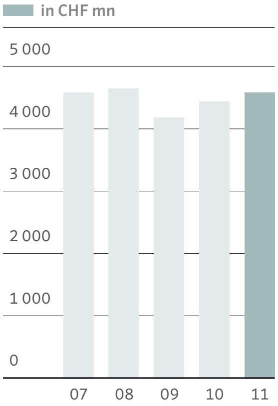
In the year under review alone the impact of exchange rate developments in the Swiss franc cost Sika around CHF 545 million in sales (-12.3%). This corresponds almost exclusively to conversion effects. The Group's decentralized organization and the fact that as a rule purchasing, production, and sales occur in the same currency area provide a good natural exchange rate hedge.

Profit development

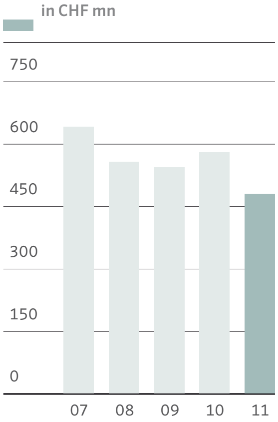
In the year under review material prices rose once again. As these can be passed on through sales prices only with a time lag, gross margins remained under pressure. Thus, gross profit declined to CHF 2 304.6 million (previous year: CHF 2 384.9 million), which corresponds to a gross margin of 50.6% (previous year: 54.0%). Accordingly, operating profit fell to CHF 347.1 million (previous year: CHF 439.2 million), which resulted in an operating profit margin of 7.6% (previous year: 9.9%). Further efficiency improvements had a favorable effect of 0.8 percentage points on the items personnel expenses and other operating expenses, which partially mitigated the impact of high raw material prices.

At CHF 214.8 million, net profit was down 30.8% on the previous year (CHF 310.6 million). As a result of various special effects, the high tax of 31.9% had a negative impact on net profit. Furthermore, exchange rate effects had a negative impact of about CHF 35 million owing to the fact that headquarter costs are incurred in Switzerland.

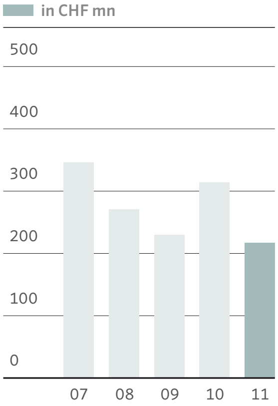
Net sales (consolidated)



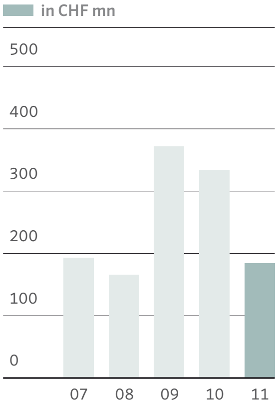
Operating profit before depreciation



Net profit after taxes



Operating free cash flow



Investments

Sika's unchanged investment strategy is geared to further consolidating the global presence it has established in recent years, developing new markets, and expanding existing activities. Owing to strong growth in the year under review, Sika expanded its investment volume year-on-year to CHF 117.1 million (2010: CHF 99.9 million). Further details are presented on page 125 of this Report.

Liquidity and balance sheet

Despite the challenging business environment net working capital as percentage of net sales only increased slightly from 18.2% to 19.9%. Operating free cash flow of CHF 186.1 million in the year under review (previous year: CHF 332.2 million) coupled with higher acquisition activity resulted in lower cash and cash equivalents of CHF 536.0 million as of the end of the year (previous year: CHF 938.4 million). As a consequence, net debt rose to CHF 338.7 million, whereby a bond to the amount of CHF 275 million was repaid at the end of October and, in view of Sika's solid cash position, was not renewed.

Sika posted double-digit growth in local currencies in all regions except Europe South. Sika has expanded in all regions and witnessed strong growth in the emerging markets of Asia/Pacific and Latin America. Sika also increased sales in the Region North America, gaining additional share in a fiercely competitive market. Europe North reported double-digit growth thanks to weather conditions and solid support from Germany, Poland and Russia, while Europe South was able to maintain growth in the single-digit range thanks to the markets in France and Great Britain.

Group Report Regions

Europe North

Sika recorded net sales of CHF 1336.2 million in the Region Europe North (2010: CHF 1312.6 million). Measured in local currencies, this is equivalent to a rise of 11.3% (currency effect: -9.5%).

With the Region Europe North market trends were mixed: Whereas business activity in the Central European countries such as Hungary, Romania, and the Czech Republic continued to slow, the markets in Western Europe enjoyed further expansion. This holds in particular for Germany and the Nordic states, with the exception of Denmark. Germany's automotive industry reported a record year. The markets in Poland and Russia also experienced strong growth.

In Central Europe lack of confidence is still widespread among investors. Compared to the record year in 2008, foreign direct investment still persists at a very low level, not least because of the euro crisis. In addition, there has been a sharp rise in the risk of insolvency among customers. There has also been a striking deterioration in customers' payment behavior in general. Through consistent management Sika has been able to avoid payment defaults and exclude longer payment terms.

Compared to 2010, the construction industry benefited from good weather conditions throughout the region. For example, with the winter much milder than in the previous year, numerous construction projects were started unusually early.

All of the construction industry markets relevant for Sika experienced marked price increases in raw materials, particularly in the first half of the year. Sika was able to implement the necessary price increases with a time lag, i.e. only in the second half of the year.

In many countries large infrastructure projects had a positive effect on Sika's sales, e.g. the construction activity in connection with the European Football Championship in Poland and Ukraine in 2012. In Germany more industrial and commercial buildings were constructed than in the previous year.

After weak results in the previous year, sales of roofing systems rose to a new all-time record in the Region Europe North. Sales of industrial flooring systems also increased as the launch of new products in 2010, in particular the Sika ComfortFloor range, began to bear fruit in 2011.

In the industry business both motor vehicle production and the applications and components segment posted strong double-digit growth.

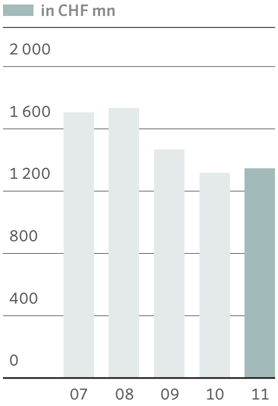
Europe South

Sika recorded net sales of CHF 813.2 million in the Region Europe South (2010: CHF 874.1 million). Measured in local currencies, this is equivalent to rise of 4.2% (currency effect: -11.2%).

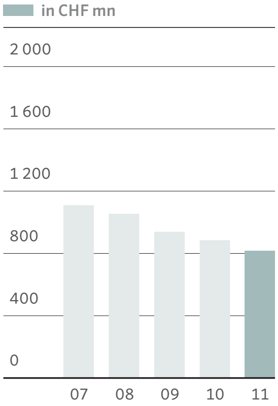
Several economies in the Region Europe South suffered enormously as a result of the euro crisis. The considerable economic uncertainty in Greece, Portugal, Ireland, Spain, and Italy and the austerity measures introduced by the respective governments weighed heavily on domestic demand, private investment, and consumption. In many states the high level of unsold real estate further dampened building activity.

Although less susceptible to crises, development of the maintenance and refurbishment segment were at best stable in most countries in the Region Europe South. Cement consumption rose by 5% in France and Great Britain. More cement was also consumed in Serbia, Morocco, and Algeria than in the previous year. By contrast, cement consumption fell by 10% in Italy, by 15% in Spain and Portugal respectively, and by at least 35% in Greece and Bulgaria.

Net sales
Europe North



Net sales
Europe South



In view of the decrease in demand, many competitors tried to retain market share by adjusting their prices. At present the market for roof membranes and waterproofing membranes is one of the most fiercely contested because of capacity that has recently come on stream. In construction a number of competitors are withdrawing from rapidly shrinking markets, which offers stronger players, such as Sika, opportunities to gain market share.

Despite market uncertainties, Sika was able to increase sales in the Region Europe South by 4.2% in local currencies. For instance, Sika France gained market share in the fields of ready-mix concrete and heavy precast concrete components, increasing overall sales by about 20%. Sika UK increased sales in the concrete business by almost 30%. Thanks to new infrastructure projects in Serbia, Sika almost doubled sales of concrete admixtures.

As in the previous year, contractors and distributors (builders' merchants) were the main drivers of growth in the Region Europe South. Business in these fields was up by 30% in France and by 15% in Great Britain.

Sika's business with industrial customers rose by almost 4% – driven by the national subsidiaries in Great Britain, France, and Spain.

Through its investment in an i-Cure production plant at its Incorez subsidiary in Preston, Great Britain, Sika is now in the position to manufacture this important admix, which is crucial for the production of low-emission, high-performance polyurethane adhesives. Furthermore, to strengthen its market position, Sika France has invested in a new mortar factory.

Moreover, new sites in Angola, Kosovo, and Montenegro further bolstered the company's market position.

North America

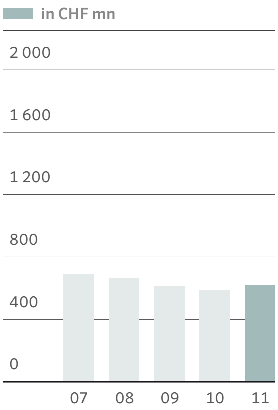
In the Region North America Sika recorded net sales of CHF 614.4 million (2010: CHF 586.3 million). Measured in local currencies, this is equivalent to rise of 21.5% (currency effect: -16.7%), with an acquisition effect of 5.1%.

The euro and sovereign debt crisis in Europe and fears of lower production in China also unsettled the markets in the Region North America. In the first half of the year the real estate market virtually stagnated and investment in construction was sluggish. Although export companies benefited from the weak dollar and posted record profits, they, too, have put their investment plans on hold. In the second half of the year consumer confidence improved significantly, reaching its highest level in December. Car sales and construction investment picked up and residential construction rebounded on the back of low mortgage rates and higher confidence among consumers. Public sector consumption also increased.

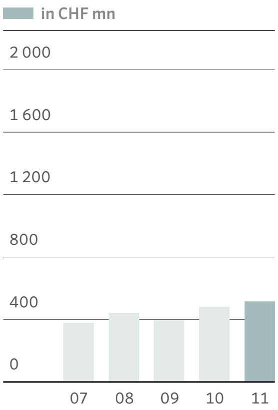
Because of higher global demand and the currency effect on the oil price, raw material prices remained high in the year under review. Owing to fierce competition, Sika was able to pass on price increases only with a time lag, i.e. in the second half of the year.

In the field of roofing systems Sika North America posted record sales figures. This is due on the one hand to significant pent-up demand and on the other to the growing recognition among US and Canadian customers of the savings offered by Sika roofing systems coupled with good thermal insulation. White roofs with optimal reflection of solar radiation and plant-covered green roofs enjoyed growing popularity.

Net sales
North America



Net sales
Latin America



Sika North America was able to increase sales in the field of concrete production by 15% year-on-year and achieve substantial gains in market share. Total market volume was more or less unchanged. In the year under review Sika North America won contracts for four new power plant projects: two wind power projects, a solar power project, and, in the field of hydropower, a further expansion phase of the San Vincent Dam near San Diego, California. In addition, Sika will supply all the structural waterproofing, formwork, and concrete admixtures for the famous Gilboa Dam in New York. In Texas Sika successfully completed five road building projects.

Part of this success is attributable to the acquisition of Greenstreak in 2010, a reputable company that enables Sika to improve early access to projects and more actively promote cross-selling. In its first full year in the Sika Group, Greenstreak's sales expanded by more than 20%.

Sika also achieved remarkable sales success in its industrial business, in particular in the automotive industry and in window production. Although the overall market expanded by about 10%, Sika North America increased sales to automotive industry customers by 30%. A particularly prestigious sales success is the contract for the jointing technique for the 300 000 square meters of glass cover for the new One World Trade Center in New York, which will be the highest building in the United States when it is completed in 2013.

Toward the end of the year under review, Sika North America acquired the Boucherville, Quebec-based company Duochem Inc., which develops, manufactures, and sells polymer flooring and waterproofing products for the construction industry, and the North American operations of the global concrete admixture and cement grinding aid business of the Italcementi Group, which trades under the brand Axim.

To meet the increased volume of orders from the automotive industry, Sika North America also invested in new production machinery for the plant in Grandview, USA.

Latin America

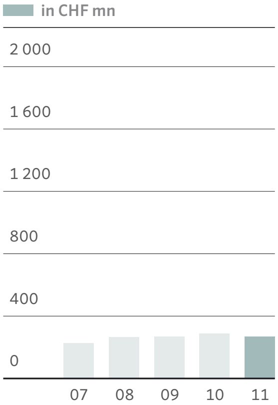
In the Region Latin America Sika recorded net sales of CHF 507.3 million (2010: CHF 477.8 million). Measured in local currencies, this is equivalent to rise of 21.0% (currency effect: -14.8%).

Latin America's economy expanded rapidly in the first half of the year. Brazil, the biggest economy in this region, grew particularly strongly. Thanks to its large domestic market, relatively stable financial system, and a consistent economic policy, the country attracted large inflows of foreign investment. However, this trend changed in the second half of the year: In Brazil industrial production and domestic consumption sank, and in most other countries in the region economic activity also slowed.

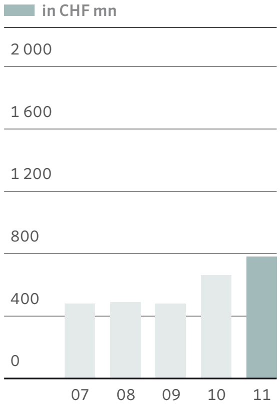
In the first half of 2011 the leading currencies in Latin America appreciated against the US dollar as a result of the debt crisis in the USA. One consequence was lower import prices, which helped Latin American countries to offset increases in the prices of raw materials. In the second half of the year, however, local currencies once again depreciated against the dollar and the euro. Some countries in the region are still struggling with very high inflation. Venezuela and Argentina have inflation rates in excess of 25% and Brazil a rate of 6%.

Sika reported a sharp increase in sales of construction products, particularly in the first half of the year. The company achieved excellent performance in the infrastructure projects and concrete production segments. Developments in the builders' merchant business were also very positive.

Net sales
IMEA



Net sales
Asia/Pacific



Sika Colombia reported outstanding results for the 2011 business year, further strengthening its market position in the construction sector.

In the year under review Sika also expanded in industrial markets, though less strongly. With the acquisition of Colauto in Brazil, Sika was able to gain needed production capacity in this segment and improve market access.

In the period under review, Sika Latin America also made substantial investments in strengthening the production chain, including the expansion of the existing works in São Paulo and the construction of a new factory in northeastern Brazil. Sika also increased and further optimized production capacity in Mexico, Colombia, Venezuela, Peru, Argentina, and Uruguay.

A number of Latin American countries are showing signs of political instability. In addition, it is becoming increasingly difficult to repatriate money from Venezuela and Argentina. Sika is closely monitoring the situation here and, wherever possible, taking steps to minimize risks and dependencies.

IMEA

Sika recorded net sales of CHF 263.9 million in the Region India, Middle East, Africa (2010: CHF 285.3 million). Measured in local currencies, this is equivalent to rise of 12.9% (currency effect: -20.4%).

On account of political unrest in North Africa and parts of the Arab world, Sika reported substantial setbacks in sales in these countries: Business in Libya came to a complete halt, in Egypt the construction sector shrank by 60%, and the revolt in Syria paralyzed the economy, which negatively impacted the entire region. The uprising in Bahrain also strained the confidence of foreign investors.

In Saudi Arabia, Turkey, and India Sika grew by between 20% and 30%, gaining market share in the process. This rapid growth was almost enough to offset the loss of sales incurred by Sika in the countries affected by political turmoil.

Sika's sales soared by more than 20% in its target markets waterproofing and sealing and bonding.

Sika made capital investments in regions with significant market potential and high sales, particularly India and Turkey, but also East Africa. Despite lower demand, Sika did not reduce its workforce in Egypt, Bahrain, and Lebanon in the year under review so as to be prepared for the expected economic upturn.

Sika established new national subsidiaries in Kenya and Pakistan. In addition, Sika acquired the majority shareholding in Sika Gulf B.S.C in Bahrain, which manufactures concrete admixtures and ready-to-use mortar to supply countries in the region.

Asia/Pacific

Sika recorded net sales of CHF 776.7 million in the Region Asia/Pacific (2010: CHF 661.0 million). Measured in local currencies, this is equivalent to rise of 28.1% (currency effect: -10.6%).

The Region Asia/Pacific had to contend with several natural catastrophes in 2011: the earthquake and tsunami in Japan, the earthquake in New Zealand, and floods in Australia, Thailand, the Philippines, and Cambodia. Each of these catastrophes negatively impacted the respective local economy.

The Chinese economy was in good shape, continuing to expand in the year under review, notwithstanding the efforts of the government to cool the real estate sector and other overheated markets. Increases in banks' minimum reserve requirements and the temporary suspension of construction on the country's high-speed rail network had a negative effect on the construction sector in the fourth quarter of 2011. Performance in Southeast Asia varied from country to country. While the markets in Indonesia, Malaysia, and Singapore continued to grow, the Thai economy faltered on account of political uncertainties in the first half of the year and the floods in the second half. Vietnam suffered from high inflation and the depreciation of the local currency. The economies in the OECD countries (Australia, New Zealand, Japan, and South Korea) gradually recovered; in Japan spending on construction rose after the tsunami and in Australia investment in commercial construction rose strongly.

Sika again experienced strong growth in the Region Asia/Pacific in the year under review and gained market share in all key markets. In Japan Sika was able to achieve a significant increase in sales. The employees of Sika Japan demonstrated enormous commitment in difficult circumstances and were able to satisfy the heavy demand of the local market. Dyflex, which Sika Japan acquired in the previous year, turned in a solid performance and its new products promise to improve market access in the field of waterproofing.

Aside from high structural growth, Sika's business in China benefited from the increase in the range of locally manufactured products and continuing geographic expansion. At the beginning of 2011 Sika acquired Hebei, a manufacturer of concrete admixtures in northern China, making Sika one of the biggest suppliers of concrete admixtures in China.

New marketing offices and additional production facilities in Chengdu, Chongqing, and Xian strengthened Sika China's presence in the west of the country. In Japan Sika created additional production capacity to secure the local supply chain.

Sika stands by its medium-term growth target of 8 – 10%.
Sika expects challenging market conditions to continue in 2012, but remain cautiously optimistic.

Group Report Outlook

Developments in Europe are still overshadowed by uncertainty. Sika will counter this uncertainty with an enhanced focus on customers and, where necessary, strict cost controls. The economy in North America has stabilized at a low level; Sika forecasts renewed growth driven by infrastructure and refurbishment contracts. The emerging markets, with isolated exceptions, will continue to grow rapidly. In addition, the significance of the Asian markets continues to rise; their potential for structural growth has not been exhausted by a long way.

Toward the end of 2011 the upward trend in raw material prices started to tail off. Moreover, Sika's price increases started to bear fruit in the second half of 2011. These two factors will positively impact the company's operating profit margin in 2012.

Sika will continue to consistently pursue its acquisition strategy in 2012 by focusing on expanding market access and acquiring technologies that it lacks and which can be globally marketed through its network.

Sika affirms that its medium-term growth targets remain unchanged in 2012. These envisage an increase in sales in local currencies of between 8 and 10% annually with an EBITDA margin of between 12 and 14%. Sika seeks to gain market share in its key sales markets, with the longer-term goal of becoming the market leader in all target markets.

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 in its target markets, Sika regards this as an opportunity.

Sustainability Report and Social Responsibility

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 2011 launched the following activities:
- Development of a method to measure product sustainability in line with international life-cycle assessment (LCA) standards, e.g. from the ISO 14040 series.
- Measurement and improvement of sustainability in Sika's own value chain through a global program to boost safety and efficiency in terms of energy and raw materials.
- Introduction of new information systems on product safety to provide users with much more detailed product information.

The following facts and figures relate to Sika's global business operations in 2011, 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 97% of total sales (previous year: 96%). The sustainability indicators are consistent with the widely used GRI (Global Reporting Initiative) system.

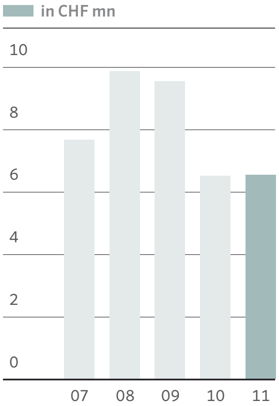
Environment, safety and health

Investment in safety and environmental protection: In the reporting year, Sika invested some CHF 6.5 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 21.9 million (previous year: CHF 24.0 million). Worldwide, the number of full-time employees in the field of environment, health, safety and sustainability exceeded 100.

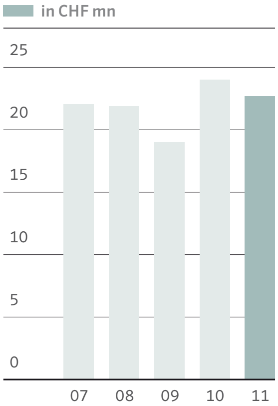
Health and safety: At 13.3 per 1 000 employees (previous year: 14.9 per 1 000 employees), the number of occupational accidents in the reporting year with over one day's lost working time was slightly down year-on-year. Due to shorter absences after accidents, the number of days lost per million workdays fell to 1 050 (previous year: 1 296).

Energy use: Energy consumption in the reporting period totaled 1 505 terajoules, thereby rising year-on-year (previous year: 1 259 terajoules). Given the approx. 16% rise in production volumes in the reporting year, energy use per manufactured ton remained more or less static. Half of Sika's energy requirement was met by electrical power (previous year: 60%). As in the previous year, a further quarter of demand was covered by natural gas, the rest by heating oil and, to a small extent, by district heating. The energy requirement per ton of product sold fell to 595 megajoules (previous year: 616 megajoules).

Investments in environment and safety



Expenditures for environment and safety



Atmospheric emissions: In the reporting year, CO_2 emissions resulting from the use of primary energy sources (Scope 1) ran to 31 000 tons (previous year: 29 000 tons). Primary energy consumption is dependent on the product mix and energy type, and varies accordingly.

CO_2 emissions from consumption of purchased electricity (Scope 2): 2011 is the first 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 100 000 tons, a figure some three times greater than the direct emissions. 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 rise in production volumes, the Group's water consumption remained static at 2.0 million cubic meters. Cooling water is mainly obtained from the company's own authority-approved wells and returned, unpolluted, to the water cycle. Cooling water accounted for roughly two-thirds of the company's total water demand. The used water quantity fell to around 0.75 cubic meters per ton of product (previous year: 0.90 cubic meters).

Materials use: Given the rise in production volumes, waste quantities were up on the previous reporting period, running to around 49 000 tons (previous year: 41 000 tons). Due to the changed product mix, some 19 kg waste arose per ton of product (previous year: 16 kg). The proportion of hazardous waste from production was nonetheless down year-on-year.

Around one-third of 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.

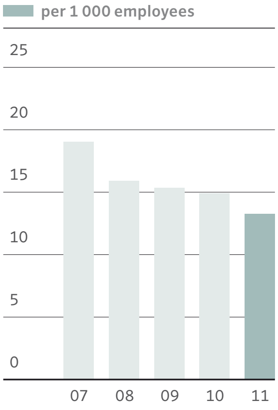
Production and products

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.

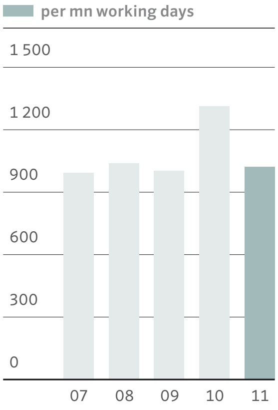
Saving energy and raw materials: Worldwide consumption of fuels such as crude oil, coal and natural gas, and other resources such as water, iron ore and cement is constantly rising, driven by population growth and greater purchasing power. Yet these resources are limited. Their extraction is becoming 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

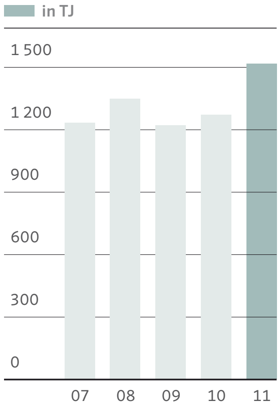
Occupational accidents



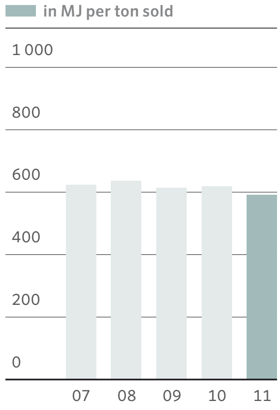
Working days lost in case of accidents



Energy consumption



Energy consumption



Example: Saving energy with grinding aids. Sika grinding aids for energy-efficient cement production save approx. 64 megajoules per ton cement (0.035% dosage) compared to grinding performed without these aids. Only around 10 megajoules of energy are consumed in the manufacturing chain for the grinding aids. This results in net savings of 54 megajoules per ton 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.

