# 2011

## Sika Annual Report

Innovation & Consistency | since 1910

# Content Financial Report

## Consolidated Financial Statements



## Appendix to the Consolidated Financial Statements



## Five-Year Reviews



## Sika AG Financial Statements



## Financial Calendar

## Imprint

# 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

| | | | Contractual value upon maturity | | |
|---|---|---|---|---|---|
| in CHF mn | Replacement value (+) | Replacement value (-) | Contract value | Up to 3 months | 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

| | 2010 | | | 2011 | | |
|---|---|---|---|---|---|---|
| in CHF mn | Operating profit[1] | Financial result | Profit before taxes | Operating profit | Financial result | 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 |

| | 2010[1] | | | 2011 