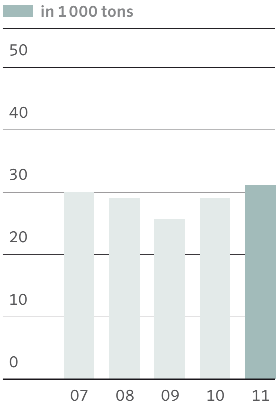
For example, one Sika customer who needed 3 600 cubic meters of concrete for the construction of a gas storage tank opted to use the admixture Sika® ViscoCrete®. The resulting 9% net reduction in CO_2 emissions was in this case equivalent to 50 tons of CO_2. Applied to the annual worldwide concrete consumption of 5 billion cubic meters, 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, a billion people suffer from inadequate access to drinking water.

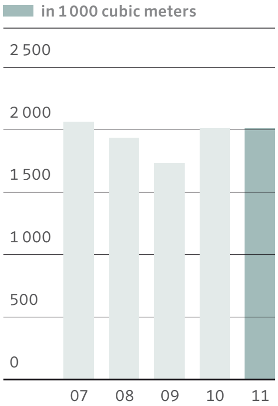
Sika solutions for an adequate supply of clean water:
- Concrete produced with Sika® ViscoCrete® admixtures requires up to 15 % less water than concrete mixed using standard procedures
- Waterproof concrete and interior coatings for drinking water reservoirs reduce water losses
- Spray-applied waterproofing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

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 waterproofing membranes.

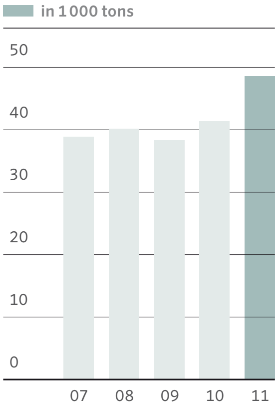
CO_2 emissions



Water consumption



Waste disposal and reuse



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:
- 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: Gotthard base tunnel. When inaugurated in 2016, the new 57 km Gotthard base tunnel will be the world's longest tunnel. For the tunneling operations through the Alps, Sika supplied concrete admixtures, waterproofing and shotcreting systems and machinery, together with fire protection mortars.

Social responsibility
In today's world, social, economic and ecological issues are closely intertwined. Social responsibility is the necessary concomitant 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.

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. The reporting year also saw Sika participate, as sponsor, in the World Resources Forum in Davos. Sika participated with its expertise in a panel discussion on global resource consumption.

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 U.S. Green Building Council (USGBC).

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:

New Zealand was rocked by earthquakes in September 2010 and February 2011. Some 390 000 people in the Christchurch region were affected by the disasters. Sika New Zealand provided the Red Cross with on-the-spot assistance. Total aid provided: CHF 70 000.

As in the previous year, Sika supported the activities of nonprofit organization Operation Smile in Vietnam. Thanks to Sika's donation, 66 children with facial deformities underwent successful operations at the National Hospital for Odonto-Stomatology in Ho Chi Minh City in August 2011. A number of Sika employees also assisted Operation Smile and the associated medical teams with their work on the ground. Total aid provided: CHF 95 000.
(www.operationsmile.org)

The Juan XXIII children's home in Chile, reconstructed by Sika in 2010 following its destruction by an earthquake, was reoccupied in the reporting year. The official inauguration took place in December in the presence of government representatives and the Swiss ambassador. Run by the nonprofit organization Coanil, the home now houses 60 children. Sika employees volunteered to help with the renovation works. Total aid provided: CHF 215 000.
(www.coanil.cl)

Sika has 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 geared to students. Total aid provided: CHF 100 000.
(www.actis-education.ch)

ETH Zurich Foundation: Sika solutions help to cut CO_2 emissions in the construction sector and reduce water consumption for concrete production. In 2010, Sika underscored its commitment in this field by sponsoring a new professorship for sustainable construction at the ETH (Swiss Federal Institute of Technology) Zurich. Applications for the professorship were solicited in the reporting year. The partnership will provide the ETH Zurich Foundation with additional funding to the tune of CHF 7 million. Through its engagement, Sika is continuing its successful and wide-ranging partnership with the ETH in the fields of chemistry, construction and materials science.

over 2000

Sika employees contributed with donations to their Japanese colleagues who had been directly affected by the tsunami

Sika Experience: After the launch in 2010, its centenary year, Sika in 2011 continued the successful Sika Experience program, which is directed at students and career starters. The program attracted applications from over 300 candidates from across the globe for an internship or a place on one of the Sika Experience themed trips – "Fascination Glass" or "Concrete Technology". At the end of 2011, in collaboration with the Global Nature Fund and its Colombian partner organization Fundación Humedales, Sika organized and financed an internship at the Laguna de Fúquene. The research conducted is designed to help improve water quality throughout the region, which depends on this natural reservoir for its drinking water. (http://experience.sika.com)

Donations

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. Total aid provided: CHF 60 000. (www.globalnature.org)

Donation campaign for Japan: A devastating earthquake measuring 8.9 on the Richter scale hit north-eastern Japan in March 2011. Shortly after, a tsunami engulfed entire coastal towns, wreaking enormous damage. In a concerted effort, Sika donated a total of CHF 400 000. This included some CHF 150 000 donated by over 2 000 Sika employees, with CHF 200 000 contributed by the Sika Group and CHF 50 000 by the Burkard family. The money went to the Japanese Red Cross, local organizations and those Sika employees whose houses had been destroyed.

Furthermore, various smaller donations were given to sustainable and cultural organizations.

Any claim to leadership demands leadership qualities – both human and technical – from Sika management and employees

Leadership

alike. Hence the top priority given by Sika to continuity, skills, responsibility, respect and trust. 2011 saw Sika invest some *CHF 8.5 million in personnel development.* Continuity is decisive: Succession planning centers on internal solutions. Skills training is based on "best demonstrated practices". Respect and confidence are overriding principles and, given that Sika allows nobody to delegate their responsibilities, every one of the company's 15 300 employees knows that his or her contribution is vital in *consolidating and extending Sika's leadership position.*

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. At all management levels, the focus is maintained on the four customer groups – three from the construction industry and one from the industrial manufacturing sector.

Organization & Leadership

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.

The Regions, which may cut across continental boundaries, are defined on the basis of particular organizational, commercial and cultural factors. The Region IMEA (India, Middle East, Africa), for example, unites India with the countries of the Middle East due to the strong interdependence of their construction industries. The precise breakdown of the Regions is shown on page 16.

Moreover, Sika's internal organization is geared to four customer groups (see page 15). While the construction industry accounts for three of these, the fourth brings together customers from the industrial manufacturing sector. 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 only within a particular country.

Clearly defined structures. Stability and continuity are factors of entrepreneurial sustainability. As a company operating in a global arena, Sika places considerable emphasis on strong leadership within transparent structures.

Organizational Diagram

Board of Directors

Chief Executive Officer
Jan Jenisch, lic. rer. pol.

Construction
Contractors, Alexander Bleibler, Dipl. Bau-Ing. HTL
Distribution, Christoph Ganz, lic. oec. HSG
Concrete, Ernesto Schümperli, Dipl. Bau-Ing. ETH, MBA

Industry
Bruno Fritsche, BBA

Research and Development
Urs Mäder, Dr. rer. nat., Dipl. Chem. Ing. HTL

Finance
Ronald Trächsel, lic. rer. pol.

Operations
Peter Krebser, Dr. sc. techn., Dipl. Chem. Ing. ETH

Europe North
Silvio Ponti, Dipl. Bau-Ing. ETH, MBA

Europe South
Hubert Perrin de Brichambaut, MBA

IMEA
Iven Chadwick, MBA

North America
Paul Schuler, MBA

Latin America
José Luis Vázquez, Dr. Ing., MBA

Asia/Pacific
Heinz Gisel, MBA

Changes in Group Management: In the year under review Jan Jenisch was appointed new CEO and successor of Ernst Bärtschi. In addition Heinz Gisel was appointed new Regional Manager Asia/Pacific. Both take up their new position on January 1, 2012.

Management by personality. Sika's Group Management team is made up of personalities with a vast wealth of experience to draw on when serving the needs of their sector, their markets and their regions. Familiarity with both the theory and practice of their subject matter is the cornerstone of their management competence.

Group Management

1 Jan Jenisch, 2 Silvio Ponti, 3 Alexander Bleibler, 4 Iven Chadwick,5 Bruno Fritsche, 6 Christoph Ganz, 7 Heinz Gisel, 8 Peter Krebser, 9 Urs Mäder, 10 Hubert Perrin de Brichambaut, 11 Paul Schuler, 12 Ernesto Schümperli, 13 Ronald Trächsel, 14 José Luis Vázquez

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, Sika AG, Baar; 1998–2004: Head Automotive Europe, Sika AG, Baar; General Manager Sika Tivoli GmbH, Hamburg, Germany; Managing Director Sika Automotive Belgium SA; Director Hayashi Sika Automotive Ltd., Japan; 1996–1997: Market Development Manager, Industry Division, Sika AG, Baar.

Silvio Ponti, Dipl. Bau-Ing. ETH, MBA
Deputy CEO
Nationality: Swiss, Year of birth: 1953, Member since 2002; since 2005: Deputy CEO; since 2002: Regional Manager Europe North; 1989–2002: Head of Marketing; General Manager Sika Schweiz AG; Area Manager Central Europe; 1989: Member of Executive Management of Sika Schweiz AG and Sika GmbH, Stuttgart, Germany, Sika Schweiz AG, Zurich; 1987–1988: Head of Marketing for the Joint Venture Hilti-Ciba-Geigy, Hilti AG, Schaan; 1984–1987: General Manager, Sika BV, Maarssen, Netherlands; 1982–1983: Assistant to the Head of Export, Sika Schweiz AG, Zurich; 1978–1980: Project Leader, Ing. Büro Dr. Staudacher & Siegenthaler AG, Bern.

Alexander Bleibler, Dipl. Bau-Ing. HTL
Nationality: Swiss, Year of birth: 1953, Member since 1996; since 2007: Head of Corporate Business Unit Contractors; 1996–2006: Head of Division Construction Chemicals, Sika AG, Baar; 1983–1996: Head of Marketing & Technique Export Department; Product Marketing Manager; Head of Marketing Department, Product Marketing Manager Industrial Floorings; Head of Business Unit Marketing & Technique Construction Chemicals; Head of Business Unit Construction Chemicals, Head of Corporate Marketing; 1990: Member of Executive Management of Sika Schweiz AG; 1994: Member of Extended Group Management of Sika AG, Sika Schweiz AG, Zurich; 1980–1983: Sales Engineer, Sika Schweiz AG, Saudi Arabia; 1977–1979: Branch Manager, Chemaco Ltd., Saudi Arabia.

Iven Chadwick, MBA
Nationality: British, Year of birth: 1960, Member since 2009; since 2007: Regional Manager IMEA, Sika AG, Baar; 2005–2006: Head of Business Lines Building Systems & Performance Flooring, BASF AG, Zurich; 2002–2005: Head of Business Line Performance Flooring, Degussa AG, Schaffhausen; 1993–2001: General Manager MBT Middle East LLC, UAE and Director of MBT India (pvt) Ltd., MBT Oman LLC., MBT Egypt S.A.E.; Regional Operations Manager, MBT Middle East LLC, UAE; MBT Group, Switzerland/Germany; 1984–1993: Technical Supervisor; Production Manager; Operations Manager, FEB Ltd., Manchester, UK; 1978–1984: Laboratory Technician, Greater Manchester Council, Manchester, UK.

Bruno Fritsche, BBA
Nationality: Swiss, Year of birth: 1952, Member since 2007; since 2007: Head of Corporate Business Unit Industry; since 2004: General Manager Sika Engineering Silicones S.r.l., Milan, Italy; 2001–2006: Head Business Unit Sealing and Bonding Construction; 2001: Member of Extended Group Management of Sika AG, Sika Services AG, Zurich; 1996–2001: General Manager; Area Manager Asia North, Sika Japan Ltd., Tokyo; 1991–1996: Area Manager Pacific, Sika Australia Pty., Sydney; General Manager, Sika New Zealand Ltd., Auckland, Sika Indonesia P.T., Jakarta; 1988–1991: General Manager, Sika Hong Kong Ltd. and Sika Pacific Ltd., China; 1973–1988: Head Laboratory and Development, Sales and Marketing Manager, Merz + Benteli AG, Niederwangen; 1971–1973: Laboratory Technician, Wander AG, Bern; Member of the Board: Swiss-Asian Chamber of Commerce, Zurich.

Christoph Ganz, lic. oec. HSG
Nationality: Swiss, Year of birth: 1969, Member since 2007; since 2007: Head of Corporate Business Unit Distribution; 2009: General Manager Sika France SA, Paris; Area Manager France, North Africa, Mauritius, Sika AG, Baar; 2003–2006: Head of Business Unit Distribution, Sika Services AG, Zurich; 1999–2003: Corporate Market Field Manager Distribution, Sika AG, Baar; 1996–1999: Project Manager Distribution, Sika Schweiz AG, Zurich; Member of the Board: Ganz & Co. AG, St. Gallen; Ganz AG, Schaan, Principality of Liechtenstein; Vice Chairman of the Board: Max Pfister Baubüro AG, St. Gallen.

Heinz Gisel, MBA
Nationality: Swiss, Year of birth: 1965, Member since 2012; since 2012: Regional Manager Asia/Pacific; 2009–2011: General Manager; Area Manager Greater China, Sika China Ltd., Suzhou; 2007–2009: General Manager; Head of Business Unit Industry Region Asia/Pacific; Area Manager South East Asia, Sika Singapore Ltd.; 2004–2006: Head Appliances & Components; Head Transportation, Corporate Business Unit Industry, Sika Services AG, Zurich; 1999–2004: Industry Manager Switzerland/Austria; Member of Executive Management of Sika Schweiz AG, Sika Schweiz AG, Zurich, Sika Österreich GmbH, Bludenz-Bings; 1996–1998: Industry Sales Manager China and Hong Kong, Sika Hong Kong Ltd.; 1995–1996: Area Sales Manager Industry, Sika Corporation, Lyndhurst, USA; 1991–1994: Area Sales Manager, Sika Schweiz AG, Zurich.

Peter Krebser, Dr. sc. techn., Dipl. Chem. Ing. ETH
Nationality: Swiss, Year of birth: 1951, Member since 2004; since 2004: Head of Operations, Sika AG, Baar; 2002–2004: Global Operations Director, Member of Divisional Executive Management, Vantico AG, Basel; 2000–2002: Associate Partner, CGS-Management AG, Pfäffikon; 1997–1999: Head of worldwide Pharmaceutical Production; Head of worldwide Technical Operations, Member of Executive Management, Novartis Pharma AG, Basel; 1983–1996: Different functions within the Supply Chain Management Department of Novartis; 1982–1983: Head of Process Development Laboratory, Fine Chemicals, Lonza AG, Basel; President: Economic Promotion Basel Area.

Urs Mäder, Dr. rer. nat., Dipl. Chem. Ing. HTL
Nationality: Swiss, Year of birth: 1955, Member since 2005; since 2005: Head of Research & Development; 1989–2005: Project Leader Admixture Development, Research and Development; Department Head of Construction Chemicals, Research & Development; Product Technology Director of Construction Chemicals and Mortars, Research & Development, Sika AG, Zurich; 1987–1989: Postdoctorate research, Research School Chemistry, Canberra, Australia; President: European Federation of Concrete Admixture Producers (EFCA).

Hubert Perrin de Brichambaut, MBA
Nationality: French, Year of birth: 1957, Member since 2009; since 2009: Regional Manager Europe South; 2005–2008: General Manager, Sika France SA, Paris; 2003–2004: Senior Vice President Operations for Eastern Europe, Africa and Middle East, Suez Environment, France; 2001–2003: Regional Manager Latin America, Sita, France; 1997–2001: President of Rhodia PPMC Europe (Paper & Coatings); President of Rhodia Food, Rhodia, France; 1981–1996: Internal Auditor of the Group; Treasurer of Brazilian subsidiaries; President of Rhône-Poulenc Argentina; Finance Executive Officer of Rhône-Poulenc Chimie; President of TERIS, Rhône-Poulenc Group, France; Vice President: European Federation of Construction Chemicals (EFCC) and Syndicat Français des Joints et Façades (SFJF).

Paul Schuler, MBA
Nationality: Swiss, Year of birth: 1955, Member since 2007; since 2007: Regional Manager North America; 2003–2006: General Manager Sika Deutschland, Stuttgart, Germany; General Manager Sika Korrosionsschutz, Gelsenkirchen; General Manager Sika Trocal, Troisdorf; General Manager Sika Addiment, Leimen, Sika Holding, Stuttgart; 1988–2002: Product Manager, Head of Sales Industry; Marketing Manager Industry; Business Unit Leader Industry; 1993: Member of Executive Management of Sika Schweiz AG; 1996: Member of Extended Group Management of Sika AG, Sika Schweiz AG, Zurich; 1982–1988: International Key Account; Sales Manager Switzerland, EMS Chemie AG, Domat/Ems; 1980–1982: Project Manager Air Condition Plants, Luwa AG, Hong Kong, China; 1976–1980: Production Manager, Hemair AG, Schindellegi.

Ernesto Schümperli, Dipl. Bau-Ing. ETH, MBA
Nationality: Swiss, Year of birth: 1955, Member since 2007; since 2007: Head of Corporate Business Unit Concrete; 1991–2006: General Manager Sika Schweiz AG; Area Manager Central Europe; Head of Sika Tunneling & Mining; Head of Sales Switzerland; Head of Marketing Construction; Market Development Manager Concrete; 1997: Member of Executive Management of Sika Schweiz AG; 2002: Member of Extended Group Management of Sika AG, Sika Schweiz AG, Zurich; 1987–1990: Head of Marketing & Technique; Key Account Manager Latin America; Member of Executive Management, Sika Andina SA, Bogotá, Colombia; 1986–1987: Project Manager Structural Engineering, Ing. Büro Wenaweser & Wolfensberger AG, Zurich; 1976–1985: University and Postgraduate Studies, Research Engineer for structural design and hydraulic structures at ETH, Zurich, and UAS, Basel; 1971–1975: Project Manager Infrastructure, Ing. Büro Frey + Gnehm AG, Olten; President: ivz Industrie-Verband Zurich; Member of the Board: VSH (Versuchs-Stollen Hagerbach AG), Sargans.

Ronald Trächsel, lic. rer. pol.
Nationality: Swiss, Year of birth: 1959, Member since 2008; since 2008: CFO, Sika AG, Baar; 1999–2007: CFO, CEO and Head of Group Management; Executive Director, Vitra Group, Birsfelden; 1992–1999: Head Internal Audit; CFO Ringier Europe, Ringier Group, Zurich; 1987–1992: Internal Audit, Ciba-Geigy Group, Basel; 1982–1987: Accounting and tax counseling for small and medium-sized enterprises, Visura Treuhandgesellschaft, Solothurn.

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

Personnel changes: With Paul Hälg the succession of the current Chairman Walter Grüebler was prepared. Paul Hälg will assume office following the Annual General Meeting on April 17, 2012. Furthermore Monika Ribar, CEO Panalpina AG in Basel, was elected to the Board of Directors.

Board of Directors

Walter Grüebler, Dr. oec. HSG, Chairman
Nationality: Swiss, Year of birth: 1942, Member 1998–2000, and since: 2004, elected till: 2013; 2000–2004: CEO, Sika AG, Baar; 1990–1999: Member of Group Management, Alusuisse, Zurich; 1974–1990: CEO and Vice Chairman of the Board of Directors, Airex AG, Sins; 1968–1974: Project Leader and Member of Executive Board, Hayek Engineering AG, Zurich; Chairman of the Board: Adval Tech AG, Niederwangen; Member of the Board: Nationale Suisse, Basel; Petroplus Holdings AG, Zug; Greater Zurich Area AG, Zurich; Member of the Foundation Council: ETH Foundation.

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.

Paul Hälg, Dr. sc. techn., ETH Zurich
Nationality: Swiss, Year of birth: 1954, Member since: 2009, elected till: 2012, Committees: Nomination and Compensation Committee; 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; Chairman of the Board: Gurit Holding AG, Wattwil; Member of the Board: Swissmem, trade association of the Swiss Mechanical and Electrical Engineering Industries.

Willi K. Leimer, Dr. oec. HSG
Nationality: Swiss, Year of birth: 1958, Member since: 2010, elected till: 2013; 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; 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.

Daniel J. Sauter, Financial Expert
Nationality: Swiss, Year of birth: 1957, Member since: 2000, elected till: 2012, Committees: Audit 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: Alpine Select AG, Zug; Member of the Board: Sulzer AG, Winterthur; Julius Bär Gruppe AG, Zurich; Model Holding AG, Weinfelden.

Fritz Studer, Banking Expert
Nationality: Swiss, Year of birth: 1943, Member since: 2006, elected till: 2012, Committees: Chairman Audit Committee; 2004–2006: Chairman of the Board, Sarna Polymer Holding Inc.; 1983–2003: Member of Executive Board, of which nine years as CEO, Luzerner Kantonalbank; Member of the Board, Swiss Bankers Association and Association of Swiss Cantonal Banks; Member of the Board and periodically Chairman or Vice Chairman, Central Mortgage Bond Institution, Swiss Cantonal Banks, AGI Holding AG, Swisscom IT Services AG, Adler & Co. Privatbank AG; 1979–1982: Head of Directorate-General, Schweizerische Volksbank; Chairman of the Board: Luzerner Kantonalbank; Member of the Bank Council: Swiss National Bank; Member of the Board: Lucerne Symphony Orchestra.

Ulrich W. Suter, Dr. sc. techn., Professor
Nationality: Swiss, Year of birth: 1944, Member since: 2003, elected till: 2012; 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, as well as targeted development and continued education programs tailored to employees' individual capabilities, Sika promotes skills and initiative, and encourages the entrepreneurial engagement of employees, while at the same time accommodating the company's dynamic development.

Employees

Management principles

Sika nurtures continuity and upholds ethical values. It attaches absolute priority to mutual respect as well as trust in management and colleagues. Sika's dynamic development makes the integration of widely differing individuals and the global exchange of knowledge and experience absolutely essential. Discrimination is not tolerated in any form.

The activities of all employees are fully oriented towards strategic, operative and company policy targets. Chains of command are clearly ordered, and the principle of maximum delegation of responsibility prevails. Employees are led by means of target agreements (MbO: Management by Objectives). This management style ensures that employees participate in processes and decision-making. Managers are expected to set an example for their employees, and advance their initiative and creativity. Information flows through all hierarchical levels are kept as systematic, up-to-date and transparent as possible. Employees are supported and suitable provision made for continuing professional development.

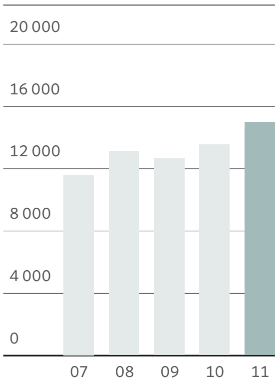
Development of managers

To be as attractive an employer as possible, Sika relies on global human resources management. A pivotal role in identifying and developing skills and performance is played by the state-of-the-art Performance and Talent Management system. This facilitates systematic employee succession planning while promoting company growth by pinpointing new talent and providing targeted support. Various talent pools for different management functions have been created in this way.

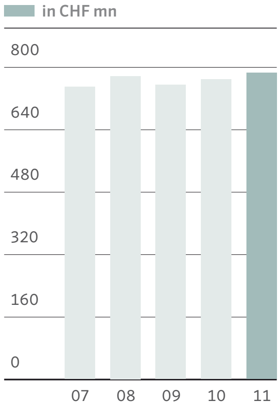
The Global Talent Management process involves the systematic, worldwide application of uniform talent assessment principles. In promoting talent, Sika relies not only on regular development courses, but above all also on practical project work. This allows employees to demonstrate their skills and potential through the performance of concrete tasks. The results of these projects are often utilized in the company's routine business operations. Line managers and top management are actively involved in development activities via project remits and presentations. Global and regional courses and workshops designed to develop top talent were also organized in 2011, Sika's aim being to promote talents early for more demanding management tasks.

Alongside basic and advanced training, experience in supervising the widest possible range of functions and of working in other countries – especially in other cultures – is key to the systematic development of management potential. Group-internal guidelines create security and transparency for employees who leave their home country to work for Sika, and ensure fair contracts tailored to the specific circumstances of the host country.

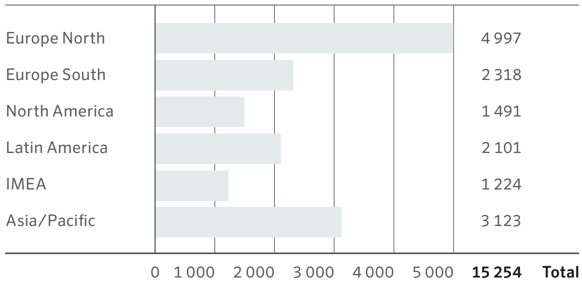
Employment development



Salary expenses



Numbers of employees by Region



Sika Business School

Changes in organization and working processes necessitate steady, systematic information flows and continuous knowledge transfer in the areas of management and talent development, sales and technical training as well as Train the Trainer. Sika Business School was instituted to realize the idea of a learning organization and is to be systematically developed.

The business units and Corporate Operations have launched targeted training and development programs for technical and application-related knowledge transfer, thereby supporting Sika's Train the Trainer concept. The training sessions focus on breaking down complex information into hands-on know-how and skills that participants can later communicate to customers. These sessions have a direct impact on business success since the proper application of many company products depends upon users having the necessary knowledge.

In the reporting year, Sika spent a total of around CHF 8.5 million (2010: CHF 7.7 million) on employee development. This figure includes special, decentralized courses in the Regions and countries together with global management development and sales training programs.

Compensation policy

Sika's compensation policy is implemented locally following a globally uniform system. For detailed notes see page 56 ff of the Compensation Report.

Personnel development

Besides a small number of local adjustments necessitated by the economic difficulties, no restructuring was carried out during the year under review. The headcount was increased in response to the significant growth, above all in the emerging markets. Moreover, a further 1 117 employees joined the company due to the eight acquisitions. Worldwide, the Group employed 15 254 employees (2010: 13 482) at the end of the year under review. Employees were distributed among the Regions as follows: Europe North 4 997 (2010: 4 455), Europe South 2 318 (2010: 2 103), North America 1 491 (2010: 1 360), Latin America 2 101 (2010: 1 703), IMEA 1 224 (2010: 1 082), Asia/Pacific 3 123 (2010: 2 779).

Together, all Sika employees in 2011 generated a net added value of CHF 1 315 million (2010: CHF 1 393 million). Net added value per employee decreased from CHF 108 000 to CHF 92 000. For further information, please refer to page 138 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.

Corporate Governance

Group structure and shareholders

Sika AG, headquartered in Baar, canton Zug, is the only listed Sika company. The Sika AG bearer shares are listed on SIX Swiss Exchange under security no. 58797. Information on Sika AG's stock market capitalization can be found on page 8 of this Report. In the year under review the Sika Group encompassed unlisted subsidiaries in 76 countries. In the scope of consolidation 130 companies are included. Companies of which Sika holds less than 50% of shareholder votes are not consolidated. These are namely Sika Saudi Arabia LLC, the part GmbH joint venture in Germany as well as Addiment Italia S.r.l. Detailed information on Group companies can be found on page 128 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 four customer groups from the construction industry or from industrial manufacturing. These four customer groups are represented in Group Management as well as in the regional management teams and those of the individual countries. 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 within a particular country.

The heads of the central services finance, operations as well as research and development are likewise members of Group Management, which consists of 14 members. All Group business is consolidated in Sika AG, the holding company, itself in turn under the supervision of the Board of Directors. The organizational structures are presented on pages 43 to 49 of this Report.

As of the balance sheet date of December 31, 2011, 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, 2011, holds 53.0% of all share votes, in part through the 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_shareholders_en.html.

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

Capital structure

At December 31, 2011, 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 as well as retained earnings during the last five years are posted on pages 133 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 share holdings exceed 5% of the total number of registered shares entered in the commercial register. In the year under review no new shareholder 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 the medium-term plan 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 and on their backgrounds is listed on pages 49 and 50 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 ten 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 2011 the Board met eight 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. Detailed information on the members of the Committees and on their backgrounds can be found on pages 49 and 50 of this Report.

- The Audit Committee mainly reviews the results of internal and external audits as well as risk management. The committee assembles on 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 six times.
- The Nomination and Compensation Committee prepares personnel planning at Board and Group Management level and handles matters relating to their 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. In the year under review the Nomination and Compensation Committee met eight 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 page 44 of this Report. Detailed information on their backgrounds and activities can be found on pages 45 to 48 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 by-laws nor 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 an independent proxy. Information on what constitutes a quorum under the by-laws can be found in Art. 704 of the Swiss Code of Obligations (OR), as well as § 15 paragraph 3 of Sika's articles of association. 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 conform with legal requirements.

In addition, shareholders representing a nominal share value of CHF 10 000 can request in writing to have an item placed on the agenda during a published period. The publication is made 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 regulations of Sika AG and Sika Group.
(http://www.sika.com/en/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 respective 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 reports 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 2011 the present auditor took part in two meetings of the Audit Committee.

Ernst & Young AG billed CHF 3.6 million for its services during the year under review. This figure includes the audits of individual closings within Sika AG, practically all subsidiaries and the review of the consolidated financial statements.

Ernst & Young AG received additional fees totaling CHF 1.0 million for tax consultancy and CHF 0.5 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 press 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 dialog with investors and the media through special events and road shows. Information on important dates in 2012 can be found in this Report on page 160.

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 of the Swiss Code of Obligations and the SIX Swiss Exchange Corporate Governance guidelines.

The compensation of members of the Board of Directors and of Group Management is presented in detail from page 150 onwards in Notes 25 to 27 in the Notes to the Financial Statements of Sika AG and is therefore not repeated here.

Architecture of pay-setting process: According to its Duties, Accountabilities and Responsibilities, the Nomination and Compensation Committee is responsible to review and propose to the Board of Directors the appointment of members of Group Management, and to prepare the succession planning of the CEO and other members of Group Management. On a yearly basis, the Committee provides the Board of Directors with a performance assessment of the CEO and other members of Group Management.

Furthermore, the Nomination and Compensation Committee reviews the remuneration policy and proposes to the Board of Directors the compensation level for the members of the Board of Directors and Group Management. The Committee also proposes the short-term and long-term incentives to be awarded to the CEO and other members of Group Management. The determination of compensation takes place once a year, following the performance management cycle.

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 and proposes the related incentive payouts for the CEO and other members of Group Management.

The Chair 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. As a general rule, the CEO attends the meetings in an advisory capacity, insofar as he is not himself affected by the items on the agenda. In the year under review, the Nomination and Compensation Committee met eight times.

The Nomination and Compensation Committee may decide to consult an external advisor from time to time for specific compensation matters. In 2011, Hay Group was mandated to provide benchmarking compensation data. This advisor has no additional mandate at Sika.

Compensation of Board Members: The compensation of the members of the Board of Directors consists of a fixed base remuneration and meeting fees for membership in various committees. Meeting fees are paid in March for the preceding year. No long-term equity incentives are granted.

Compensation for the Chairman of the Board of Directors comprises a fixed base remuneration and a short-term bonus based entirely on the financial performance of the company. The financial targets of the short-term bonus are the same as those applying to the members of Group Management (as described in the section Compensation of members of Group Management). No long-term equity incentives are granted.

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

The process to set up compensation levels for members of the Board of Directors is based on a periodic benchmarking analysis on the basis of the annual compensation reports of 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, which are traded on the SIX Swiss Exchange.

In 2011, the members of the Board of Directors received a total remuneration of CHF 2.3 million (2010: CHF 2.2 million) in the form of fixed fees of CHF 1.6 million (2010: CHF 1.5 million), meeting fees and other expenses of CHF 0.2 million (2010: CHF 0.2 million) and contributions to social security and retirement plans of CHF 0.2 million (2010: CHF 0.2 million). The Chairman of the Board of Directors received a short-term bonus of CHF 0.2 million (2010: CHF 0.4 million).

The details on compensation of the Board of Directors are shown in Note 25 in the Notes to the Financial Statements of Sika AG on page 150.

Compensation of Members of Group Management

Remuneration policy principles: In order to ensure the company's success in a highly competitive global business environment, it is critical to attract, develop and retain qualified, talented and committed employees. Sika's remuneration policy for members of Group Management is designed to support this fundamental objective and is based on the following principles:

- Compensation is fair, equitable and transparent
- Compensation levels are competitive and in line with market practice
- Compensation is strongly linked to individual contribution and to the overall success of Sika
- Compensation is linked to the short-term and long-term company performance

Competitive positioning: In order to set compensation in line with the market, Sika compares, on a yearly basis, the overall 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 traded on the SIX Swiss Exchange.

As in previous years, Hay Group provided the relevant market data used by Sika as the basis for the benchmarking analysis of the compensation levels for the CEO and the other members of Group Management. Based on the external benchmarks and on internal comparisons, the Nomination and Compensation Committee establishes a frame of reference for the overall compensation of members of Group Management. The actual amount of compensation paid to the individual members of Group Management and of Senior Management in a given year depends on the individual and company performance.

Remuneration system and compensation components: The compensation for members of Group Management includes fixed base salary and variable compensation which consists of a short-term cash bonus and a long-term incentive. Both the short-term bonus and long-term incentives take into account performance against financial and strategic targets which are set by the Board of Directors.

In addition to base salary and performance-related incentive pay, members of Group Management are eligible for a range of benefits and perquisites which are in line with market practice.

Below, is described how each element of pay is determined and how performance is embedded into the variable portion of compensation.

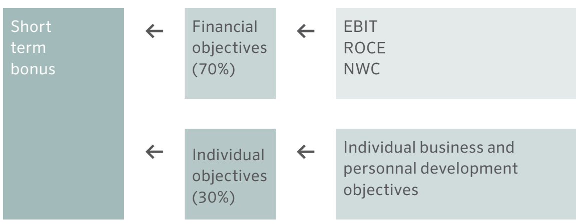
Fixed base salary: Fixed base salaries are established by evaluating the scope of the function within the context of the market, the responsibilities of the role and the skills required to perform the role successfully. Base salaries of the members of Group Management are reviewed at the end of the year. Potential increases are based on the benchmarking analysis and on individual performance. The Nomination and Compensation Committee proposes the base salary level for the CEO and the other members of Group Management to the Board of Directors for approval.

Short-term bonus: The short-term cash bonus is designed to reward the financial performance of the company and the individual performance in a specific business year.

The financial performance of the company represents 70% while the individual performance represents 30% of the target bonus.

For 2011, financial performance was determined based on the following metrics:
- EBIT: Earnings Before Interest and Tax
- ROCE: Return On Capital Employed
- NWC: Net Working Capital

The weighting of each financial metrics depends on the area of responsibility (Region or Market Segment) and is determined by the Nomination and Compensation Committee.



For the CEO and members of Group Management with global responsibility, financial performance is exclusively related to the overall company financial performance. For members of Group Management with a Regional or Market Segment responsibility, the financial performance is defined as a combination of group-wide financial performance and financial performance related to their area of responsibility.

For each financial metrics, a desired target level of performance is defined by the Nomination and Compensation Committee and approved by the Board of Directors at the beginning of the performance year. Moreover, minimum and maximum achievement levels are set specifically for each financial metrics, for which the respective minimum and maximum payout factors apply, always between 0% and 150% of target payout. Payout factors in between are interpolated linearly depending on achievement level and payout coefficients. There is a payout formula specific to each financial metrics.

	Financial Objectives			Individual Objectives
	Group	Region	Market Segment	
	% of Total Target Bonus			
CEO, Group Management Global	70%			30%
Group Management Regional	40%	30%		30%
Group Management Market Segment	40%		30%	30%

Group EBIT performance is measured based on an independent outside evaluation method, the Obermatt benchmark. This benchmark compares and ranks Sika amongst the performance of a selected peer group of 28 companies, all industrial firms with a comparable global structure and exposed to similar market cycles. The intention is to reward relative performance rather than absolute performance, because absolute performance may be strongly impacted by market factors that are outside the control of senior management.

Operating EBIT at Regional level is measured against the previous year's achievement, in order to drive EBIT growth. Both absolute EBIT growth and relative EBIT growth (in % of net sales) are being measured.

Individual performance assessment: The individual objectives may be of financial nature, of other quantitative nature or qualitative. There is a maximum of three individual objectives, so that each of them weights at least 10% of all objectives (financial and individual). The individual objectives of the members of Group Management are defined and agreed with the CEO, before being submitted to the Nomination and Compensation Committee. The individual objectives of the CEO are defined and agreed with the Committee before being submitted, together with the objectives of the other members of Group Management, to the Board of Directors for approval.

Individual performance is assessed during the year-end review. For the members of Group Management, the CEO assesses their performance after year-end. The CEO provides his overall performance assessment of each member of Group Management to the Nomination and Compensation Committee and formulates a recommendation for the bonus payout.

The Committee assesses the performance of the CEO after year end, and formulates a recommendation to the Board of Directors for the bonus payout. 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 financial and individual objectives of each of the members of Group Management. The Committee also considers other aspects, including the extent to which the individuals have carried out their duties in line with the company values and expected leadership behaviors.

The short-term bonus target for the CEO and the other members of Group Management amounts to between 45% and 90% of fixed base salary. There are two payout options:

Option 1: 80% paid in cash, 20% invested in the share savings plan.
Option 2: 60% paid in cash, 40% invested in the share savings plan.

Under the share savings plan, executives receive part of their short-term bonus in Sika shares in lieu of cash. The objective of this program is to strengthen the link between remuneration and company performance, and to encourage members of Group Management to directly participate in the long-term success of the company.

The shares have a blocking period of four years, during which they are excluded from trading. In the event of involuntary termination of employment, such as retirement, death, disability or redundancy, the blocking period of the shares is shortened to twelve months (retirement) or is cancelled (all other involuntary terminations). In the event of voluntary termination, the blocking period remains unchanged. In order to encourage participation in the share savings plan, there is a 20% uplift on the portion of the short-term bonus taken in shares. This means that the portion of the short-term bonus taken in shares is increased by 20%.

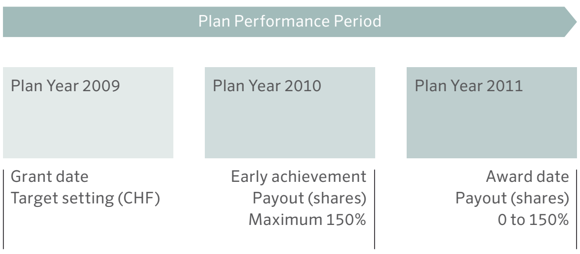
The shares are allocated to a fair market value (average closing price of February on the SIX Swiss Exchange).

Long-term incentives: Sika's remuneration policy is to also link a significant portion of compensation to long-term company financial and strategic goals. Members of Group Management are eligible for a long-term incentive. The long-term incentive target is equivalent to between 22% and 45% of the fixed base salary.

The long-term incentive is a Performance Share Plan. The Nomination and Compensation Committee determines a performance target to be met over a period of three years. The performance target is always strategic in nature and clearly quantifiable. Sika cannot disclose further details regarding the nature of those targets for competitive reasons.

If the performance target is achieved after two years, there is an early-achievement payout proportional to achievement level, but capped at maximum 150% of target payout. This payout is additional to the regular payout after the three-year performance period.

Plan performance period:



The final share allocation is determined by the Nomination and Compensation Committee after the three-year performance period, and submitted to the Board of Directors. The method of determination is as follows:

- The target incentive amount is adjusted proportionally to achievement level. This is the actual incentive amount, which can range anywhere between 0% and 150% of target.
- A 20% uplift applies on the actual incentive amount. This is because the entirety of the long-term incentive is delivered in shares with a four-year blocking period.
- The actual incentive amount, including the 20% uplift, is converted into Sika shares at fair market value.
- Fair market value is defined as weighted average of the share trading price of the month of February at the SIX Swiss Exchange, minus a 4% discount.

The same method of determination applies to an early-achievement payout (if any).

In some countries, the award may also be delivered in "phantom shares" (award settled in cash after the performance period) if so required by local legislation.

In 2011, the members of Group Management received a total remuneration of CHF 20.2 million (2010: CHF 17.7 million). This amount comprises fixed base salaries of CHF 6.8 million (2010: CHF 6.5 million), short-term bonus of CHF 3.7 million (2010: CHF 4.3 million), long-term incentives of CHF 5.6 million (2010: CHF 2.9 million), other expenses of CHF 0.4 million (2010: CHF 0.4 million), contributions to social security and retirement plans of CHF 3.1 million (2010: CHF 3.1 million) and other benefits of CHF 0.5 million (2010: CHF 0.5 million). The rise in long-term incentives is driven by the payout of the 2009 LTI plan and the simultaneous early payout of the 2010 LTI plan (2010: no target achievement of the three-year plan 2008–2010).

The details on compensation of members of Group Management are shown in Note 26 in the Notes to the Financial Statements of Sika AG on page 151.

Pensions: As the Group Management is international in its nature, the members participate in the pension plans available in their country of contract.

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 in Switzerland 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 is, as a minimum, in accordance with the legal requirements of the respective country.

Moreover, an early-retirement plan has been established 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 they have been in a top management position for at least five years. Benefits under the plan are twofold:

- Fixed pension payments until the age of legal retirement. The amount of pension depends on the last fixed salary and the actual age of 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 of 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.

In the year under review, no payments were made from pension plans to members of Group Management.

Other remuneration elements: Members of Group Management are also provided with certain exclusive 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 Note 26 in the Notes to the Financial Statement of Sika AG on page 151.

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.

Compensation of the CEO: All the rules mentioned regarding the compensation of members of Group Management hold for the CEO as well. The details of compensation paid to the CEO are shown in Note 26 in the Notes to the Financial Statements of Sika AG on page 151.

Shareholdings and shares: At the end of 2011, members of the Board of Directors held a total of 5 489 shares of Sika AG. At the end of 2011, members of Group Management held a total of 5 226 shares of Sika AG. This figure includes both privately acquired shares and those allocated under the Group's compensation schemes. At the end of 2011, members of the Board of Directors and members of Group Management did not hold any options.

The details of compensation paid to the members of the Board of Directors and Group Management are shown in Note 27 in the Notes to the Financial Statements of Sika AG on page 152.

Customer Focus

Innovation through partnership

● The future in harmony with the past
Jean Nouvel has framed a spectacular view of St. Paul s Cathedral from the “One New Change” complex.

Freedom of Design

Glass monument, roof geometry and converted brewery

Copy RODERICK HÖNIG Photo MARC EGGIMANN

Innovative construction materials and products give architects the scope to implement unconventional solutions in the design and detailing of buildings and other structures. The design freedom afforded by Sika products has been happily exploited by star architects such as Jean Nouvel and Daniel Libeskind.

Glass skin doubling up as climate façade
Indoor environmental performance is vastly enhanced by the use of Sikasil® to bond and weatherproof the gas-filled insulating glass units of the façade.

Building in the heart of London is no easy matter. One-third of the city's urban fabric is listed due to its special historical interest, while countless buildings, as architectural monuments, are sacrosanct. The world-famous St. Paul's Cathedral alone boasts 16 protected and unobstructable sightlines stretching for kilometers across the city. Here, any architects seeking to build for the future will first have to reconcile their concepts with the past. The One New Change office and shopping mall project by distinguished French architect Jean Nouvel is a prime example of how to square urban development with the demands of conservation. The new complex is sited in the immediate environs of St. Paul's Cathedral.

Broadening the scope for innovative design

Jean Nouvel decided to elevate the statutory requirement for unobstructed views of the cathedral to the leitmotif of his design. The result is a monumental work of glass architecture, completed in 2010 and nicknamed the "Stealth Building", which bobs and weaves below the protected axes with consummate lightness and elegance. Its 32 000 m² façade and publicly accessible roof are clad with 6 500 glass panels. Though something short of a cloak of invisibility, the cladding system does ensure that the new addition remains clearly "overshadowed" by the cathedral architecture. The young David's failure to steal the show from the old Goliath is due in no small part to the ethereal, filigree character of the glass façade. With the individual panels held in place by unobtrusive (Sikasil®) silicone joint sealants, the "frameless" façade reads as a single, uniform entity. The use of Sikasil® to bond and weatherproof the gas-filled insulating glass units also enables the glass skin to double up as a "climate façade" that allows efficient regulation of the indoor environment. Jean Nouvel capitalized on this versatile technology to dazzling effect: through a cruciform arrangement of internal public thoroughfares, the French architect divided up the nine-floor structure into four blocks, with the crossing located such as to command a spectacular view of the stone cathedral.

Getting the color right

The façade colors selected by Nouvel are inspired by the surrounding urban environment. Featured most prominently is a soft, matt reddish-brown – "to echo the brick and stone fronts of the neighboring buildings", as the architect explains. By contrast, the glass façades flanking the internal streets shimmer and sparkle as they waver between transparency and reflection. The light directed into the interior projects multiple images of the cathedral onto the glass: old architecture joining forces with new to create a fascinating house of mirrors.

> A monumental work of glass architecture, the "Stealth Building" bobs and weaves with lightness and elegance.

Both the internal and external "seams" that hold the cloak together play a key role in fashioning the façade as a unified entity. These were required to meet the very highest standards in terms of color, performance and durability. The most conspicuous joints in the One New Change project are the seals between the screen-printed glass panes. The dull brown hue precisely specified by Jean Nouvel for these seals had to be specially mixed and manufactured.

The art of jointing
The brown hue of the joints was precisely specified by Jean Nouvel to echo the colors of the urban setting.

Elaborate composition at ABC Foundation museum in Madrid
Although paving and façade are covered with the same aluminum tiles, two completely different Sika systems were used for their installation.

Colorfast performance posed a further challenge given the combined use of different Sika product groups, based on raw materials with sometimes widely varying chemical compositions, whose compatibility nonetheless had to be guaranteed. A German company, curtain wall specialist Josef Gartner from Gundelfingen in Bavaria, was appointed to assemble the special glass façade.

"Bonding together different materials was a challenge in itself," recalls Roland Reuther, chief installation supervisor at Gartner. "That made me particularly grateful for the expert and dependable support of Sika's specialists in the selection of adhesives and sealants, and for their help in providing me with a better understanding of the products."

Invisible fixing

The ABC Foundation museum in Madrid was yet another project set in a sensitive historic context. The museum houses a unique collection of nearly 200 000 drawings by some 1 500 artists. The pictures are of significant heritage value in that they tell the cultural history of Spain from the turn of the twentieth century to the present. Started in 1891 by Spanish daily newspaper Diario ABC, the collection was relocated to a former brewery building in 2010. Spanish architects Aranguren & Gallegos repaired and renovated the clay-brick structure, built in 1900, adding an underground exhibition room. The focal point of the revamped facility is the new courtyard, which serves as a public entrance zone accessible from two streets. The most intriguing feature here, visible even from the street, is the paving solution – a spellbinding geometric tour de force with triangular, matt-polished aluminum tiles laid in a vibrant pattern. Some of the sharp-pointed triangles are made of matt glass.

> » Visible even from the street, the paving solution is a spellbinding geometric tour de force.

Admitting daylight to the underground level, these "windows" already hint at the location of the main exhibition area. The smart paving is echoed by the new courtyard façade that clads the former industrial facility. This features the same aluminum tiles used for the paving. The cladding system incorporates glazed "holes" which open onto the indoor office and events areas. The ensemble of paving and façade frames a captivating new urban space that revels in the reinterpretation of horizontal elements in the vertical. However similar the two compositions may appear, the demands placed on their design differed enormously. While the paving had to accommodate pedestrian and vehicular traffic, the key requirement of the façade was to weatherproof the historic structure. The 235 m^2 façade tiles were elastically fixed to the existing structural fabric using the SikaTack® panel system. The concealed bonding ensures that there is nothing to distract attention from the bravura performance of the

INMACULADA CORCHO

Director, Museo ABC, Madrid , Spain
Project “Museo ABC,” Madrid

“The patio’s geometrical construction grants the museum the necessary modern expression to reflect our contemporary scope, while still respecting the historical importance of the building and the collection of drawings dating back more than a century. As the Sika products that bond the triangular panels are almost invisible, the geometrical pattern appears light and graceful in combination with the old building.”

ROLAND REUTHER

Chief Installation Supervisor Josef Gartner, Gundelfingen, Germany
Project “One New Change,” London

“It is important for us to have a full understanding of the products we use. That's why the training provided by Sika is so crucial. Everyone working here has been properly instructed. And, if any questions arise, I know exactly what to do: I just get on the phone to Sika's technicians. They are always glad to help and give you a speedy response. They are also very good at communicating their knowledge and their proposals help both us and the architects.”

YAMA KARIM

Architect, principal of the project at Studio Daniel Libeskind,
New York (NY), USA
Project “The Ascent at Roebling’s Bridge,” Cincinnati

“We pay great attention to the integration of the roof, as part of the building design. Our goal in selecting a roofing system was to preserve the integrity of the design and have the stripes continue up over the façade and back down. Sika Sarnafil did an excellent job. Thanks to their roofing membranes the stripes continue effortlessly across the roof without looking like the details are being forced.”

KEN SAGE

Vice President Business Development,
Midland Engineering Company, South Bend (IN), USA
Project “The Ascent at Roebling’s Bridge,” Cincinnati

“Sika Sarnafil was fantastic to work with on this very challenging project. This building has numerous angle changes that presented some difficult details. The Sika Sarnafil representatives attended many meetings with us to consult on detail design. The Sika technicians were on site many times to inspect the work to ensure that everything was right the first time.”

geometric tableau. The paving tiles with flush glass units were bonded and waterproofed with SikaBond®-T8. Here again, by remaining invisible, the fixing system in no way detracts from the appeal of the new civic space.

A roof by the Ohio River

The luxury condominium building in Covington (Kentucky) designed in 2008 by New York star architect Daniel Libeskind embodies a similarly careful response to an existing urban monument. The crescent-shaped, blue and white eye-catcher with its zestfully curved, sharply tapering roof creates a new, colorful and geometrically bold focus on the banks of the Ohio River. The dynamic shape is a bow to the curved suspension cables of the neighboring John A. Roebling Bridge over the Ohio River. At its inauguration in 1866, this was the world's longest suspension bridge, spanning 322 meters. It held onto this distinction until 1883, when engineer and bridge-builder John August Roebling completed his opus magnum, the Brooklyn Bridge in New York City.

> The crescent-shaped, blue and white eye-catcher creates a new, colorful and geometrically bold focus by the Ohio River.

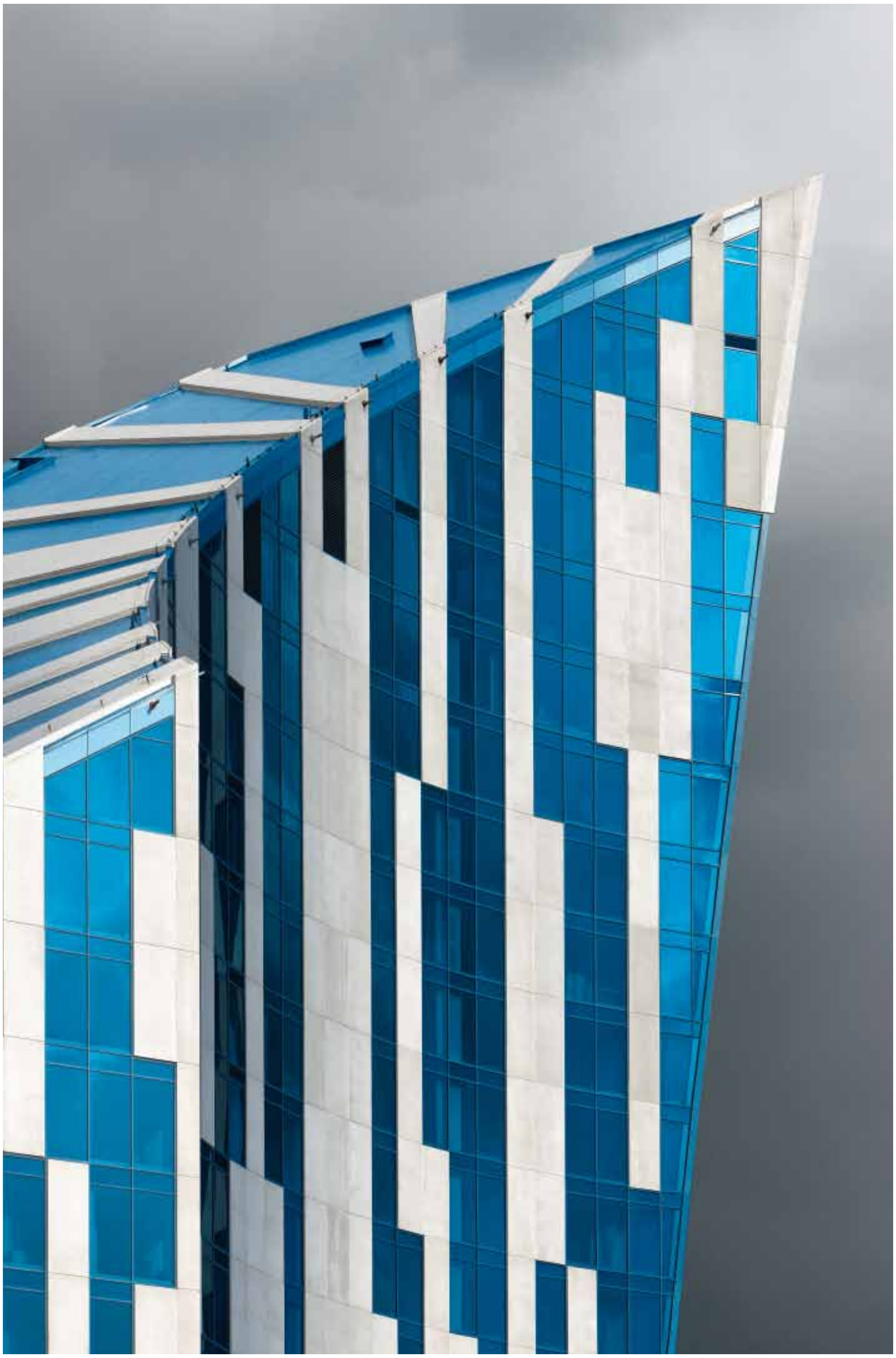


Photo: © BitterBredt Fotografie

Powerful crescendo
The seamless transitions of the façade bands across the steeply tapering roof posed a tough test for materials and installers alike.

Libeskind's building takes its cue from the neighboring engineering monument in both form and color. Yet the steep, curving roof, which tapers to a point, is more than just a geometric conceit. It affords the 70 apartment dwellers a sweeping view of the Cincinnati skyline. Given that the idiosyncratic building showcases the roof as a stunning fifth façade, its detailing and construction played a pivotal role in the project. "Our goal in selecting a roofing system was to preserve the integrity of the design, i.e. to ensure that the blue and white façade stripes are carried seamlessly across the roof," explains Yama Karim, Project Architect at Studio Daniel Libeskind. The architects opted for the roofing membranes from the Sika Sarnafil range on account of their ability to meet the manifold demands, such as water impermeability, color accuracy, long service life, and geometrical flexibility. Installation of the approx. 1 400 m^2 roof was a complex operation that posed severe challenges in terms of occupational safety. The work was performed on a 37° slope

Photo: © Michele Nastasi

at heights ranging between 90 and 180 meters. “Our installers not only performed admirably, they also had to become rock climbers for the duration of this job,” says Ken Sage, Vice President Business Development at Midland Engineering Company, based in South Bend, Indiana.

Focusing on the essentials

The demands placed by designers, developers and the authorities on flagship construction projects are high. Adhesives and sealants as well as roofing systems play a pivotal role in the detailing of such buildings: not only do they open the door for innovative solutions and design ideas, they also make possible quasi-invisible connections. They unlock new potential for building designs in which the architect can focus on the essentials – space, materiality and aesthetic quality.

Historic reference
The suspension cables of John A. Roebling Bridge supplied the inspiration for the dramatic roof construction.

PROGRESS IN VEHICLE CONSTRUCTION

Structural Bonding Permits Free Choice of Design and Materials

In the automotive industry new structural adhesives enable free choice of design and materials as a road kart study which generated enormous interest shows.

The new generation of structural adhesive, SikaPower®, in use by our OEM customers for crash-relevant components has become a market trendsetter. But small-series production also profits from Sika’s high-strength technology: Car body manufacturer SKT, University of Osnabrück, Germany, and Sika Automotive developed a road kart vehicle in the course of a joint research project.

The project proved the feasibility in small-series production of using cold-curing two-component polyurethane adhesives from the SikaForce® product portfolio to achieve a crash-resistant bonding performance only previously attainable by heat curing structural adhesives. Just as important was the fact that the adhesive permitted a free choice of design and material mix, for example enabling the use of light-weight materials. The light-weight construction in turn enabled fuel efficiency.

The road kart, whose development served as the subject matter of a doctoral thesis, is set to be authorized for road use and a limited run will soon be produced. In response to the enormous interest generated by the vehicle, it was even put on show at the 2011 IAA exhibition in Frankfurt, as well as during Sika Automotive Technology Day in Hamburg, and will also be presented at the Hannover Messe 2012.

Photo: © Justin Hession/Sika

i-Cure Technology
A New Generation of Sealants and Adhesives Is Born

Architekturfotografie Jochen Helle/Sika

Sika's newly launched i-Cure platform marks a solution for customers with the most stringent of requirements in terms of performance, workability, resistance, adhesion and safety. The sealants and adhesives produced with the new technology are extremely low in emission and environmentally friendly. Sika's long-term commitment to developing methods which reduce the emissions for eco and application-friendly construction chemical products is paying off.

Cleanroom-compatible
In conjunction with the wall and floor coating systems, the newly developed floor joint sealant guarantees a clean environment.

The term i-Cure stands for "intelligent curing," a patent-protected novel type of latent hardener polyurethane technology. It combines the best properties of classic polyurethane sealant and adhesive technology with new features such as bubble-free curing and odorless application.

Safe and eco-friendly

The new technology is the answer to the clear trend towards solvent-free low-emitting products, especially for indoor applications. i-Cure products are odorless and solvent-free. Furthermore they meet the highest and increasingly stringent emission standards. Compared to previous polyurethane-based sealant and adhesive generations, the new products show improved weatherability. They also exhibit unsurpassed adhesion to porous and nonporous substrates.

Customer benefits

i-Cure technology was introduced into the first construction and industry markets throughout the world in 2011. For example, in the floor joint and wood floor bonding markets, the marine market, as well as for multipurpose sealants and adhesives for the distribution market. Launches on other markets such as the façade or bus, truck and rail sectors are to follow this year. The excellent shelf life properties of the i-Cure products provide more flexibility not only for the direct customers of Sika but also for wholesalers and distributors.

From German waterproofing company ...

Initial feedback from customers has been very encouraging. H. Schmid GmbH Bauabdichtungen, a renowned jointing company in Germany specialized in all types of waterproofing using joint sealants, was one of the first Sika customers to apply the new products. Rudolf Czudzowitz, a highly experienced employee of the company, points out: "The new material is more easily extruded, has hardly any cut-off string and offers better hardening characteristics. An even surface with no waves can be achieved as the product is not resilient during application."

> » The new i-Cure products are quick and easy to apply, allowing us to save time and money.
>
> HEINRICH SCHMID – Managing Director
> H. Schmid GmbH Bauabdichtungen, Germany

Managing Director Heinrich Schmid adds: "Easy and speedy application is the precondition for keeping tight time schedules and saving money."

... to Taiwanese marine distributor

Another company to have made initial experiences with the newly developed i-Cure products is Taiwanese marine distributor Hong Da Co. Ltd. They have been using the Sikaflex® range for deck caulking as well as for general sealing and bonding applications in the marine area. The owner of the company, Mr. Hong Shan Lin, is highly satisfied with the new i-Cure products: "For indoor applications such as in our manufacturing hall, it is a great advantage that the new products are odorless, have low emission and are solvent-free. This improves the working environment and makes it safer. And the workability of the products has improved as well."

PROGRESS IN CLEANROOM TECHNOLOGY

Cleanroom Suitable Materials Are Gaining in Importance

The trend toward improving the cleanliness of manufacturing processes can be witnessed in many industries today. This trend, initially driven by the electronics industry, has penetrated new fields such as the solar or flat panel industry. Furthermore, production cleanliness is becoming more important for the life science industries, especially for new technologies in the medical device and biopharmaceutical markets.

For the production of contamination-sensitive items, manufacturers use cleanrooms as this environment has a low level of pollutants such as dust, airborne microbes, aerosol particles and chemical vapors.

To meet the increasingly strict requirements on cleanliness, cleanroom suitability was among the development goals set for Sikaflex® PRO-3. The newly developed sealant for floor joints based on i-Cure technology was to meet the product qualification CSM – Cleanroom Suitable Materials. This is the world's first standardized product qualification to ISO 14644 and GMP standard for the cleanroom and life science markets. Sikaflex® PRO-3 achieved excellent test values for use in cleanrooms. In addition, it displays very good resistance against mould and bacteria growth.

Together with the cleanroom approved Sika coating systems for walls and floors, the use of Sikaflex® PRO-3 guarantees a clean environment. Hence customers' production processes will not be affected by air pollution and the number of rejected goods will be reduced.

Up on high
Switzerland's tallest building, the Prime Tower in Zurich, was put up in record time.

Acceleration
High in the sky and deep underground

Copy RETO WESTERMANN Photo MARC EGGIMANN

Both high-rise and tunnel projects test engineers and materials to their limits. The Prime Tower in Zurich and the Metro project in Nanjing – both incorporating Sika products – are no exception.

Precast concrete elements for 600 km of subway
Up to 2030, some 150 000 precast concrete elements will be produced annually for the Metro subway in China's multi-million-population city of Nanjing.

The area to the west of the Hardbrücke bridge in Zurich was formerly a bastion of mechanical engineering. It was home to shipbuilder and turbine manufacturer Sulzer-Escher-Wyss, whose immediate neighbor Maag produced cogwheels. Economic shifts have since brought about a transformation: actors now tread the boards in Sulzer-Escher-Wyss's shipbuilding hall while, on the Maag site, blue-collar workers have been ousted by lawyers and managers. Visible from afar, the 126 meter high Prime Tower stands as a beacon of change. Incorporating some 34 000 cubic meters of concrete and 6 000 tons of steel reinforcement, Switzerland's tallest building was erected in only 40 months. The first tenants took up residence in August 2011 and, since mid-December, visitors to the "Clouds" restaurant on the 36th story can enjoy a spectacular view of the city during dinner.

One story per week

The use of sophisticated technology and logistics to meet the tight construction schedule had been one of the key requirements in the bidding procedure. The contract was awarded to the ARGE Prime Tower consortium made up of design-build contractors Losinger-Marazzi and Steiner AG. "We were able to capitalize on the experience of our parent company, Bouygues, which has notched up a number of high-rise projects," points out Alain Capt, Prime Tower's Senior Project Manager.

The consortium proposed the use of climbing formwork to build the high-rise core. A preliminary analysis indicated that a rate of one story per week was feasible. The first step was to concrete the core zone.

For the engineers, this core section posed a particular challenge. Not only did it need to house stairways, elevators, and mechanical and electrical installations, it also constituted the building's structural backbone. In other words, the bulk of the loads acting on the high-rise had to be accommodated by this core. Accordingly high demands were placed on the quality of the concrete. The required properties were precisely specified by the engineering team and the best concrete mix design was identified by means of laboratory tests. For example, the core concrete was required to exhibit a maximum shrinkage of 0.35 per mil after 90 days. "Otherwise the building's structural deformation behavior

> » Consistent concrete properties were vital for the Prime Tower project.

HERMANN WALPEN

Head Building Construction, Member of Management Board Marti AG, Bauunternehmung, Zurich, Switzerland
Project "Prime Tower," Zurich

"For the Prime Tower in Zurich – Switzerland's tallest building – we had to put up 36 stories within a 17-month construction window. Both the time constraints and the architecture without right angles placed exceedingly stringent demands on the concrete: high compressive strength, low shrinkage and low creep, coupled with excellent workability and a top-quality surface finish. The expert technical and methodological support of the Sika team, which counseled us before and during the construction period, enabled us to surpass the quality requirements and deadlines set by the owner. Through its flexible, highly quality-conscious approach, Sika delivered absolutely convincing results."

YU CHUN

President Nanjing Dadi Construction New Building Materials Co. Ltd., Nanjing, China
Project "Nanjing Metro," Nanjing

"By 2030, the Nanjing Metro network will be extended from its present 85 km to a total length of 600 km. This will involve the production and incorporation in the tunnels of 150 000 concrete segments each year. With Sika as our contract partner, we know we can rely on consistent product quality, continuously high performance, on-time delivery and a supreme service. Sika's tailored counseling and constant support help us solve any production problems that arise. That's a truly exceptional service. For a tightly scheduled project of this magnitude, close and reliable collaboration is of paramount importance. Sika is our undisputed partner of choice."

DU LIYUE

Vice President Nanjing Dadi Construction New Building Materials Co. Ltd., Nanjing, China
Project "Nanjing Metro," Nanjing

"After a brief test phase, we started using Sika® ViscoCrete®-20 HE as high early-strength and high-performance water reducer in May 2011. It offers wide-ranging advantages over standard water reducers. The concrete produced since then exhibits higher and more consistent quality. The casting and curing time for the concrete elements has been cut by two hours. The improved late strength of the concrete has also allowed us to save on materials. And what is plain for all to see is the vastly superior aesthetic appearance due to reduced surface defects. All in all, the use of Sika products has allowed us to boost production efficiency at no additional labor cost."

would have been impaired," explains Lukas Reichmuth, Project Engineer at Zurich-based engineering practice Walt+Galmarini AG.

Admixtures guarantee consistent quality

While the required performance was easy to achieve under laboratory conditions, the on-site realities posed far stiffer tests. One of these was the extreme range of temperatures – from -10°C to +30°C – during the construction period. Further difficulties arose from the need to pump the concrete to a height of over 100 meters in some cases. The long distances both lengthened pumping times and raised the temperature of the concrete due to friction with the pipes. To guarantee the consistent quality of the concrete placed throughout the contract period, the management team specified Sika superplasticizers and shrinkage-reducing admixtures. These allowed fine-tuning of the concrete formulation in line with temperature and season. This investment paid dividends: concreting proceeded without any notable delays and, bang on time after 60 weeks, the core reached to its definitive height of 126 meters.

30 kilometers per year

Fast-track construction and punctuality are every bit as important for Nanjing's Metro project. Located some 300 km northwest of Shanghai, Nanjing with its population of five million is one of China's ten biggest cities. It is a key center of industry, boasting four major industrial parks plus a university. Under construction since 2000, the city's extensive subway system is scheduled to comprise 17 lines by 2030. Around 30 kilometers of tunnel are completed each year, based on drives of up to 100 meters per day. As for the Prime Tower, elaborate logistical support is indispensable in ensuring rapid progress of the works. This includes the daily production in four factories of some 500 precast concrete elements which are used to line the tunnels. To meet this production rate, the concrete segments need to set rapidly in the forms. For a long time, naphthalene was added to the concrete as an accelerator and hardener, albeit with unsatisfactory results. The four precast manufacturers have now switched to Sika® ViscoCrete®-20 HE superplasticizer and set accelerator. Thanks to the high-performance properties of the new admixture, the production rate has since shot up by one-third. The concrete segments can now be manufactured in three daily shifts, instead of previously two. Gains have also been achieved in the quality of the lining units – particularly in terms of strength and impermeability, which are of course crucial properties for tunnel applications.

> » On the Nanjing Metro extension project, Sika's top-class support service helps us to solve any problems that arise.

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Consolidated Financial Statements

Consolidated Balance Sheet as of December 31

in CHF mn	Notes	2009 Restated[1]	2010 Restated[1]	2011
Cash and cash equivalents	1	801.6	938.4	536.0
Accounts receivable	2	739.4	780.6	875.7
Inventories	3	451.4	499.7	530.6
Prepaid expenses and accrued income		60.9	82.6	75.8
Other current assets	4	39.8	49.7	34.3
Total current assets		**2 093.1**	**2 351.0**	**2 052.4**
Property, plant, and equipment	5	861.7	816.5	860.6
Intangible assets	6	562.0	630.9	770.4
Investments in associated companies	7	24.0	23.4	21.1
Deferred tax assets	8	69.2	88.0	82.4
Other non-current assets	4	28.8	31.0	43.5
Total non-current assets		**1 545.7**	**1 589.8**	**1 778.0**
Total assets		**3 638.8**	**3 940.8**	**3 830.4**
Accounts payable	9	355.2	478.2	501.0
Accrued expenses and deferred income	10	211.8	192.3	191.4
Bond	12	0.0	274.6	0.0
Income tax liabilities		38.2	57.2	58.0
Current provisions	13	43.5	16.8	11.3
Other current liabilities	11	17.6	37.6	59.1
Total current liabilities		**666.3**	**1 056.7**	**820.8**
Bonds	12	1 066.9	794.4	796.0
Non-current provisions	13	103.1	92.0	90.6
Deferred tax liabilities	8	64.3	80.9	101.0
Employee benefit obligation	14	130.3	131.7	142.9
Other non-current liabilities	11	7.2	25.5	40.0
Total non-current liabilities		**1 371.8**	**1 124.5**	**1 170.5**
Total liabilities		**2 038.1**	**2 181.2**	**1 991.3**
Share capital		22.9	22.9	1.5
Treasury shares		-106.3	-69.9	-55.7
Reserves		1 679.4	1 802.9	1 880.3
Equity attributable to Sika shareholders		1 596.0	1 755.9	1 826.1
Non-controlling interests		4.7	3.7	13.0
Total shareholders' equity	15	**1 600.7**	**1 759.6**	**1 839.1**
Total liabilities and shareholders' equity		**3 638.8**	**3 940.8**	**3 830.4**

[1] Restated due to application of IFRIC 14 amended (see principles of consolidation).

Consolidated Income Statement from January 1 to December 31

in CHF mn	Notes	%	2010	%	2011	Change in %
			Restated[1]			
Net sales	16	100.0	4 416.0	100.0	4 556.4	3.2
Other operating income		0.1	5.8	0.2	7.3	
Operating revenue	17	100.1	4 421.8	100.2	4 563.7	3.2
Material expenses	18	-46.1	-2 036.9	-49.6	-2 259.1	
Gross result		54.0	2 384.9	50.6	2 304.6	-3.4
Personnel expenses	19	-21.6	-953.7	-21.1	-959.9	
Other operating expenses	19	-19.3	-854.5	-19.0	-867.3	
Operating profit before depreciation	19	13.1	576.7	10.5	477.4	-17.2
Depreciation	20	-2.4	-102.7	-2.2	-98.6	
Amortization	20	-0.8	-33.0	-0.7	-30.3	
Impairment	20	0.0	-1.8	-0.0	-1.4	
Operating profit		9.9	439.2	7.6	347.1	-21.0
Interest income	22	0.1	4.0	0.1	5.0	
Interest expenses	21	-0.8	-34.0	-0.7	-33.4	
Other financial income	22	0.1	5.4	0.1	5.2	
Other financial expenses	21	-0.3	-14.2	-0.4	-18.0	
Income from associated companies	22	0.1	3.0	0.2	9.6	
Profit before taxes		9.1	403.4	6.9	315.5	-21.8
Income taxes	23	-2.1	-92.8	-2.2	-100.7	
Net profit		7.0	310.6	4.7	214.8	-30.8
Profit attributable to Sika shareholders		7.0	310.5	4.7	213.3	
Profit attributable to non-controlling interests	24	0.0	0.1	0.0	1.5	
Undiluted earings per bearer share (in CHF)	25		124.48		85.06	-31.7
Undiluted earings per registered share (in CHF)	25		20.75		14.18	-31.7

[1] Restated due to application of IFRIC 14 amended (see principles of consolidation).

Statement of comprehensive income

in CHF mn	%	2010	%	2011	Change in %
		Restated[1]			
Net profit	7.0	310.6	4.7	214.8	-30.8
Currency translation differences					
Exchange differences taken to equity	-2.0	-86.7	-0.6	-27.7	
Available-for-sale financial assets					
Valuation gains (+)/losses (-) taken to equity	0.0	0.6	0.0	-0.2	
Transferred to income statement on sale or impairment	0.0	-0.3	0.0	0.0	
Other comprehensive income	-2.0	-86.4	-0.6	-26.8	
Comprehensive income	5.1	224.2	4.1	188.0	-16.1
Attributable to Sika shareholders	5.1	224.1	4.1	185.4	
Attributable to non-controlling interests	0.0	0.1	0.1	2.6	

[1] Restated due to application of IFRIC 14 amended (see principles of consolidation).

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	Total Sika shareholders'	Non-controlling interests	Total equity
January 1, 2010 (audited)	22.9	256.0	-106.3	-224.2	-0.1	1 640.0	1 588.3	4.7	1 593.0
Restatement[1]						7.7	7.7		7.7
January 1, 2010 (restated)	**22.9**	**256.0**	**-106.3**	**-224.2**	**-0.1**	**1 647.7**	**1 596.0**	**4.7**	**1 600.7**
Profit of the year[1]						310.5	310.5	0.1	310.6
Other comprehensive income				-86.7	0.3		-86.4		-86.4
Comprehensive income	**–**	**–**	**–**	**-86.7**	**0.3**	**310.5**	**224.1**	**0.1**	**224.2**
Transactions with treasury shares[2]			36.4			0.6	37.0		37.0
Share based payments						6.3	6.3		6.3
Dividends[3]						-112.0	-112.0	-1.0	-113.0
Change in scope of consolidation						-0.1	-0.1	-0.1	-0.2
Inflation adjusted[4]						4.6	4.6	0.0	4.6
January 1, 2011 (restated)	22.9	256.0	-69.9	-310.9	0.2	1 857.6	1 755.9	3.7	1 759.6
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[2]			14.2			-3.5	10.7		10.7
Share based payments						8.7	8.7		8.7
Dividends [3]						-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 adjusted[4]						1.4	1.4	0.0	1.4
December 31, 2011	1.5	256.0	-55.7	-338.6	0.0	1 962.9	1 826.1	13.0	1 839.1

[1] Restated due to application of IFRIC 14 amended (see principles of consolidation).
[2] Including capital gains tax of CHF 0.9 million (CHF 1.8 million) in retained earnings.
[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.

Consolidated Cash Flow Statement

in CHF mn	Notes	2010	2011
Operating activities			
Profit before taxes		403.4	315.5
Depreciation/amortization/impairment		137.5	130.3
Increase (+)/decrease (-) in provisions/ employee benefit plans		-22.4	-7.9
Increase (-)/decrease (+) in net working capital		14.8	-62.5
Other adjustments	28	-2.8	-3.0
Income taxes paid		-105.7	-73.1
Cash flow from operating activities		**424.8**	**299.3**
Investing activities			
Property, plant, and equipment: capital expenditures		-91.3	-104.6
Property, plant, and equipment: disposals		6.7	8.6
Intangible assets: capital expenditures		-8.6	-12.5
Intangible assets: disposals		0.6	0.1
Acquisitions less cash and cash equivalents		-90.6	-143.8
Acquisitions (-)/disposals (+) of financial assets		2.3	-6.9
Capital increase at associated companies		0.0	-4.8
Cash flow from investing activities		**-180.9**	**-263.9**
Financing activities			
Increase in financial liabilities		7.0	20.6
Repayment of financial liabilities		-29.5	-58.6
Repayment of a bond		0.0	-275.0
Acquisitions (-)/disposals (+) in treasury shares		38.8	11.6
Dividend payment to shareholders of Sika AG		-112.0	-112.8
Repayment of nominal value		0.0	-21.4
Dividends related to non-controlling interests		-1.0	-1.7
Capital increase from non-controlling interests		0.0	7.0
Cash flow from financing activities		**-96.7**	**-430.3**
Exchange differences on cash and cash equivalents		-10.4	-7.5
Net change in cash and cash equivalents		136.8	-402.4
Cash and cash equivalents at the beginning of the year		801.6	938.4
Cash and cash equivalents at the end of the year		938.4	536.0
Cash flow from operating activities contains:			
Dividends from associated companies		3.8	4.9
Interest received		4.3	5.0
Interest paid		-35.4	-34.4

Appendix to the Consolidated Financial Statements

Principles of Consolidation and Valuation

Principles of Consolidation.

General principles. 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, 2011, were taken into account. The financial statements are prepared according to the going-concern principle.

Changes in the accounting standards. The accounting standards applied conform to those standards that were valid in the previous year. Exceptions are the following revised and new standards, which Sika applies since January 1, 2011:
- IAS 24 – Related Party Transactions (Amendment)
- IAS 32 – Financial Instruments: Presentation (Amendment)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRSs (2010)

The following effect results from the application of these revised standards and interpretations:
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment). The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The acceptance of this change resulted in a restatement as listed in the table below.

Impact of IFRIC 14 (revised) on previous year figures

in CHF mn	1/1/2010	12/31/2010
Balance sheet		
Other non-current assets (before IFRIC 14)	19.4	21.9
Restated due to IFRIC 14	9.4	9.1
Other non-current assets (restated)	**28.8**	**31.0**
Deferred tax liabilities (before IFRIC 14)	-62.6	-79.2
Restated due to IFRIC 14	-1.7	-1.7
Deferred tax liabilities (restated)	**-64.3**	**-80.9**
Impact on retained earnings	**7.7**	**7.4**

	1/1 – 12/31/2010
Income statement	
Personnel expenses	-953.4
Restated due to IFRIC 14	-0.3
Personnel expenses (restated)	**-953.7**
Impact on net profit	**-0.3**
Earnings per bearer share/CHF	124.60
Restated due to IFRIC 14	-0.12
Earnings per bearer share (restated)/CHF	**124.48**

As of 2012 and later Sika will adopt the following new and revised standards:
- IAS 19 – Employee Benefits (amended, applicable effective January 1, 2013) 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 assets or liabilities. Second, past-service costs are to be recognised in the period of a plan amendment, and unvested benefits will no longer be spread over a future period until the benefits become vested. These changes will impact both on the result for the period and on earnings per share since employee pension expenses will increase. They will also affect the amounts presented in other comprehensive income, and net employee benefit liabilities/(assets) in the balance sheet. Sika is currently investigating the repercussions that this amended standard will have on the consolidated financial statements.
- IFRS 9 – Financial instruments (applicable as of January 1, 2015), make it easier for investors and other readers to understand how financial instruments are booked and reduce complexity.

New standards, amendments and interpretations not yet effective and not yet adopted, without practical relevance to the Group:
- IFRS 7 – Financial Instruments: Disclosures (Amendment applicable as of July 1, 2011)
- IAS 12 – Income Taxes (Amendment applicable as of January 1, 2012)
- IFRS 10 – Consolidated Financial Statements (applicable as of January 1, 2013)
- IAS 27 – Separate Financial Statements (applicable as of January 1, 2013)
- IFRS 11 – Joint Arrangements (applicable as of January 1, 2013)
- IAS 28 – Investments in Associates and Joint Ventures (applicable as of January 1, 2013)
- IFRS 12 – Disclosure of interests in Other Entities (applicable as of January 1, 2013)
- IFRS 13 – Fair Value Measurement (applicable as of January 1, 2013)
- IAS 1 – Presentation of Items of Other Comprehensive Income (Amendment applicable as of July 1, 2012)
- Improvements to IFRSs (2011)

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, 2011, 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 minority 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.

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

The list reflects the exchange rates of foreign currencies in Sika's major markets on various continents.

Country	Currency		2010 Balance sheet[1] CHF	2010 Income statement[2] CHF	2011 Balance sheet[1] CHF	2011 Income statement[2] CHF
Egypt	EGP	100	16.11	18.50	15.57	15.05
Australia	AUD	1	0.95	0.96	0.95	0.92
Brazil	BRL	100	56.38	59.32	50.32	53.40
China	CNY	100	14.17	15.36	14.90	13.81
Denmark	DKK	100	16.78	18.57	16.35	16.61
Euro zone	EUR	1	1.25	1.38	1.22	1.24
Great Britain	GBP	1	1.45	1.61	1.46	1.43
India	INR	100	2.09	2.28	1.77	1.92
Japan	JPY	100	1.15	1.18	1.21	1.12
Canada	CAD	1	0.94	1.02	0.92	0.90
Colombia	COP	10 000	4.87	5.51	4.84	4.84
Mexico	MXN	100	7.56	8.27	6.73	7.21
Poland	PLZ	100	31.46	34.81	27.27	30.10
Sweden	SEK	100	13.95	14.48	13.64	13.66
Turkey	TRY	100	60.42	69.29	49.75	53.59
USA	USD	1	0.94	1.04	0.94	0.89

[1] Year-end rates.
[2] Annual average rates.

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 and included in administrative expenses.

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. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

If the cost of an acquisition exceeds the fair value of the acquired identifiable assets including goodwill, liabilities, contingent liabilities and non-controlling interests, the balance is reported as goodwill. Every negative balance is directly recognized in the income statement.

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

When subsidiaries are sold, the difference between the selling price and the net assets 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.

Significant accounting estimates.

Uncertainties in 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 determines at least once annually or upon corresponding indication whether an impairment of goodwill has occurred. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The book value of goodwill as of December 31, 2011, was CHF 415.8 million (previous year CHF 310.6 million). Further details are presented in note 6.

Fair value of acquisitions.
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 undergo an annual impairment test in which the discounted future cash flows 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 national 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 carryforwards or timing differences are recorded 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 data budgeted for the future.

Employee benefits obligations.
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.

Valuation priciples.

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 recorded 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 recorded in the income statement. The rates listed on page 87 were applied for translation of local currencies to Swiss francs.

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. The composition of the Regions does not follow the generally observed geographic grouping of countries to continents, manifesting rather diverse organizational, commercial, and cultural circumstances. So for example in Region IMEA (India, Middle East, Africa) among others the countries of the Middle East and India are grouped together, since these countries are strongly interwoven regarding their building and construction industry. The precise composition of the Regions is shown on page 16.

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. “Other segments and activities” comprises the global automotives business, expenditures for Group headquarters and its proceeds from services and delivery of goods to Group companies. In addition Central Services includes also expenditures and revenues that are not assigned to any Region. Such expenditures mainly relate to research and development.

Financial assets and liabilities. Distinctions are made between the following categories of financial assets and financial liabilities:
- Financial assets and financial liabilities for trading purposes as well as derivatives, "at fair value through profit and loss": these are set in the balance sheet at fair value and adjusted to its development. All fluctuations in value are represented in the financial result.
- "Held-to-maturity investments": these include fixed-term investments that the Group is willing and able to hold until maturity. They are measured at amortized cost using the effective interest method. At present Sika does not hold assets in this category.
- "Loans and receivables" granted by the company: 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 held to maturity.
- All other financial assets are classified as available-for-sale. The valuation occurs at fair value, with fluctuations in value recorded in comprehensive income. Upon sale, permanent depreciation in value or other divestiture, the cumulative profits or losses recorded in shareholders' equity are shown in the financial result of the current period.
- Non-current financial liabilities are valued at amortized cost. Once they have been settled, financial liabilities are derecognized.

All purchases and sales of financial assets and liabilities are recorded on the settlement date. Financial assets are derecognized when Sika loses the right in which the financial asset value consists. 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 determines whether a financial asset is impaired. If objective evidence exists that an impairment of financial assets carried at amortized cost has occurred, then the amount of the impairment results from the difference between the book value of the asset and the present value of anticipated future cash flows, discounted using the 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), then an impairment is carried out through use of a value adjustment account. The recognition of receivables occurs when they are assessed as uncollectible. If an available-for-sale asset is impaired in its value, an amount equal to the difference between its purchase cost and current fair value is transferred from shareholders' equity to the income statement.

Balance sheet.
Cash and cash equivalents. The position includes cash and cash equivalents.

Securities. Carried in this category are marketable securities. Sika has classified all securities as available-for-sale.

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.

Other current assets. This item includes accrued income unrelated to accounts receivable.

Depreciation in value of non-current assets (impairment). The impairment of property, plant, and equipment as well as intangible assets is reviewed if events or changed circumstances indicate that an over-valuation of book values appears possible. If the book value exceeds the recoverable value, 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, property, plant, and equipment are grouped together into cash-generating units.

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. Leased property, plant, and equipment are capitalized if qualified as finance lease. 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

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 current market value or the lower present value of future, irrevocable lease payments and are reported as non-current assets and financial indebtedness. 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 realized over the term of the leasing contract. Payments on operating leases are recorded as operating expense and accordingly charged to the income statement.

Deferred taxes (assets/liabilities). Deferred taxes are considered under 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 liabilities or respectively as non-current assets. 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 tax income expense or the statement of comprehensive income. Accrued taxes including those that can be applied to tax loss carryforwards 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.

Intangible assets. In-house developed patents, trademarks, and other rights are not capitalized. Research and development expenditures for new products are included in the income statement, since these do not fulfill the criteria of capitalization. Acquired intangible assets are as a rule 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 10 years, software is usually written off over 2 to 5 years.

Acquired trademarks are amortized insofar as a useful life can be determined. Otherwise trademarks are not amortized but undergo an annual impairment test.

Assets held for sale. This item consists of long-term assets designated to be disposed of through sale or other means. Long-term assets held for sale are shown at book value or at market value less disposal costs if lower. Book value is not derived from continued use, but rather from a sales transaction with high probability. Assets held for sale are shown on the balance sheet separately. In the year under review there were no such assets at hand.

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 carried as liabilities. Provisions are only carried 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 carried 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 or recorded in the balance sheet. The amount of the liabilities resulting from defined benefit is regularly determined by independent experts under application of the projected unit credit method. Actuarial gains and losses are recorded 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 as a negative entry in 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.

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 proceeds can be determined reliably and payment is assumed likely. Sales represent the invoiced sales and service transactions with customers, at sales prices less discounts granted.

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 has various share based employee participation plans. The fair value of the services rendered for the shares allocated is charged to personnel expenses. In order to calculate the total amount to be booked, the fair value of the granted equity instrument at the time of granting is taken. The costs of these remuneration systems are recognized in the income statement during the period in which the employees' services are rendered.

Research and development. Research and development expenses are recorded in the income statement. Development expenses are not capitalized if the conditions for capitalization have not been met.

Construction contracts. Sales and costs from construction contracts are recorded in accordance with progress of construction. An expected loss is recorded immediately.

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 charged to the income statement. Any interest 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 recorded and timely apportioned using the effective interest method. Dividend income is recorded at the time at which the right to receive payment arises.

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 and associated companies (see list on page 128 ff.) and associated companies (see note 7). In the year under review the scope of consolidation was expanded to include the following companies:
– BIRO Edwin Bischof AG, Romanshorn, Switzerland
– Technokolla S.p.A., Sassuolo (Modena), Italy
– Comercial de Preresa, S.A.U, Cobena, Spain
– Duochem Inc., Quebec, Canada
– Colauto Adesivos e Massas Ltda., São Paulo, Brazil
– Sika Gulf B.S.C., Adliya, Bahrain
– Sika Arabia Holding Company WLL, Adliya, Bahrain
– The Swiss Company for Construction Chemicals Ltd., Aqaba, Jordan
– Sika East Africa Ltd., Nairobi, Kenya
– Hebei Jiuqiang Building Material Co. Ltd., Zhengding County, China
– Axim companies in Italy, France, Spain, the USA, Canada, and Morocco

The scope of consolidation was reduced to exclude the following companies:
– BV DIAC, Deventer, Netherlands was merged with BV Descol Kunststoff Chemie, Deventer, Netherlands.
– May National Associates Inc., Lakewood/NJ, USA was integrated into Sika Corporation, Lyndhurst/NJ, USA.
– Incorez Corporation, Middleton/CT, USA was integrated into Sika Corporation, Lyndhurst/NJ, USA.
– Iotech Properties Inc., Middleton/CT, USA was integrated into Sika Corporation, Lyndhurst/NJ, USA.
– Dyflex Construction Material Trading (Shanghai) Co. Ltd., Shanghai, China, was sold.
– Kyoshin Kenko Co. Ltd., Fukuoka, Japan, was sold.

Acquisitions 2010. In 2010 Sika acquired various companies or parts of companies, including Dyflex and Greenstreak. The acquisition of Dyflex closed on May 31, that of Greenstreak on July 1, 2010. The purchase prices and their allocation (PPA) did not change and are now definitive.

Acquired net assets at fair value

in CHF mn	Combined acquisitions[1]	Dyflex	Greenstreak
Cash and cash equivalents	0.0	6.2	0.0
Accounts receivable and other receivables	2.3	65.1	3.1
Inventories	2.9	7.9	2.9
Property, plant, and equipment	11.7	13.8	6.0
Intangible assets	10.0	50.0	15.6
Other assets	0.0	4.1	0.1
Total assets	**26.9**	**147.1**	**27.7**
Short-term loans and bank overdrafts	0.0	32.0	0.0
Accounts payable	5.2	53.6	2.0
Other current liabilities	0.0	6.6	0.0
Long-term loans and financial liabilities	0.0	25.6	0.9
Provisions	0.0	6.4	0.0
Employee benefit liabilities	0.7	11.3	1.4
Deferred tax liabilities	1.1	3.8	0.0
Total liabilities	**7.0**	**139.3**	**4.3**
Acquired net assets	**19.9**	**7.8**	**23.4**
Goodwill	5.8	38.0	15.1
Total purchase consideration	**25.7**	**45.8**	**38.5**
Cash in acquired assets (per December 31, 2010)	0.0	-6.2	0.0
Payments still due (per December 31, 2010)	-0.8	-12.4	0.0
Net cash outflow	**24.9**	**27.2**	**38.5**

[1] May National, Panbex, construction sealant business of Henkel Japan, automotive glass replacement business of ADCO.

The directly attributable transaction costs of all acquisitions amounted to CHF 2.4 million and were charged to other operating expenses.

If the acquisition of Dyflex had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 69.0 million. Consolidated net profit would have been CHF 1.2 million higher. If the acquisition of Greenstreak had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 15.2 million. Consolidated net profit would have been CHF 0.2 million higher. If the acquisition of May National had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 15.4 million. Consolidated net profit would have been CHF 2.3 million lower.

For the three asset deals no information is available regarding sales and profit that accrued during the current reporting year before the respective dates on which the transactions were closed.

In total, the six acquired businesses contributed sales and consolidated net profit of CHF 138.6 million and CHF -0.8 million, respectively, since the purchase.

Acquisitions 2011. In 2011 Sika acquired various companies or parts of companies, including Axim and Technokolla. The purchase prices and their allocation (PPA) are not yet final.

Company	Type of transaction	Stake in %	Closing date
Hebei Jiuqiang Construction Material Co. Ltd., China	Share deal	67.0	03/18/2011
Sika Gulf B.S.C., Bahrain	Share deal	51.0	06/30/2011
BIRO Edwin Bischof AG, Switzerland	Share deal	100.0	07/07/2011
Technokolla S.p.A., Italy	Share deal	100.0	07/18/2011
Colauto Adesivos e Massas Ltda., Brazil/Argentina	Share deal/Asset deal	100.0	08/30/2011
Comercial de Preresa S.A.U. (Copsa), Spain	Share deal	100.0	10/05/2011
Duochem Inc., Canada	Share deal	100.0	11/30/2011
Axim companies, Italy/Spain/ France/Canada/USA/Morocco	Share deal	100.0	12/19/2011

In March of the year under review, Sika acquired through its Chinese subsidiary Sika (China) Ltd. a controlling interest in Hebei Jiuqiang Construction Material Co. Ltd., a leading supplier of concrete admixtures in northern China. The purchase price of Hebei Jiuqiang Construction Material Co. Ltd. includes a component contingent on the course of business, for which a market value of CHF 2.3 million has been estimated. The minority interests were stated at the prorated value of the acquired net assets. 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 sales option as from the beginning of 2021. Sika can exercise its purchase 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 purchased. The liability arising from this commitment was valued at CHF 6.3 million (present value) at the time of the acquisition and an amount of CHF 3.6 million was debited to minority interests and CHF 2.7 million to retained earnings. Accordingly, no minority interests are reported. Future market value adjustments will be booked to retained earnings. If the commitment is exercised or expires, it will be taken out of retained earnings.

As part of its ongoing reorganization in the Middle East, Sika and its local partner founded a regional holding company (Sika Arabia Holding Company WLL, Bahrain), in which Sika holds a 51% stake. The previous associated company Sika Gulf B.S.C was taken over by the holding company and consolidated for the first time as of June 30, 2011. On a net basis Sika increased its stake by 6% to 51%. The revaluation of the previous investment to fair value of CHF 3.0 million resulted in a gain of CHF 1.3 million, which has been recognized in the income statement under the item "Income from associated companies." The minority interests were stated at the proportionate share of the acquired net assets.

At the beginning of July Sika AG acquired BIRO Edwin Bischof AG, a Romanshorn-based plastic products manufacturer with strong skills in multi-component injection molding. BIRO Edwin Bischof AG produces components for the European automotive industry on behalf of Sika, including sound absorbing parts and reinforcers for bodywork structures.

In the same month Sika AG acquired Technokolla S.p.A., a company based in northern Italy. The company has a modern production site in Sassuolo, a strong position in the Italian market for tile adhesive systems, and a presence in neighboring countries.

At the end of August Sika AG acquired Colauto Adesivos e Massas Ltda., a Brazilian manufacturer of adhesives and sealants as well as acoustic damping and structural reinforcement elements for Latin America's fast-growing automobile and transport industry. Colauto is one of the leading suppliers of chemical process materials for the automotive industry in Latin America.

At the beginning of October Sika AG acquired the outstanding shares through its Spanish subsidiary Sika S.A.U. the Comercial de Preresa, S.A.U. (Copsa), a company operating in Spain and Portugal in the fields of flooring, refurbishment and strengthening. The cooperation between the companies goes back many years to when Sika AG acquired a 34.5% stake in Copsa. The revaluation of the previous investement to fair value of CHF 3.0 million resulted in a gain of CHF 1.3 million, which has been recognized in the income statement under the item "Income from associated companies." The minority interests were stated at the proportionate share of the acquired net assets.

At the beginning of December Sika acquired through its Canadian subsidiary the company Duochem Inc., which develops, manufactures, and sells polymer flooring products and waterproofing coatings and membranes for the construction industry.

Shortly before the end of the year Sika acquired the global concrete admixture and cement grinding aid business of the Italcementi Group, which trades under the brand Axim. Axim includes several production and sales organizations in Italy, France, the USA, Canada, Morocco, and Spain and offers a broad range of innovative products. Apart from concrete admixtures and cement grinding aids, products include special chemicals to enhance the performance of cement and concrete and improve efficiency in cement production. The purchase price of Axim includes a component contingent on the course of business, based on the quantities delivered to the former owner, for which a market value of CHF 12.9 million has been estimated.

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 is not tax deductible. Axim's accounts receivable have a gross value of CHF 24.0 million and were adjusted since CHF 1.0 million were classified as non-recoverable. In the case of Technokolla the gross value is CHF 13.2 million and the adjustment CHF 2.1 million. The gross value for the combined acquisitions is CHF 43.0 million and the adjustment CHF 2.9 million. The directly attributable costs of all acquisitions amounted to CHF 2.9 million and were charged to other operating 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 higher.

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.

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	23.0	11.1
Inventories	19.6	7.4	4.4
Property, plant, and equipment	36.3	17.4	3.2
Intangible assets	22.4	17.5	8.9
Other non-current assets	4.9	1.9	2.2
Total assets	**128.0**	**74.8**	**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	7.2	8.3	1.6
Total liabilities	**79.2**	**49.6**	**16.5**
Net assets	**48.8**	**25.2**	**13.8**
Non-controlling interest	-6.3	0.0	0.0
Acquired net assets	**42.5**	**25.2**	**13.8**
Goodwill	36.3	50.8	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.

Appendix to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1 **Cash and cash equivalents.** CHF 536.0 mn (CHF 938.4 mn)
The cash management of the Group includes cash pooling, in which cash and cash equivalents available within the Group are concentrated. 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 declined due to the repayment of a bond in the amount of CHF 275 million, lower operating free cash flow, and increased acquisition activity.

2 **Accounts receivable.** CHF 875.7 mn (CHF 780.6 mn)
The following table shows accounts receivable, the development of the allowance for doubtful accounts as well as the portion of not overdue and overdue receivables including their age distribution. Accounts receivable are non-interest-bearing and are generally due within 30 to 90 days.

Accounts receivable

in CHF mn	2010	2011
Receivables	838.6	940.2
Allowance for doubtful accounts	-58.0	-64.5
Net accounts receivable	**780.6**	**875.7**

Movements on the allowance for doubtful accounts

in CHF mn	2010	2011
January 1	72.1	58.0
Allowance for acquired/sold businesses	2.3	5.8
Income statement related allowances	41.6	47.0
Reversal or utilization of allowances	-50.2	-44.6
Exchange differences	-7.8	-1.7
December 31	**58.0**	**64.5**

Age distribution of accounts receivable

in CHF mn	2010	2011
Net accounts receivable	**780.6**	**875.7**
Of which		
Not overdue	608.6	676.9
Past due < 31 days	117.3	131.5
Past due 31 – 60 days	38.3	38.4
Past due 61 – 180 days	28.9	37.4
Past due > 181 days	45.5	56.0
Allowance for doubtful accounts	-58.0	-64.5

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

3 Inventories. CHF 530.6 mn (CHF 499.7 mn)
Inventory write-offs amount to CHF 12.1 million (CHF 23.5 million) and are charged to material expenses.

in CHF mn	2010	2011
Raw materials and supplies	143.0	157.3
Semi-finished goods	42.8	43.7
Finished goods	263.1	282.3
Merchandise	50.8	47.3
Total	**499.7**	**530.6**

4 Other assets. CHF 77.8 mn (CHF 80.7 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	2010	2011
Derivates (at fair value through P&L)	24.3	4.0
Loans (loans and receivables)	11.3	14.4
Securities (available-for-sale)	1.7	2.1
Other financial assets	37.3	20.5
Other non-financial assets	12.4	13.8
Other current assets	**49.7**	**34.3**

Other non-current assets

in CHF mn	2010	2011
Securities (available-for-sale)	12.4	13.4
Other financial assets	12.4	13.4
Employee benefit assets	17.0	24.5
Other	1.6	5.6
Other non-financial assets	18.6	30.1
Other non-current assets	**31.0**	**43.5**

5 Property, plant, and equipment. CHF 860.6 mn (CHF 816.5 mn)

in CHF mn	Property	Plant	Plants under construction	Equipment	Total
As of January 1, 2010					
Acquisition cost	106.7	602.5	61.5	1 238.1	2 008.8
Cumulative depreciation and impairment	-0.7	-331.8	-1.3	-813.3	-1 147.1
Net values as of January 1, 2010	**106.0**	**270.7**	**60.2**	**424.8**	**861.7**
Additions	0.0	5.0	47.3	39.0	91.3
Acquired on acquisition[1]	5.1	11.1	0.0	15.3	31.5
Exchange differences	-5.7	-18.5	-4.2	-31.3	-59.7
Disposals	-0.1	-0.3	0.0	-2.6	-3.0
Reclassifications[3]	0.1	0.9	-40.1	38.3	-0.8
Depreciation charge for the year	0.0	-20.9	0.0	-81.8	-102.7
Impairments	0.0	-1.5	-0.3	0.0	-1.8
As of December 31, 2010	**105.4**	**246.5**	**62.9**	**401.7**	**816.5**
As of January 1, 2011					
Acquisition cost	106.1	576.9	63.4	1 197.2	1 943.6
Cumulative depreciation and impairment	-0.7	-330.4	-0.5	-795.5	-1 127.1
Net values as of January 1, 2011	**105.4**	**246.5**	**62.9**	**401.7**	**816.5**
Additions	1.5	0.5	50.3	52.3	104.6
Acquired on acquisition[2]	3.7	22.5	0.5	30.2	56.9
Exchange differences	-2.5	-5.2	-0.9	-4.6	-13.2
Disposals	-0.6	-0.7	0.0	-2.7	-4.0
Reclassifications[3]	0.0	18.0	-50.7	32.5	-0.2
Depreciation charge for the year	0.0	-20.4	0.0	-78.2	-98.6
Impairments	-0.1	0.0	0.0	-1.3	-1.4
As of December 31, 2011	**107.4**	**261.2**	**62.1**	**429.9**	**860.6**
Acquisition cost	108.1	608.0	62.6	1 263.1	2 041.8
Cumulative depreciation and impairment	-0.7	-346.8	-0.5	-833.2	-1 181.2
Net values as of December 31, 2011	**107.4**	**261.2**	**62.1**	**429.9**	**860.6**

[1] Dyflex, Greenstreak, May National, Panbex, sealants operation of Henkel Japan, ADCO auto glass repair.
[2] Hebei Jiuqiang, Sika Gulf, BIRO, Technokolla, Colauto, Copsa, Duochem, Axim.
[3] Plants and buildings under construction are reclassified after completion.

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

Impairments in 2010 relate mainly to a property in Switzerland which had to be adjusted to the market value.

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

In principle all plants are owned by subsidiaries. Smaller plants as well as the new adhesive plant, the R&D center and the logistics center 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		Finance leases					
	2010	2011	2010			2011		
	Minimum payments	Minimum payments	Minimum payments	Interest	Present value of payments	Minimum payments	Interest	Present value of payments
Within 1 year	42.0	42.6	0.2	0.1	0.1	2.2	0.2	2.0
2 – 5 years	93.8	90.5	4.3	0.6	3.7	4.0	0.4	3.6
Over 5 years	85.5	74.6	0.6	0.1	0.5	0.4	0.0	0.4
Total	**221.3**	**207.7**	**5.1**	**0.8**	**4.3**	**6.6**	**0.6**	**6.0**

Insurance values

in CHF mn	2010	2011
Buildings	1 005	991
Equipment	1 463	1 327

6 Intangible assets. CHF 770.4 mn (CHF 630.9 mn)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangible assets	Total
As of January 1, 2010						
Acquisition costs	291.7	138.0	80.6	148.1	79.3	737.7
Cumulative amortization and impairment	-12.4	-77.0	-3.9	-32.7	-49.7	-175.7
Net values as of January 1, 2010	**279.3**	**61.0**	**76.7**	**115.4**	**29.6**	**562.0**
Additions	0.0	7.7	0.0	0.0	0.9	8.6
Acquired on acquisition[1]	58.9	2.1	8.4	52.7	12.5	134.6
Exchange differences	-27.5	-1.9	-1.1	-8.4	-2.6	-41.5
Disposals	-0.1	0.0	0.0	0.0	-0.5	-0.6
Reclassifications (net)	0.0	0.7	0.0	0.0	0.1	0.8
Amortization for the year	0.0	-9.1	-1.4	-12.4	-10.1	-33.0
As of December 31, 2010	**310.6**	**60.5**	**82.6**	**147.3**	**29.9**	**630.9**
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[2]	103.5	0.0	8.9	30.8	9.0	152.2
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	**415.8**	**64.3**	**89.5**	**167.3**	**33.5**	**770.4**
Acquisition costs	425.3	146.9	96.7	222.6	96.3	987.8
Cumulative amortization and impairment	-9.5	-82.6	-7.2	-55.3	-62.8	-217.4
Net values as of December 31, 2011	**415.8**	**64.3**	**89.5**	**167.3**	**33.5**	**770.4**

[1] Dyflex, Greenstreak, May National, Panbex, sealants operation of Henkel Japan, ADCO auto glass repair.
[2] Hebei Jiuqiang, Sika Gulf, BIRO, Technokolla, Colauto, Copsa, Duochem, Axim.

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 49.6 million (CHF 49.3 million) as of December 31, 2011. The remaining useful life is estimated to be nine years.

Trademarks usually have an indefinite useful life because they are influenced by internal and external factors such as strategic decisions, competitive and customer behavior, technical development and altered market requirements. The carrying value of trademarks with an indefinite useful life amounts to 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 4.6% for the planning period. Afterwards a growth rate of 2.1% is assumed. The discount rate amounts to 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 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) would not result in the realizable amount falling below the book value. The cash flow forecast outside of the planning period is extrapolated with a growth rate of 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

			2010			2011
in CHF mn	**Growth rates (%)**	**Discount rates (%)[1]**	**Goodwill**	**Growth rates (%)**	**Discount rates (%)[1]**	**Goodwill**
Construction business Europe North	2.0	10.6	81.1	2.0	9.4	80.4
Construction business Europe South	2.0	11.1	60.6	2.0	9.9	117.9
Construction business North America	2.0	13.0	67.1	2.0	11.7	87.0
Construction business Asia/Pacific	3.0	11.7	52.7	3.0	10.5	61.2
Automotive	2.0	10.0	44.2	2.0	10.0	59.9
Various	3.0	16.9	4.9	2.0 – 3.0	9.4 – 17.8	9.4
Total			**310.6**			**415.8**

[1] Pre-tax discount rates (%).

7 Investments in associated companies. CHF 21.1 mn (CHF 23.4 mn)
Associated companies are recognized using the equity method. The investments are included in the balance sheet under "Investments in associated companies" in terms of the Group's percentage share in net assets.

Associated companies (Participations between 20% and 50%)

in CHF mn	2010	2011
Sika Gulf B.S.C., Bahrain[1]		
Capital stock	2.5	0.0
Held by Sika AG, Baar, 45%	1.1	0.0
Sales	28.7	8.2
Profit	2.3	-0.6
Assets	21.7	0.0
Liabilities	18.2	0.0
Addiment Italia S.r.l.[2]		
Capital stock	0.0	0.0
Held by Sika AG, Baar, 50%	0.0	0.0
Sales	31.8	27.1
Profit	3.0	2.4
Assets	28.1	21.3
Liabilities	8.3	5.5
All others[3,4]		
Capital stock	5.3	11.4
Held by Sika AG, Baar	2.5	5.3
Sales	64.6	69.7
Profit	3.2	1.8
Assets	43.3	37.2
Liabilities	20.7	13.7

[1] Sika Gulf B.S.C., Bahrain, Sika increased its stake in Sika Gulf B.S.C. as of midyear to 51% and consolidated it for the first time in the present half-year report.
[2] Manufactures concrete admixtures. It's share capital amounts to CHF 12 000, the share of Sika thereof to CHF 6 000.
[3] part GmbH, Germany; Condensil SARL, France; Hayashi-Sika, Japan; Chemical Sangyo, Japan; Seven tech Co. Ltd., Japan; Sarna Granol AG, Switzerland; Copsa, Spain, Sika Saudi Arabia Co. Ltd., Saudi Arabia.
[4] Copsa, Spain, was fully consolidated as of October 5, 2011, when Sika acquired the outstanding shares of the company.

8 Deferred taxes.

Tax loss carryforwards, for which no deferred tax assets have been recognized

in CHF mn	2010	2011
1 year or less	4.3	3.9
2–5 years	10.7	15.5
Over 5 years or non-expiring	19.5	27.6
Total	**34.5**	**47.0**

Deferred tax

in CHF mn			2010			2011
	Assets	Liabilities	Net	Assets	Liabilities	Net
January 1[1]	69.2	-64.3	4.9	88.0	-80.9	7.1
Credited (+)/debited (-) to income statement	9.8	0.6	10.4	-5.6	-2.5	-8.1
Exchange differences	-8.1	4.8	-3.3	-1.1	-0.5	-1.6
Acquisitions/divestments	17.1	-22.0	-4.9	1.1	-17.1	-16.0
December 31	**88.0**	**-80.9**	**7.1**	**82.4**	**-101.0**	**-18.6**

Allocation of assets and liabilities

in CHF mn			2010			2011
	Assets	Liabilities	Net	Assets	Liabilities	Net
Category						
Tax losses brought forward	22.6	–	22.6	12.0		12.0
Current assets	18.2	-6.9	11.3	20.6	-4.8	15.8
Property, plant, and equipment	8.0	-27.3	-19.3	10.2	-32.2	-22.0
Other non-current assets[1]	1.2	-43.7	-42.5	0.4	-58.5	-58.1
Liabilities	38.0	-3.0	35.0	39.2	-5.5	33.7
Total	**88.0**	**-80.9**	**7.1**	**82.4**	**-101.0**	**-18.6**

[1] Restated due to application of IFRIC 14 amended (see principles of consolidation).

Tax loss carryforwards are only considered to the extent that realization of the associated tax credit is probable.

In the year under review deferred tax assets from tax loss carryforwards of CHF 11.5 million (CHF 12.9 million) were offset and deferred tax loss carryforwards of CHF 3.4 million (CHF 26.8 million) were generated. The figure for the previous year was impacted primarily by a change in Germany's tax laws.

9 Accounts payable.

CHF 501.0 mn (CHF 478.2 mn)
Accounts payable do not bear interest and will usually become due within 30 to 60 days.

10 Accrued expenses. CHF 191.4 mn (CHF 192.3 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 99.1 mn (CHF 63.1 mn)

Other current liabilities

in CHF mn	2010	2011
Derivatives (at fair value through P&L)	14.1	4.5
Bank loans	10.1	27.0
Other	1.0	14.5
Other financial liabilities	**25.2**	**46.0**
Other non-financial liabilities	12.4	13.1
Other current liabilities	**37.6**	**59.1**

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 to local financing.

Other non-current liabilities

in CHF mn	2010	2011
Bank loans	10.8	7.6
Other	14.4	31.7
Other financial liabilities	**25.2**	**39.3**
Other non-financial liabilities	0.3	0.7
Other non-current liabilities	**25.5**	**40.0**

12 Bonds. CHF 0.0 mn short-term/CHF 796.0 mn long-term (CHF 274.6 mn/794.4 mn)
Sika AG has the following bonds outstanding::

		2010		2011
in CHF mn	Amortized costs	Nominal	Amortized costs	Nominal
2.750% 2006 – 2011	274.6	275.0	0.0	0.0
2.375% 2006 – 2013	248.6	250.0	249.2	250.0
3.500% 2009 – 2014	298.0	300.0	298.6	300.0
2.875% 2006 – 2016	247.8	250.0	248.2	250.0
Total	**1 069.0**	**1 075.0**	**796.0**	**800.0**

13 Provisions. CHF 101.9 mn (CHF 108.8 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 cases with a probability of above 50%.

From the sum of provisions, CHF 90.6 million (CHF 92.0 million) are shown under non-current liabilities, since an outflow of funds is not expected within the next twelve months.

For provisions of CHF 11.3 million (CHF 16.8 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	Restructurings	Sundry risks	Total
As of January 1, 2010	43.5	71.9	2.1	29.1	103.1
Exchange differences	-2.8	-6.1	-0.2	-1.2	-7.5
Assumed on acquisition	0.1	3.3	0.0	3.1	6.4
Additions	9.1	18.6	0.0	6.6	25.2
Utilization	-32.4	-12.3	-0.2	-3.6	-16.1
Reversal	-8.6	-6.5	-1.2	-3.5	-11.2
Transfers	7.9	-0.1	-0.1	-7.7	-7.9
As of December 31, 2010	**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**

The current provisions as of December 31, 2011, encompass CHF 3.8 million (CHF 6.1 million) for warranties, CHF 2.6 million (CHF 7.7 million) for restructuring and CHF 4.9 million (CHF 3.0 million) for sundry risks.

14 Employee benefit plans.

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. 36 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.

in CHF mn			2010			2011
	Assets[1]	Liabilities	Net	Assets	Liabilities	Net
Employee benefit plans with defined benefits	17.0	99.8	82.8	24.5	104.6	80.1
Other employee commitments	0.0	31.9	31.9	0.0	38.3	38.3
Total	**17.0**	**131.7**	**114.7**	**24.5**	**142.9**	**118.4**

[1] Restated due to application of IFRIC 14 amended (see principles of consolidation).

Sika companies in Switzerland also maintain a plan that allows for early retirement. In the year under review 24 employees took advantage of this possibility. Pension liabilities and terminal payments are determined based on actuarial appraisals.

In the year under review a 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 the reporting year, 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	2010	2011
Opening balance	586.1	637.1
Current service cost	24.4	27.3
Interest cost	21.0	20.2
Contributions by plan participants	8.4	11.0
Actuarial gains (-)/losses (+)	32.0	31.2
Exchange differences	-17.7	-2.3
Benefits paid	-29.9	-32.9
Past service costs	0.5	10.2
Business combinations and others	13.0	15.5
Curtailments	-0.1	0.0
Settlements	-0.6	-1.4
Closing balance	**637.1**	**715.9**

Fair value of plan assets

in CHF mn	2010	2011
	Restated[1]	
Opening balance	475.6	495.7
Expected return on plan assets	21.0	22.4
Actuarial gains (+)/losses (-)	-3.9	-29.3
Exchange differences	-1.9	-0.3
Contributions by employer	17.7	19.5
Contributions by plan participants	8.4	11.0
Benefits paid	-23.1	-27.8
Business combinations and others	1.9	11.6
Closing balance	**495.7**	**502.8**

Status

in CHF mn	2009	2010	2011
	Restated[1]	Restated[1]	
Actuarial present value of defined benefit obligations (DBO)	586.1	637.1	715.9
Fair value of plan assets	475.6	495.7	502.8
Deficit (+)/surplus (-)	**110.5**	**141.4**	**213.1**
Unrecognized actuarial loss (-)/gain (+)	-45.0	-74.9	-135.5
Unrecognized past service costs	-1.2	-1.0	-0.5
Unrecognized assets	18.7	17.3	3.0
Net liability recognized in balance sheet	**83.0**	**82.8**	**80.1**

[1] Restated due to application of IFRIC 14 amended (see principles of consolidation).

Income statement

in CHF mn	2010 Restated[1]	2011
Current service costs	24.4	27.3
Interest cost	21.0	20.2
Expected return on plan assets	-21.0	-22.4
Actuarial gains (-)/losses (+)	5.5	4.8
Past service costs	0.6	10.7
The effect of any curtailments and settlements	-0.7	-6.4
The effect of the limit in Par. 58b[1]	-1.4	-14.3
Net periodic benefit costs	**28.4**	**19.9**
Actual gain(+)/loss(-) on plan assets	17.1	-6.9

[1] Restated due to application of IFRIC 14 amended (see principles of consolidation).

Expected contributions to defined-benefit plans for 2012 amount to CHF 18.2 million.

The Group's entire pension expenses are recorded in the consolidated income statement under "Personnel expenses." CHF 3.1 million (CHF 3.1 million) were taken to the income statement for pension contributions for Group Management.

Major categories of total plan assets

in % of fair value	2010	2011
Shares	31.5	30.5
Bonds	37.8	34.3
Real estate	16.2	18.7
Other assets	14.5	16.5
Total	**100.0**	**100.0**

Amounts included in plan assets

in CHF mn	2010	2011
Shares of Sika AG	10.5	9.0
Bonds of Sika AG	0.0	0.0
Own property occupied by Sika	14.5	14.5
Total	**25.0**	**23.5**

Annual comparison in absolute terms

in CHF mn	2007	2008	2009	2010	2011
Actuarial present value of defined benefit obligations (DBO)	546.3	577.9	586.1	637.1	715.9
Fair value of plan assets[1]	462.3	413.3	475.6	495.7	502.8
Deficit (+)/surplus (-)	**84.0**	**164.6**	**110.5**	**141.4**	**213.1**
Experience adjustments on plan liabilities	16.5	-11.7	-3.9	-2.2	11.5
Experience adjustments on plan assets	2.5	-100.1	35.7	-3.9	-28.1

[1] Restated due to application of IFRIC 14 amended (see principles of consolidation).

The stated deficit results in part from the DBO of the unfunded benefit plans of CHF 87.8 million (CHF 86.2 million). Primarily plans in Germany do not have segregated assets.

Analysis of the defined benefit obligation from funded and unfunded plans

in CHF mn	2010	2011
Funded plans	550.9	628.1
Unfunded plans	86.2	87.8
Total	**637.1**	**715.9**

Actuarial assumptions

	2010	2011
Discount rate in the year under review (%)	3.2	2.9
Expected return[1] on plan assets in the year under review (%)	4.5	4.5
Pension trend (%)	0.6	0.6
Salary trend (%)	2.0	2.0
Number of insured employees	5 012	5 637
Number of insured retired persons	1 449	1 512
Total number of defined benefit plans	32	36
thereof number of defined benefit plans funded	11	13
thereof number of defined benefit plans unfunded	21	23

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

Health care cost increases neighter have an influence on future service cost nor the present value of defined benefit obligations.

15 Shareholders' equity. CHF 1 839.1 mn (CHF 1 759.6 mn)
Equity accounts for 48.0% (44.7%) of the balance sheet total. In July 2011 the nominal value of Sika shares was reduced in the amount of CHF 21.4 million.

Capital stock

in CHF mn	Number	2010	2011
Registered shares, nominal value CHF 0.10 (CHF 1.50)	2 333 874	3.5	1.3
Bearer shares, nominal value CHF 0.60 (CHF 9.00)	2 151 199	19.4	0.2
Capital stock		**22.9**	**1.5**

The Board of Directors proposes to the Annual General Meeting payment of a dividend of CHF 7.50 per registered share and of CHF 45.00 per bearer share, in the total amount of CHF 113.0 million, to the shareholders of Sika AG.

The capital stock breaks down as follows:

	Bearer shares[1] nominal value CHF 0.60 (CHF 9.00)	Registered shares nominal value CHF 0.10 (CHF 1.50)	Total[1]
December 31, 2010 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	19 360 791	3 500 811	22 861 602
December 31, 2011 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	1 290 719	233 387	1 524 106

[1] Includes non-voting and dividend recipient treasury stock 29 128 pieces (35 908 pieces).

16 Net sales. CHF 4 556.4 mn (CHF 4 416.0 mn)
Sales of goods account for practically all net sales. In comparison with the previous year, net sales denominated in CHF increased by 3.2%. Taking currency effects amounting to -12.3% into consideration, sales increased in local currencies by 15.5%, included is a growth from acquisitions of 3.9%.

Sales from construction contracts in the year under review amounted to CHF 26.3 million (CHF 22.4 million). On the date of the balance sheet accrued construction costs and recognized profit (less recognized losses) were CHF 111.6 million (CHF 85.4 million). On the balance sheet date, as in the previous year, there were insignificant receivables and no liabilities from construction contracts. Order revenues and order costs are recorded on the balance sheet date as income and expenses in accordance with progress of construction.

17 Operating revenue. CHF 4 563.7 mn (CHF 4 421.8 mn)
In contrast to net sales, operating revenue includes other operating income.

18 Material expenses. CHF 2 259.1 mn (CHF 2 036.9 mn)
Material expenses rose as a percentage of net sales by 3.5 percentage points, resulting from the continued sharp increase in raw material prices during the year under review.

19 Operating profit before depreciation and restructuring. CHF 477.4 mn (CHF 576.7 mn)
In the year under review, material prices rose once again. As these can be passed on through sales prices only with a time lag, the gross margin remained under pressure, declining from 54.0% to 50.6%. The CHF 1.8 million (11.7 million) change in inventory is contained in material expenses.

Sika further improved efficiency at the operating costs level. There was only a slight increase in both personnel expenses and other operating expenses. As a result, the cost ratio improved to 40.1% (previous year: 40.9%).

Research and development expenses are included in other operating costs. Sika invested CHF 77.7 million (CHF 74.4 million) in the year under review, or 1.7% (1.7%) of net sales in research and development. Included therein are all operating expenditures of Sika Technology AG as well as of the technology centers in various countries. Expenditures of the local factory laboratories of subsidiaries are not included.

in CHF mn	2010	2011
Gross result	2 384.9	2 304.6
Personnel expenses[1]	-953.7	-959.9
Other operating expenses	-854.5	-867.3
Operating profit before depreciation	**576.7**	**477.4**

Personnel expenses

in CHF mn	2010	2011
Wages and salaries	774.7	788.9
Social charges[1]	179.0	171.0
Total personnel expenses	**953.7**	**959.9**

[1] Restated of prior year figures due to application of IFRIC 14 (note 14).

Employee benefit costs

in CHF mn	2010	2011
Employee benefit plans with defined benefits[1]	28.4	19.9
Other employee benefit plans	26.6	28.5
Total	**55.0**	**48.4**

[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 market prices in the first two months of the subsequent business year. The allocated shares are subject to a blocking period of four years. The following three 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 2010, in 2011 they drew 337 shares at a fair value of CHF 0.7 million (CHF 2044.40 per share).

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 2010, in 2011 they drew 613 shares at a fair value of CHF 1.3 million (CHF 2 044.40 per share).

The performance-based portion of the long-term variable remuneration for Group Management is paid out in full in shares of Sika AG. In 2011 1502 shares at a fair value of CHF 3.1 million were allocated to the members of Group Management as part of the long-term compensation program.

Share-based remunerations are made by means of the transfer of treasury shares of Sika AG. The personnel expenses recorded for services received in the 2011 business year totaled CHF 20.5 million (CHF 21.9 million) of which the amount of CHF 7.5 million (CHF 6.3 million) was taken to equity and the amount of CHF 13.0 million (CHF 15.6 million) was recorded under liabilities. Provided employees are entitled to the option of drawing shares of Sika AG, this portion will be recorded 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 1.1 million (CHF 0.0 million).

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

20 Depreciation/amortization/impairment. CHF 130.3 mn (CHF 137.5 mn)
In the period under review impairments in the amount of CHF 1.4 million (CHF 1.8 million) were taken, mainly due to discountunation of a project in Switzerland which had no longer any value in use. The remaining amount includes the regular depreciations and amortizations of the year under review, which declined slightly as a result of exchange-rate movements.

21 Interest expenses/other financial expenses. CHF 51.4 mn (CHF 48.2 mn)
This item consists mainly of interest expenses for bond issues outstanding as well as gains from foreign currency transactions and the hedging of loans. The effective interest on bonds amounts to CHF 31.8 million (CHF 33.3 million). Interest in an amount of CHF 0.5 million (CHF 0.5 million) was capitalized during the year under review at a rate of 4.5%.

22 Interest income/other financial income/income from associated companies. CHF 19.8 mn (CHF 12.4 mn)
Short-term surpluses in liquidity in various countries led to interest income of CHF 5.0 million (CHF 4.0 million). Income from associated companies rose to CHF 9.6 million (CHF 3.0 million). Other financial income was practically unchanged at CHF 5.2 million (CHF 5.4 million).

23 Income taxes. CHF 100.7 mn (CHF 92.8 mn)
The tax rate rose to 31.9% (23.0%). This is due in the main to various special effects. Income taxes of CHF 100.7 million consist of:

Income taxes

in CHF mn	2010	2011
Income tax during the year under review	104.5	92.4
Deferred income tax	-10.4	8.1
Income tax from prior years	-1.3	0.2
Total	**92.8**	**100.7**

Reconciliation between anticipated and effective tax expense

	%	2010	%	2011
Profit before taxes		403.4		315.5
Anticipated tax expense	27.4	110.4	28.8	91.0
Non-tax-deductible expense	1.1	4.6	1.8	5.7
Effect of non-recognition of tax losses	0.5	1.8	0.9	2.7
Change in anticipated tax rate	0.1	0.4	-0.1	-0.2
Adjusted tax expense from earlier periods	-0.3	-1.3	0.1	0.3
Valuation adjustment on deferred tax assets[1]	-4.0	-16.2	-0.3	-0.9
Utilization of previously unrecognized tax losses[1]	-2.2	-8.8	0.0	0.0
Other	0.4	1.9	0.7	2.1
Tax expense as per consolidated income statement	**23.0**	**92.8**	**31.9**	**100.7**

[1] Due to a change in Germany's tax laws it was possible for the first time to recognize tax loss carry-forwards in the amount of CHF 23.1 million.

The anticipated average Group income tax rate of 28.8% (27.4%) 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.

24 Non-controlling interests. CHF 1.5 mn (CHF 0.1 mn)
Most important companies with non-controlling interests:
- Consorzio IGS, Switzerland (35%)
- Sika UAE LLC, Dubai (49%)
- Sichuan Keshuai Additive Co. Ltd., China (20%)
- Jiangsu TMS Admixture Co. Ltd., China (30%)
- Hebei Jiuqiang Construction Material Co. Ltd., China (33%)
- Sika Arabia Holding Co. WLL, Bahrain (49%)

25 Earnings per share. CHF 85.06 (CHF 124.48)

	2010	2011
Undiluted ("basic EPS")		
Net profit/CHF mn[4]	310.5	213.3
Weighted average number of shares[1]		
Bearer shares[2]/units	2 105 432	2 118 681
Registered shares[3]/units	2 333 874	2 333 874
Earnings per share		
Bearer share[2]/CHF	124.48	85.06
Registered share[3]/CHF	20.75	14.18

[1] Excluding bearer treasury shares held in the Group at a nominal value of CHF 0.60 (CHF 9.00).
[2] Nominal value: CHF 0.60 (CHF 9.00).
[3] Nominal value: CHF 0.10 (CHF 1.50).
[4] Restated due to application of IFRIC 14 amended (see principles of consolidation).

Earnings per share (EPS) amount to CHF 85.06 (CHF 124.48). 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 2010 the dividend amounted to CHF 45.00 per bearer share and to CHF 7.50 per registered share. In addition, the nominal value of the bearer shares was reduced from CHF 9.00 to CHF 0.60 and that of the registered shares from CHF 1.50 to CHF 0.10.

26 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

in CHF mn			2010		2011
	Level	Book value	Fair value	Book value	Fair value
Financial assets					
Cash and cash equivalents		938.4	938.4	536.0	536.0
Available-for-sale financial assets	1	14.1	14.1	15.5	15.5
Loans and receivables		791.9	791.9	890.1	890.1
Financial assets at fair value through profit and loss	2	24.3	24.3	4.0	4.0
Total		**1 768.7**	**1 768.7**	**1 445.6**	**1 445.6**
Financial liabilities					
Bank overdrafts		20.9	20.9	34.6	34.6
Bonds		1 069.0	1 114.1	796.0	836.1
Accounts payable		478.2	478.2	501.0	501.0
Other financial liabilities		15.4	15.4	46.2	46.2
Financial liabilities measured at amortized cost		1 583.5	1 628.6	1 377.8	1 417.9
Financial liabilities at fair value through profit and loss	2	14.1	14.1	4.5	4.5
Total		**1 597.6**	**1 642.7**	**1 382.3**	**1 422.4**

The Group employs the following hierarchy in determining the evaluation procedure of financial instruments:
- Level 1: quoted (unadjusted) prices 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 valuation loss of CHF 0.2 million (profit of CHF 0.6 million) on securities available for sale was recognized in the statement of comprehensive income. Through sale or a depreciation in value a profit of CHF 0.0 million (profit of CHF 0.3 million) was transferred from shareholders' equity to the income statement.

A net loss of CHF 42.8 million (net profit of CHF 36.9 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, interest rate risks and price 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	2010	2011
Receivables	2.0	1.9
Property, plant, and equipment	0.8	1.3
Total book value of encumbered assets	**2.8**	**3.2**

Open derivatives

in CHF mn	Replacement value (+)	Replacement value (-)	Contract value	Contractual value upon maturity: Up to 3 months	Contractual value upon maturity: 3 to 12 months
Open derivatives 2010					
Forward contracts (foreign exchange)	0.1	-0.1	3.1	-0.9	4.0
Swaps (foreign exchange)	24.2	-14.0	656.2	488.4	167.8
Total derivatives	**24.3**	**-14.1**	**659.3**	**487.5**	**171.8**
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**

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, 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	
	2010	2011
EUR: +10% (+10%)	-1.8	-15.2
EUR: -10% (-10%)	1.8	15.2
USD: +10% (+10%)	-6.3	-14.2
USD: -10% (-10%)	6.3	14.2

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 800 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 2010 nor at year-end 2011. The largest possible risk represented by these items are the book value of the accounts 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 flow.

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, 2010				
Bank loans	10.1	10.8	0.0	20.9
Bonds	306.2	622.1	257.2	1 185.5
Accounts payable	478.2	0.0	0.0	478.2
Other financial liabilities	1.0	6.2	8.2	15.4
Financial liabilities measured at amortized cost	795.5	639.1	265.4	1 700.0
Financial liabilities at fair value through profit and loss	14.1	0.0	0.0	14.1
Total	**809.6**	**639.1**	**265.4**	**1 714.1**
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			4.5
Total	**570.6**	**892.5**	**2.5**	**1 465.6**

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, 2011, and December 31, 2010. The Group monitors the equity ratio, which is shareholders' equity divided by total capital.

27 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	2010	2011
Raw material supply contracts[1]	152	175
Delivery contracts for finished goods[1]	363	422

[1] Contract runs 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	2010	2011
Guarantees and letters of comfort	27	23

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

28 Cash flow analysis.

Details to the cash flow analysis. Compared to the previous year, in the year under review cash flow recorded:
- lower consolidated net profit before tax (CHF -87.9 million)
- the change in net working capital (CHF -77.3 million)
- lower income tax payments (CHF 32.6 million)
- higher acquisition activity (CHF -53.2 million)
- a bond repayment (CHF -275.0 million)

in CHF mn	2010	2011
Inflow (+)/outflow (-) from		
Operating activities	424.8	299.3
Investment activities	-180.9	-263.9
Financing activities	-96.7	-430.3
Exchange differences	-10.4	-7.5
Net change in cash and cash equivalents	**136.8**	**-402.4**

Free cash flow and operating free cash flow.

in CHF mn	2010	2011
Cash flow from operating activities	424.8	299.3
Net investment in		
Property, plant, and equipment	-84.6	-96.0
Intangible assets	-8.0	-12.4
Acquisitions less cash and cash equivalents	-90.6	-143.8
Capital increase at associated companies	0.0	-4.8
Acquisitions (-)/disposals (+) of financial assets	2.3	-6.9
Free cash flow	243.9	35.4
Acquisitions/disposals less cash and cash equivalents	90.6	143.8
Acquisitions (+)/disposals (-) of financial assets	-2.3	6.9
Operating free cash flow	**332.2**	**186.1**

Other adjustments. Included in other adjustments are:

in CHF mn	2010	2011
Non-liquidity-related interest expenses/income	-1.1	-0.9
Non-liquidity-related financial expenses/income	2.6	-1.6
Profit/loss from disposals of PPE	-4.3	-5.3
Personnel expenses settled through treasury shares	0.0	4.8
Total	**-2.8**	**-3.0**

29 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 not assigned to the individual segments. The composition of the Regions does not follow the generally observed geographic grouping of countries to continents, manifesting rather diverse organizational, commercial and cultural circumstances. So for example in Region IMEA (India, Middle East, Africa) among others the countries of the Middle East and India are grouped together, since these countries are strongly interwoven regarding their building and construction industry. The precise composition of the Regions is shown on page 16.

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 Central Services. Transfer prices between segments are calculated according to generally recognized principles.

The Automotive business segment is now 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 in “Other segments and activities.” Central Services are also reported in “Other segments and activities.” This field also includes Central Services. They include expenditures for Group headquarters 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 these are expenses for research and development.

The acquisition Hebei Jiuqiang Construction Material Co. Ltd. was assigned to Region Asia/Pacific. The acquisitions Technokolla and Comercial de Preresa, S.A.U. (Copsa) come under the Region Europe South. The acquisition Duochem Inc. is part of the Region North America. The companies of the Axim acquisition are divided between the Regions Europe South and North America. Sika Gulf B.S.C. was assigned to the Region IMEA. The acquisitions Colauto Adesivos e Massas Ltda. and BIRO Edwin Bischof AG were classified in “Other segments and activities.”

Net sales

in CHF mn			2010[1]			2011
	With third parties	With other segments	Total	With third parties	With other segments	Total
Europe North	1 312.6	77.2	1 389.8	1 336.2	78.1	1 414.3
Europe South	874.1	29.1	903.2	813.2	29.6	842.8
North America	586.3	24.6	610.9	614.4	22.5	636.9
Latin America	477.8	0.1	477.9	507.3	0.1	507.4
IMEA	285.3	0.5	285.8	263.9	0.7	264.6
Asia/Pacific	661.0	8.4	669.4	776.7	5.0	781.7
Other segments and activities	218.9	–	218.9	244.7	–	244.7
Eliminations	–	-139.9	-139.9	–	-136.0	-136.0
Consolidated net sales	4 416.0	–	4 416.0	4 556.4	–	4 556.4
Products for construction industry			3 551.3			3 691.6
Products for industrial manufacturing			864.7			864.8

[1] Restated due to amendments in segment structure.

Changes in net sales/Translation impacts

in CHF mn	2010[1]	2011	Change compared to prior year (+/- in %)		
			In Swiss francs	In local currencies	Currency impact
By Region					
Europe North	1 312.6	1 336.2	1.8	11.3	-9.5
Europe South	874.1	813.2	-7.0	4.2	-11.2
North America	586.3	614.4	4.8	21.5	-16.7
Latin America	477.8	507.3	6.2	21.0	-14.8
IMEA	285.3	263.9	-7.5	12.9	-20.4
Asia/Pacific	661.0	776.7	17.5	28.1	-10.6
Other segments and activities	218.9	244.7	11.8	23.4	-11.6
Consolidated net sales	**4 416.0**	**4 556.4**	**3.2**	**15.5**	**-12.3**
Products for construction industry	3 551.3	3 691.6	4.0	16.3	-12.3
Products for industrial manufacturing	864.7	864.8	0.0	12.1	-12.1

Operating profit

in CHF mn	2010[1]	2011	Change compared to prior year	
			(+/-)	(+/- in %)
By Region				
Europe North	143.0	123.5	-19.5	-13.6
Europe South	126.8	84.8	-42.0	-33.1
North America	55.6	50.9	-4.7	-8.5
Latin America	87.5	94.4	6.9	7.9
IMEA	45.5	25.1	-20.4	-44.8
Asia/Pacific	93.3	95.8	2.5	2.7
Operating profit	**551.7**	**474.5**	**-77.2**	**-14.0**
Other segments and activities	-112.5	-127.4	-14.9	na
Operating profit of the Group	**439.2**	**347.1**	**-92.1**	**-21.0**

[1] Restated due to amendments in segment structure.

Reconciliation of segment result and profit before taxes

in CHF mn	2010 Operating profit[1]	2010 Financial result	2010 Profit before taxes	2011 Operating profit	2011 Financial result	2011 Profit before taxes
Europe North	143.0			123.5		
Europe South	126.8			84.8		
North America	55.6			50.9		
Latin America	87.5			94.4		
IMEA	45.5			25.1		
Asia/Pacific	93.3			95.8		
Segment results	551.7	0.0	551.7	474.5	0.0	474.5
Other segments and activities	-112.5	-35.8	-148.3	-127.4	-31.6	-159.0
Total	439.2	-35.8	403.4	347.1	-31.6	315.5

in CHF mn	2010[1] Depreciation/amortization	2010[1] Impairment	2010[1] Capital expenditures	2011 Depreciation/amortization	2011 Impairment	2011 Capital expenditures
Europe North	25.0	0.0	26.1	24.0	0.1	19.2
Europe South	15.9	0.0	12.3	14.0	0.0	11.7
North America	25.1	0.0	8.5	21.7	0.0	13.4
Latin America	6.3	0.0	10.9	6.0	0.0	19.2
IMEA	3.4	0.3	4.2	3.1	0.0	6.4
Asia/Pacific	17.4	0.0	11.4	19.3	0.0	17.3
Other segments and activities	42.6	1.5	26.5	40.8	1.3	29.9
Total	135.7	1.8	99.9	128.9	1.4	117.1

[1] Restated due to amendments in segment structure.

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	2010	%	2011	%	2010	%	2011	%
Switzerland	314.3	7.1	329.8	7.2	501.6	34.1	526.5	31.8
USA	555.8	12.6	586.4	12.9	226.0	15.4	246.8	14.9
Germany	543.1	12.3	562.7	12.4	130.1	8.8	128.9	7.8
All other	3 002.8	68.0	3 077.5	67.5	614.3	41.7	752.7	45.5
Total	**4 416.0**	**100.0**	**4 556.4**	**100.0**	**1 472.0**	**100.0**	**1 654.9**	**100.0**

[1] Non-current assets without financial instruments, deferred tax assets and post-employement benefit assets.

30 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, 2011 holds 53.0% of all share votes, in part through the Schenker-Winkler Holding AG, Baar.

Associated companies. In the year under review goods totaling CHF 3.1 million (CHF 8.2 million) were sold by the Sika Group to Sika Gulf B.S.C. The company was consolidated as of July 1, 2011. Goods in the total amount of CHF 9.8 million (CHF 11.2 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 13.6 million (CHF 13.2 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 21.3 million (CHF 18.5 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 2011 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 1.3 million (CHF 0.8 million) and services in the amount of CHF 0.6 million (CHF 0.7 million) were acquired from companies of two members of the Board of Directors.

Members of Group Management. In the year under review property, plant, and equipment, and services in the amount of CHF 0.6 million were acquired from companies of a member of Group Management.

All transactions were conducted at market conditions.

31 Remuneration of the Board of Directors and Group Management.

The Board of Directors and Group Management were remunerated as follows in the business year:

in CHF mn	2010	2011
Current benefits[1]	17.9	20.9
Non-current benefits[2]	1.8	2.3
Pension fund contribution	1.9	1.6
Total	**21.6**	**24.8**

[1] Members of Group Management draw 20% or 40% of their salary in the form of shares. The allocation occurs at market values.
[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 market values. 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 25 to 27 of the Sika AG Financial Statements (as of page 140).

32 Release of financial statements for publication.

The Board of Directors of Sika AG approved the Consolidated Financial Statements for publication on February 24, 2012. The financial statements will be submitted for approval to the Annual General Meeting on April 17, 2012.

33 Events after the balance sheet date.

The following event occurred between December 31, 2011 and the release of these consolidated financial statements:

Sika agreed to acquire YEAN-IL INDUSTRIAL Co. Ltd., a tunnel waterproofing business, through Sika Korea Ltd., its Korean subsidiary. 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. For this reason, Sika has decided against a provisional purchase price allocation. YEAN-IL INDUSTRIAL Co. Ltd. has annual sales of about CHF 10 million.

34 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 26 to the Consolidated Financial Statements.

Appendix to the Consolidated Financial Statements

List of Group Companies

Country		Company[1]		Capital stock in thousands	% holding	ISO Certification
Europe North						
Austria	❍	Sika Österreich GmbH, Bludenz-Bings	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, Illertissen	EUR	50	100	
Hungary	✤	Sika Hungária Kft., Budapest	HUF	483 000	100	◆ ★
Latvia	✤	Sika Baltic SIA, Riga	LVL	870	100	
Netherlands	✤	Sika Nederland BV, Utrecht	EUR	1 589	100	◆
	❍	BV Descol Kunststoff Chemie, Deventer	EUR	1 588	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	❍	o.o.o. Sika Russia, Moscow	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, Widen	CHF	400	100	
	▮	SikaBau AG, Zurich	CHF	5 300	100	◆
	▲	Sarna Kunststoff Holding AG, Sarnen	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	ISO Certification
Europe South						
Algeria	❏	Sika El Djazaïr SpA, Eucalyptus Alger	DZD	313 400	100	◆
Bulgaria	✥	Sika Bulgaria EOOD, Sofia	BGL	340	100	◆ ★
France	❍	Sika France SA, 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	◆
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	◆
	❍	Axim Italia S.r.l, Milan	EUR	2 000	100	◆
Mauritius	❍	Sika Mauritius Ltd., Plaine Lauzun	MUR	2 600	100	
Morocco	❍	Sika Maroc SA, Casablanca	MAD	5 000	100	◆ ★
	❍	Axim Maroc SA, Casablanca	MAD	11 000	100	
Portugal	❍	Sika Portugal – Productos Construção e Indústria SA, Vila de Gaia	EUR	1 500	100	◆ ★
Serbia	✥	Sika d.o.o. Beograd, Beograd-Batajnica	EUR	373	100	
Spain	❍	Sika SA, Alcobendas	EUR	19 867	100	◆ ★
	❍	Comercial de Preresa, S.A.U, Cobena	EUR	421	100	◆ ★
	❍	Axim Building Technologies SA, Malaga	EUR	61	100	
Tunisia	❏	Sika Tunisienne Sàrl, Douar Hicher	TND	150	86	◆ ★
United Kingdom	❍	Sika Ltd., Welwyn Garden City	GBP	10 000	100	◆ ★
	✥	Sarnafil Ltd., Bowthrope	GBP	200	100	
	▲	Iotech Limited, Lancashire	GBP	1	100	
	❍	Liquid Plastics Limited, Lancashire	GBP	1	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	ISO Certification
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 Products, 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	
Jordan	✜	The Swiss Company for Construction Chemicals 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	17563	100	
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	◆ ★
	❍	Duochem Inc., Quebec/QC	CAD	10 418	100	
	❍	Axim Concrete Technologies (Canada) Inc., Cambridge/ON	CAD	0	100	
USA	❍	Sika Corporation, Lyndhurst/NJ	USD	72 710	100	◆ ★
	❍	Greenstreak Group Inc., St. Louis/MO	USD	0	100	
	❍	Axim Concrete Technologies Inc., Middlebranch/OH	USD	1	100	◆
Latin America						
Argentina	❍	Sika Argentina SAIC, Buenos Aires	ARS	7 600	100	◆ ★ ✲
Bolivia	✜	Sika Bolivia SA, La Paz	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	◆ ★
Panamá	✜	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	ISO 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	◆ ★
	✜ ▮	Jinan Sika Engineering Co. Ltd., Jinan	CHF	5 380	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	80	◆
	❍	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	❍	P.T. Sika Indonesia, Bogor	IDR mn	3 282	100	◆ ★
Japan	❍	Sika Ltd., Tokyo	JPY	490 000	100	◆ ★
	▲	Dyflex HD Co. Ltd., Tokyo	JPY	10 000	76	
	✜	Dick Proofing Co. Ltd., Tokyo	JPY	90 000	100	
	❍	Dyflex Co. Ltd., Tokyo	JPY	315 175	100	◆ ★
	▲	DCT Co. Ltd., Tokyo	JPY	10 000	100	
	❍	Kowa Chemical Industries Co. Ltd., Tokyo	JPY	10 000	100	◆
	▮	DCS Kyoshin Co. Ltd., Tokyo	JPY	30 000	100	
	✜	U-Plex Co. Ltd., Tokyo	JPY	100 000	100	
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	
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.

Appendix to the Consolidated Financial Statements

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 80 to 131) for the year ended on December 31, 2011.

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, 2011 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 24, 2012

Ernst & Young Ltd

Bernadette Koch	Pascal Kocher
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Five-Year Reviews

Consolidated Balance Sheet as of December 31

in CHF mn		2007	2008	2009	2010	2011
Cash, cash equivalents		439	318	802	938	536
Accounts receivable	c	861	779	739	781	876
Inventories	d	500	513	451	500	531
Other current assets		116	134	101	132	110
Total current assets	b	**1 916**	**1 744**	**2 093**	**2 351**	**2 053**
Property, plant, and equipment		831	832	862	817	861
Intangible assets		463	525	562	631	770
Other non-current assets[1]		108	108	112	142	147
Total non-current assets	e	**1 402**	**1 465**	**1 536**	**1 590**	**1 778**
Assets held for sale		0	0	0	0	0
Total assets		**3 318**	**3 209**	**3 629**	**3 941**	**3 831**
Accounts payable	g	439	398	355	478	501
Bonds (short term)		0	0	0	275	0
Other current liabilities		303	287	311	304	320
Current liabilities[2]	f	742	685	666	1 057	821
Bonds		767	768	1 067	794	796
Non-current provisions, employee benefit liabilities		266	221	233	224	234
Other non-current liabilities[3]		68	71	70	106	141
Total non-current liabilities		1 101	1 060	1 370	1 124	1 171
Total liabilities		**1 843**	**1 745**	**2 036**	**2 181**	**1 992**
Capital stock		23	23	23	23	2
Treasury shares		-65	-118	-106	-70	-56
Reserves		1 514	1 556	1 672	1 803	1 880
Equity attributable to Sika shareholders		**1 472**	**1 461**	**1 589**	**1 756**	**1 826**
Non-controlling interests		3	3	5	4	13
Total shareholders' equity	h	**1 475**	**1 464**	**1 593**	**1 760**	**1 839**
Total liabilities and shareholders' equity	a	**3 318**	**3 209**	**3 629**	**3 941**	**3 831**

[1] Employee benefit assets, other non-current assets, deferred taxes.
[2] Bank loans and long-term debts with a maturity within the next 12 months.
[3] Bank loans, mortgages and other long-term debt.

Five-Year Reviews

Consolidated Income Statement from January 1 to December 31

in CHF mn	2007	2008	2009	2010	2011
Net sales	**4 573**	**4 625**	**4 155**	**4 416**	**4 556**
Operating revenue	**4 573**	**4 642**	**4 146**	**4 422**	**4 564**
Material expenses	-2 137	-2 251	-1 851	-2 037	-2 259
Gross result	**2 436**	**2 391**	**2 295**	**2 385**	**2 305**
Personnel expenses	-926	-958	-954	-954	-960
Other operating expenses	-872	-877	-801	-854	-868
Operating profit before depreciation and restructuring	**638**	**556**	**540**	**577**	**477**
Depreciation/amortization/impairment	-127	-134	-139	-138	-130
Operating profit before restructuring	**511**	**422**	**401**	**439**	**347**
Restructuring expenses	0	0	-57	0	0
Operating profit	**511**	**422**	**344**	**439**	**347**
Interest income/expense	-22	-21	-24	-30	-28
Financial income/expense	-9	-28	-4	-6	-3
Profit before taxes	**480**	**373**	**316**	**403**	**316**
Income taxes	-138	-106	-90	-92	-101
Net profit	**342**	**267**	**226**	**311**	**215**
Free cash flow	183	90	313	244	35
Gross result as % of net sales	53.3	51.7	55.2	54.0	50.6
Operating profit (EBIT) as % of net sales	11.2	9.1	9.6	9.9	7.6
Net profit as % of net sales (ROS)	7.5	5.8	5.4	7.0	4.7
Net profit as % of shareholders equity (ROE)	23.2	18.3	14.2	17.7	11.7

Key balance sheet data

in CHF mn	Calculation	2007	2008	2009	2010	2011
Net working capital	(c+d-g)	922	893	835	803	906
Net working capital as % of net sales		20.2	19.3	20.1	18.2	19.9
Net debt[1]	j	352	465	265	165	339
Gearing in %	(j : h)	23.9	31.8	16.6	9.4	18.4
Equity ratio in %	(h : a)	44.5	45.6	43.9	44.7	48.0

[1] Net debt: Interest-bearing indebtedness (short and long-term bank debt + bonds) ./. interest-bearing current assets (cash, cash equivalents and securities).

Value-based key data

in CHF mn	Calculation	2007	2008	2009	2010	2011
Capital employed[1]		2 041	2 109	2 041	2 086	2 352
Annual average of capital employed	k	1 963	2 075	2 075	2 064	2 219
Operating profit before restructuring	i	510.8	422.0	400.6	439.2	347.1
Return on capital employed (ROCE) in %	(i : k)	26.0	20.3	19.3	21.3	15.6

[1] Capital employed = Operating assets./.cash./.non-interest-bearing current liabilities.

Five-Year Reviews

Segment Information

	Europe North					Europe South				
in CHF mn	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Net sales	1 713	1 736	1 475	1 313	1 336	1 101	1 050	935	874	813
Operating profit before restructuring	228	191	159	143	124	168	145	136	127	85
In % of net sales	13.3	11.0	10.8	10.9	9.3	15.3	13.8	14.6	14.5	10.5
Depreciation/ amortization	50	28	29	25	24	21	15	19	16	14
Impairment	-1	6	2	0	0	0	0	0	0	0
Capital expenditures	78	67	45	26	19	27	21	17	12	12

	IMEA					Asia/Pacific				
in CHF mn	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Net sales	223	258	264	285	264	478	483	473	661	777
Operating profit before restructuring	29	32	43	46	25	43	32	54	93	96
In % of net sales	13.0	12.4	16.1	16.1	9.5	9.0	6.5	11.4	14.1	12.4
Depreciation/ amortization	2	3	3	3	3	13	12	13	17	19
Impairment	-1	0	0	0	0	1	0	1	0	0
Capital expenditures	12	7	11	4	6	21	20	11	11	17

The Region IMEA encompasses India, the Middle East and the eastern countries of Africa (see also the world map on page 16). Separate reporting for this Region was introduced as of January 1, 2007.

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. No adjustments were made for prior years.

	North America					Latin America				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
	681	657	602	586	614	377	433	395	478	507
	64	47	64	56	51	50	59	57	88	94
	9.4	7.1	10.6	9.6	8.3	13.3	13.6	14.3	18.4	18.5
	26	25	25	25	22	6	6	6	6	6
	0	0	0	0	0	0	0	0	0	0
	28	26	24	9	13	12	26	8	11	19

	Other segments and activities					Total				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
		8	12	219	245	4 573	4 625	4 156	4 416	4 556
	-71	-83	-112	-113	-127	511	422	401	439	347
				-52	-52	11.2	9.1	9.6	9.9	7.6
	10	40	42	43	41	128	128	137	136	129
	0	0	0	2	1	-1	6	3	2	1
	8	64	46	27	30	186	230	161	100	117

Five-Year Reviews

Employees

	2007	2008	2009	2010	2011
Employees by Region (as of December 31)					
Europe North	4 248	4 741	4 417	4 455	4 997
Switzerland	1 792	2 036	1 900	1 912	2 312
Germany	1 302	1 422	1 336	1 321	1 417
Europe South	1 922	1 994	2 108	2 103	2 318
France	664	685	617	603	595
North America	1 319	1 358	1 163	1 360	1 491
USA	1 155	1 180	991	1 189	1 256
Latin America	1 539	1 729	1 561	1 703	2 101
Brazil	188	209	220	244	530
IMEA	789	873	892	1 082	1 224
Asia/Pacific	1 906	2 205	2 228	2 779	3 123
Japan	211	212	197	614	608
Total	**11 723**	**12 900**	**12 369**	**13 482**	**15 254**
Personnel expenses (in CHF mn)					
Wages and salaries	746	780	769	775	789
Social charges, other	180	178	185	178	171
Total personnel expenses	**926**	**958**	**954**	**953**	**960**
Personnel expenses as % of net sales	20	21	23	22	21
Key data per employee (in CHF 1 000)					
Net sales	397	376	329	342	317
Net value-added[1]	125	112	103	108	92

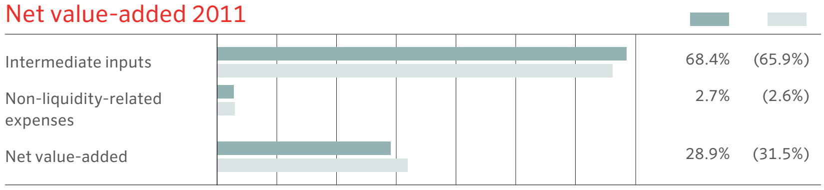
[1] See next page, Five-year review: Value-Added Statement.

Five-Year Reviews

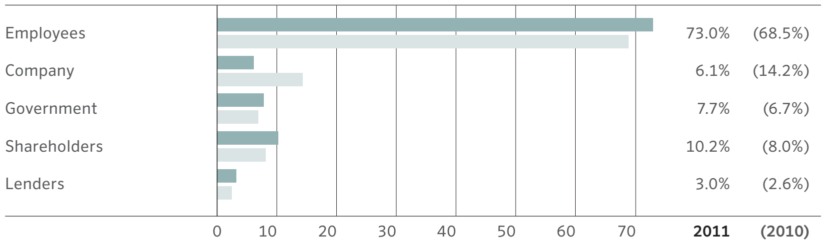
Value-Added Statement

in CHF mn	2007	2008	2009	2010	2011
Source of value-added					
Corporate performance (net sales)	4 573	4 625	4 155	4 416	4 556
Intermediate inputs	–2 982	–3 132	–2 676	–2 908	-3 119
Gross value-added	**1 591**	**1 493**	**1 479**	**1 508**	**1 437**
Expenses not affecting liquidity					
Depreciation and amortization	-127	-134	-139	-138	-130
Change in provisions	-27	21	-42	23	8
Net value-added	**1 437**	**1 380**	**1 298**	**1 393**	**1 315**
Distribution of value-added					
To employees					
Wages and salaries	746	780	769	775	789
Social charges	180	178	185	179	171
To governments (capital and income taxes)	138	106	90	93	101
To lenders (financial expenses)	31	49	28	35	39
To shareholders (dividend payout, incl. minority interests)	79	112	112	112	134
To the company					
Net profit for the year	342	267	226	311	215
Less dividend payout	-79	-112	-112	-112	-134
Net value-added	**1 437**	**1 380**	**1 298**	**1 393**	**1 315**
Number of employees					
End of year	11 723	12 900	12 369	13 482	15 254
Annual average	11 516	12 312	12 635	12 926	14 368
Net value-added per employee (in CHF 1 000)	**125**	**112**	**103**	**108**	**92**

Net value-added 2011



Distribution of value-added = 100%



Sika AG Financial Statements

Sika AG Balance Sheet as of December 31

Assets

in CHF mn	Notes	2010	2011
Current assets			
Cash in bank	1	810.2	395.6
Securities	2	0.1	0.1
Accounts receivable from subsidiaries	3	798.2	1 056.9
Accounts receivable from third parties	3	14.5	6.9
Treasury shares	4	33.7	29.5
Accrued income		0.1	0.1
Total current assets		**1 656.8**	**1 489.1**
Non-current assets			
Furnishings	5	0.0	0.0
Trademark licenses	6	1.7	6.7
Investments	7	1 093.0	1 180.0
Long-term loans and other non-current assets	8	7.8	3.8
Total non-current assets		**1 102.5**	**1 190.5**
Total assets		**2 759.3**	**2 679.6**

Liabilities and shareholders' equity

in CHF mn	Notes	2010	2011
Liabilities			
Accounts payable to subsidiaries	9	92.1	155.7
Accounts payable to third parties	9	18.6	16.8
Bonds		275.0	0.0
Deferred income	10	20.5	48.8
Total current liabilities		406.2	221.3
Other non-current liabilities		0.0	12.9
Bonds	11	800.0	800.0
Provisions for risks related to investments	12	82.1	92.1
Total non-current liabilities		882.1	905.0
Total liabilities		**1 288.3**	**1 126.3**
Shareholders' equity			
Capital stock	13	22.9	1.5
Legal reserves			
Legal reserve		113.4	60.2
Capital contribution reserves[1]		0.0	53.2
Reserves for treasury shares		69.9	55.7
Free reserves		51.7	65.9
Total reserves	14	235.0	235.0
Profit brought forward		957.5	1 100.2
Net profit for the year		255.6	216.6
Retained earnings	15	1 213.1	1 316.8
Total shareholders' equity	16	**1 471.0**	**1 553.3**
Total liabilities and shareholders' equity		**2 759.3**	**2 679.6**

[1] Under Swiss tax law that entered into force on January 1, 2011, distributions from reserves from capital contributions are no longer subject to withholding tax; see also note 14.

Sika AG Financial Statements

Sika AG Income Statement from January 1 to December 31

in CHF mn	Notes	2010	2011
Income			
Income from subsidiaries	17	226.4	230.7
Financial income	18	104.0	71.5
Trademark licenses	19	32.2	32.0
Other income		0.3	0.1
Total income		**362.9**	**334.3**
Expenses			
Administrative expenses	20	20.9	24.2
Financial expenses	21	62.9	73.0
Taxes	22	4.0	0.2
Depreciation/change in provisions	23	12.4	12.7
Other expenses	24	7.1	7.6
Total expenses		**107.3**	**117.7**
Net profit for the year		**255.6**	**216.6**

Sika AG Financial Statements

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

General explanations.

With the establishment of Sika Services AG and Sika Technology AG in 2002, responsibilities, and therefore profits and expenditures, were reallocated. Sika AG is no longer responsible for operating costs; they are charged to Sika Services AG in full and, in turn, to subsidiaries. So-called stewardship costs (administrative costs of Sika AG) are fully borne by Sika AG. Research expense and licensing income accrue to Sika Technology AG; however, its proceeds from trademark licenses are transferred to Sika AG.

Subsidiaries with excess liquidity use dividends and capital decreases to transfer liquid funds to Sika AG. Loan agreements were concluded between Sika AG and its subsidiaries to cover financial requirements. Under these agreements, flexible loans are issued at market conditions and generally in local currencies. The loans are secured centrally by Sika AG.

Liquid assets at hand within the Group are centralized at Sika AG. Sika AG places these assets at the disposal of subsidiaries in need of funds.

To finance the acquisition of Sarna Polymer Holding Inc. as well as other investments three separate bonds were issued totaling CHF 775 million in 2006. In 2009 Sika AG issued another five-year bond on the Swiss capital market amounting to CHF 300 million with a coupon of 3.5% per annum for long-term, general financing of the company. The first bond issued in 2006 in the amount of CHF 275 million was repaid on October 26, 2011.

1 Cash in bank. CHF 395.6 mn (CHF 810.2 mn)
All bank deposits are held in interest-bearing accounts.

in CHF mn	2010	2011
Swiss francs (CHF)	794.7	297.3
Foreign currencies	15.5	98.3
Total cash in banks	**810.2**	**395.6**

2 Securities. CHF 0.1 mn (CHF 0.1 mn)
The share portfolio was largely sold.

3 Accounts receivable from subsidiaries and third parties.
Total of accounts receivable amounts to CHF 1063.8 million (CHF 812.7 million). Receivables consist mainly of CHF 1020.2 million (CHF 781.2 million) in loans to subsidiaries. These loans constitute part of the Group-wide cash management concept.

Sika AG has additional receivables of CHF 36.7 million (CHF 17.0 million) due from Sika subsidiaries on open accounts.

Receivables from third parties of CHF 6.9 million (CHF 14.5 million) include CHF 2.0 million (CHF 1.5 million) in credits from the Swiss tax authorities, CHF 1.7 million (CHF 1.7 million) from an insurance company and CHF 3.2 million (CHF 11.3 million) due from associated companies.

4 Treasury shares. CHF 29.5 mn (CHF 33.7 mn)
Treasury shares are appropriated for Group-wide share based payment plans and used to invest liquidity.

in CHF mn	Bearer shares nominal value CHF 0.60		Registered shares nominal value CHF 0.10		Total
	Units		Units		
As of December 31, 2009	55 627	50.1	0	0.0	50.1
Reductions	-21 939	-20.2	0	0.0	-20.2
Additions	2 220	3.8	0	0.0	3.8
Valuation adjustment	–	0.0	–	0.0	0.0
As of December 31, 2010	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	29.5

5 **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).

6 **Trademark licenses.** CHF 6.7 mn (CHF 1.7 mn)
Trademark licenses increased as a result of acquisitions. Capitalized trademark licenses are amortized over their useful life.

7 **Shareholdings.** CHF 1180.0 mn (CHF 1 093.0 mn)
Acquisitions totaling CHF 50.8 million were made in different regions. Further capital transactions amounting to CHF 31.6 million were undertaken. Major participations are indicated in the List of Group Companies beginning on page 128.

8 **Other non-current assets.** CHF 3.8 mn (CHF 7.8 mn)
Other non-current assets contain capitalized bond issuance costs as well as premiums for issued bonds. The issuance costs as well as the premiums are written down over the respective term of the bond.

9 **Accounts payable to subsidiaries and third parties.** CHF 172.5 mn (CHF 110.7 mn)
The total includes CHF 155.7 million (CHF 92.1 million) in liabilities to Sika subsidiaries, resulting from the worldwide cash management concept. The increase is due to the introduction of zero-balanced cash pooling at foreign subsidiaries. The remaining liabilities of CHF 16.8 million (CHF 18.6 million) consist of accounts payable to third parties.

10 **Deferred income.** CHF 48.8 mn (CHF 20.5 mn)
Deferred income includes pro-rata interest of CHF 16.7 million (CHF 18.1 million) as well as other accrued expenses of CHF 3.5 million (CHF 2.4 million). Non-realized profit of CHF 28.6 million from the valuation of Group loans is accumulated in a value fluctuation reserve.

11 **Bonds and other long-term liabilities.** CHF 0 mn/CHF 800.0 mn (CHF 275.0 mn/CHF 800.0 mn) and CHF 12.9 mn (CHF 0)
Four bonds were issued to finance the acquisition of Sarna Polymer Holding Inc. as well as Group growth. A bond in the amount of CHF 275.0 million was repaid on October 26, 2011.

2.375%	fixed-interest bond	2006 – 15.2.2013	CHF 250.0 million
3.500%	fixed-interest bond	2009 – 4.6.2014	CHF 300.0 million
2.875%	fixed-interest bond	2006 – 23.3.2016	CHF 250.0 million

Other long-term liabilities contain the long-term, conditional purchase price obligation for the acquisition of Axim of CHF 12.9 million (CHF 0).

12 **Provisions for risks related to investments.** CHF 92.1 mn (CHF 82.1 mn)
Provisions for risks related to investments were increased by CHF 10.0 million to CHF 60.0 million. They relate to the economical, financial and political risks of a globally operating company. Provisions for credit risks of Group loans and other provisions in the amounts of CHF 30.1 million and CHF 2.0 million, respectively, are unchanged.

13 Capital stock. CHF 1.5 mn (CHF 22.9 mn)
In July 2011 the nominal value of Sika shares was reduced in the amount of CHF 21.4 million.

On December 31, 2011, the company had 54 (52) registered shareholders. Information regarding major shareholders can be found on page 126.

At the Annual General Meeting on May 27, 1998, 260 000 bearer shares, valued nominally at CHF 60.00, i. e. CHF 15.6 million, were issued as contingent capital stock. These shares are allocated for the exercise of option or conversion rights. In 2004, 178 new bearer shares were created out of the contingent capital. The contingent capital was adjusted according to the reduction in nominal value.

The capital stock consists of:

	Bearer shares[1] nominal value CHF 0.60 (CHF 9.00)	Registered shares nominal value CHF 0.10 (CHF 1.50)	Total[1]
December 31, 2010 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	19 360 791	3 500 811	22 861 602
December 31, 2011 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	1 290 719	233 387	1 524 106

[1] Includes non-voting and dividend recipient treasury stock.

14 Reserves. CHF 235.0 mn (CHF 235.0 mn)
Reserves remained unchanged at 15 419% of the capital stock. In accordance with the Swiss Code of Obligations, reserves for treasury shares are to be reported separately.

The Swiss Federal Tax Authority approved the amount of the reserves from capital contributions. Under Swiss tax law that entered into force on January 1, 2011, distributions from reserves from capital contributions paid in since 1997 are no longer subject to withholding tax and for natural persons resident in Switzerland and holding the shares in their private fortune not subject to income tax either. The structure of the balance sheet was adjusted to show the components of the statutory reserves.

in CHF mn	2010	2011
General statutory reserve	113.4	60.2
Capital contribution reserves	0.0	53.2
Reserve for treasury shares	69.9	55.7
Free reserve	51.7	65.9
Total	**235.0**	**235.0**

15 Retained earnings. CHF 1 316.8 mn (CHF 1 213.1 mn)
Net profit for the year reflects the regular business activities. The decline was mainly due to reduced financial income. A dividend of CHF 112.8 million for the business year 2010 was distributed to shareholders in April 2011.

in CHF mn	2010	2011
Profit brought forward	957.5	1 100.2
Net profit for the year	255.6	216.6
Retained earnings	**1 213.1**	**1 316.8**

16 Shareholders' equity. CHF 1 553.3 mn (CHF 1 471.0 mn)
Shareholders' equity lies above the level of the prior year. The ratio of shareholders' equity to balance sheet total increased from 53.3% to 58.0%.

Contingent liabilities. Letters of guarantee and letters of comfort are issued to finance business transactions. A subordinated claim declaration of EUR 2.0 million has been issued for the former Sarna Kunststoffbeteiligungs GmbH, Stuttgart, Germany. No guarantees were 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	2010	2011
Letters of guarantee		
Issued	171.8	131.9
Used	8.8	1.0
Letters of comfort		
Issued	2.7	3.6
Used	0.1	0.1
Credit lines to subsidiaries		
Issued	4.1	4.0
Used	0.7	6.0

17 Income from associated companies. CHF 230.7 mn (CHF 226.4 mn)
The income from associated companies includes dividend distributions and a capital gain on the participation in Sika Gulf B.S.C.

18 Financial Income. CHF 71.5 mn (CHF 104.0 mn)
Financial income includes interest income and gains from foreign exchange transactions. The decrease is largely due to a decline in sales of treasury shares and also to lower gains from foreign exchange.

Financial income consists of:

in CHF mn	2010	2011
Interest income from		
Subsidiaries	40.9	40.4
Banks	1.6	1.7
Gains from securities and foreign exchange	57.9	25.1
Valuation adjustments to securities	0.0	0.0
Other income	3.6	4.3
Total	**104.0**	**71.5**

19 Trademark licenses. CHF 32.0 mn (CHF 32.2 mn)
Income from trademark licenses reflects business development in 2011.

20 Administrative expenses. CHF 24.2 mn (CHF 20.9 mn)
Administrative expenses include expenses for the holding company and an allocation for the higher Group management costs.

21 Financial expenses. CHF 73.0 mn (CHF 62.9 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.

Financial expenses consist of:

in CHF mn	2010	2011
Loan and bank interest	33.6	32.2
Interest payed to local companies	0.7	0.3
Coupon redemption expenses	0.2	0.2
Bank fees	0.5	0.2
Fees for syndicated credit line	0.3	0.0
Foreign exchange losses from foreign currencies, securities, hedges	27.6	40.1
Total	**62.9**	**73.0**

22 Taxes. CHF 0.2 mn (CHF 4.0 mn)
Lower gains and non-realized profit from the valuation of Group loans, which were recognized in the value fluctuation reserve, resulted in lower taxes expenses in the year under review.

23 Depreciation/Change in provisions. CHF 12.7 mn (CHF 12.4 mn)
The change in provision for participations and Group loans amounted to CHF 11.8 million (CHF 12.0 million). Trademark licenses were depreciated as is customary.

in CHF mn	2010	2011
Current provisions	0.0	0.0
Depreciation/provisions of investments	12.0	11.8
Trademark licenses	0.4	0.9
Total	**12.4**	**12.7**

24 Other expenses. CHF 7.6 mn (CHF 7.1 mn)
This item consists of:
- Non-recoverable withholding taxes: CHF 7.0 million
- Expenses for trademark licenses: CHF 0.6 million

25 Remuneration of the Board of Directors.

Compensation paid to members of the Board of Directors in 2011 (2010):

	Walter Grüebler Chairman		Thomas W. Bechtler[2] Vice Chairman		Urs F. Burkard[3]		Paul Hälg		Urs B. Rinderknecht		Willi K. Leimer	
in CHF 1000	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Cash												
Fix fees	517.3	521.3	148.9	169.6	118.9	139.6	79.6	139.8	118.9	40.6		85.3
Remuneration[1]	358.9	280.1										
Other expenses	41.4	41.4	25.0	30.0	20.0	24.0	6.0	16.0	20.0	10.0		8.0
Payments in kind					0.6							
Benefit obligations												
Social security contributions	58.5	52.9	10.6	12.8	8.7	10.6	5.5	10.1	8.7	2.8		6.4
Management insurance	56.0	55.3										
Benefit plan												
Total	**1 032.1**	**951.0**	**184.5**	**212.4**	**148.3**	**174.2**	**91.1**	**165.9**	**147.6**	**53.4**		**99.7**

	Toni Rusch		Daniel J. Sauter		Fritz Studer		Ulrich W. Suter		Christoph Tobler		Total	
in 1000 CHF	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Cash												
Fix fees	37.4	0.0	118.8	139.7	108.9	132.9	102.4	123.2	118.9	139.6	1 470.0	1 631.6
Remuneration[1]											358.9	280.1
Other expenses	6.5	0.0	20.0	18.0	19.5	26.0	17.0	15.0	18.0	20.0	193.4	208.4
Payments in kind											0.6	0.0
Benefit obligations												
Social security contributions	2.3	0.0	8.7	10.2	6.8	8.8	6.3	7.6	8.6	10.3	124.9	132.5
Management insurance											56.0	55.3
Benefit plan											0.0	0.0
Total	**46.2**	**0.0**	**147.5**	**167.9**	**135.2**	**167.7**	**125.7**	**145.8**	**145.5**	**169.9**	**2 203.8**	**2 307.9**

[1] 20% or 40% has to be drawn in the form of shares. The allocation occurs at market values.
[2] In the reporting year 2011 CHF 0.6 mn (CHF 0.7 mn) was paid for services to a company associated with T. Bechtler.
[3] In the reporting year 2011 CHF 1.3 mn (CHF 0.8 mn) was paid for equipment to a company owned by U. Burkard.

For practical reasons the disclosure is on a cash basis.

No compensation was paid to Monika Ribar. Monika Ribar has been a member of the Board of Directors since April 2011. No loans were made to members of the Board of Directors in the course of the business year. There were no loans outstanding at the end of the year under review. No compensation was paid to persons associated with members of the Board of Directors.

26 Remuneration of Group Management.

For the business year 2011 Group Management is entitled to the following remuneration:

	Ernst Bärtschi CEO		Total	
in CHF 1000	2010	2011	2010	2011
Cash				
Fix salary[1]	900	1 000	6 479	6 818
Variable Short Term Bonus[2]	778	613	4 298	3 742
Variable Long Term Incentive[3]	546	1 071	2 889	5 637
Other expenses[4]	46	46	408	408
Benefit obligations				
Pension benefits[5]	460	473	3 118	3 080
Other benefits[6]	0	0	462	499
Total	**2 730**	**3 203**	**17 654**	**20 184**

[1] 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 2012 (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. The bonus amount primarily depends on a performance comparison with selected competitors.
[3] Includes the estimated payment of the 2009 LTI plan, as well as the early-achievement payment of the 2010 LTI plan. Both will be paid in April 2012 (accrual principle). In 2010, only one plan paid out (early achievement 2009 LTI, the 2008 LTI generated no payout).
[4] Includes company car allowance, representation allowance and home office allowance for the members of Group Management with a Swiss contract of employment.
[5] Includes social security contributions as well as contributions to company provided pension plans.
[6] Includes perquisites and other compensation paid during 2011. Does not include cost allowances for international assignees such as tax equalization, home leave and schooling.

All bonuses shown are bonuses that pertain to entitlements acquired in 2011 that will be paid out in the course of 2012.

Payments to former executives and directors. In the year under review no compensation was paid to former members of Group Management or the Board of Directors.

27 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)	
	2010	2011	2010	2011
Board of Directors				
Walter Grüebler, Chairman	2 170	2 237	0	0
Thomas W. Bechtler, Vice Chairman	426	687	0	0
Urs F. Burkard[1]	113	213	0	0
Paul Hälg	40	100	0	0
Willi K. Leimer	0	0	0	0
Monika Ribar	–	22	0	0
Daniel J. Sauter	1 487	2000	0	0
Fritz Studer	20	20	0	0
Ulrich W. Suter	0	0	0	0
Christoph Tobler	210	210	0	0
Group Management				
Ernst Bärtschi, CEO	507	794	0	0
Silvio Ponti, deputy CEO	466	556	0	0
Alexander Bleibler	332	456	0	0
Iven Chadwick	92	209	0	0
Bruno Fritsche	111	194	0	0
Christoph Ganz	92	176	0	0
Jan Jenisch	362	500	0	0
Peter Krebser	160	241	0	0
Urs Mäder	201	292	0	0
Hubert Perrin de Brichambaut	25	124	0	0
Ernesto Schümperli	190	261	0	0
Paul Schuler	250	401	0	0
Ronald Trächsel	390	542	0	0
José Luis Vásquez	366	480	0	0
Total	**8 010**	**10 715**	**0**	**0**

[1] Urs. F. Burkard also has an interest in the Schenker Winkler Holding, which holds 2 375 615 Sika AG shares.

28 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 26 to the Consolidated Financial Statements.

Sika AG 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	2010	2011
Composition of retained earnings		
Net profit for the year	255.6	216.6
Profit brought forward	957.5	1 100.2
Retained earnings	**1 213.1**	**1 316.8**
Dissolution of capital contribution reserves	0.0	52.7
Total for disposition to Annual General Meeting	**1 213.1**	**1 369.5**
Dividend payment		
Dividend payment out of retained earnings[1]	112.8	60.3
Dividend payment out of capital contribution reserves[1,3]	–	52.7
Reduction in nominal value[2]: CHF 8.40 per bearer share and CHF 1.40 per registered share	21.4	–
Total	**1 100.2**	**1 256.5**

[1] Dividend payment for shares entitled to dividends (without treasury shares as per December 31, 2011).
[2] The reduction in nominal value represents a capital decrease and therefore has no impact on retained earnings.
[3] The distribution of capital contribution reserves has no impact on retained earnings.

As the general statutory reserve currently exceeds 20% of shareholders' equity, an allocation to the reserve was waived.

A maximum amount of CHF 53.2 million could be distributed from the reserves from capital contributions.

On approval of this proposal, the following payment will be made:

in CHF	2010	2011
Bearer share[1] nominal value CHF 0.60		
Gross dividend from free reserves	45.00	24.00
35% withholding tax on gross dividend	-15.75	-8.40
Net dividend	**29.25**	**15.60**
Registered share nominal value CHF 0.10		
Gross dividend	7.50	4.00
35% withholding tax on gross dividend	-2.63	-1.40
Net dividend	**4.87**	**2.60**
Bearer share[1] nominal value CHF 0.60		
Repayment of nominal value/ distribution of capital contribution reserves	8.40	21.00
35% withholding tax	–	–
Net repayment of nominal value/ net distribution of capital contribution reserves	**8.40**	**21.00**
Registered share nominal value CHF 0.10		
Repayment of nominal value/ distribution of capital contribution reserves	1.40	3.50
35% withholding tax	–	–
Net repayment of nominal value/ net distribution of capital contribution reserves	**1.40**	**3.50**

[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 24, 2012 upon presentation of coupons no. 21 (dividend share from other free reserves) and no. 22 (dividend share from reserves from capital contributions) for bearer shares.

Registered shareholders will receive payment of the dividend and repayment of the nominal value at the address provided to the company for purposes of dividend distribution. The distribution will be made in two separate payments, one for the dividend share from other free reserves and the other one for the dividend share from reserves from capital contributions.

The Annual General Meeting of Sika AG will be held on Tuesday, April 17, 2012, 3 p.m. in the Lorzensaal in Cham, Switzerland.

Baar, February 24, 2012

For the Board of Directors
The Chairman:
Dr. Walter Grüebler

Sika AG Financial Statements

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 140 to 154) for the year ended December 31, 2011.

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, 2011 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 24, 2012

Ernst & Young Ltd

Bernadette Koch Licensed audit expert (Auditor in charge)	Pascal Kocher Licensed audit expert

Financial calendar

Tuesday, April 17, 2012
Shareholder letter (first-quarter 2012)
Annual General Meeting

Tuesday, April 24, 2012
Dividend payment

Thursday, July 26, 2012
Shareholder letter (Half-Year Report 2012)

Wednesday, October 31, 2012
Shareholder letter (nine months 2012)

Thursday, January 10, 2013
Net sales 2012

Thursday, February 28, 2013
Full-year results 2012; 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.

Sika®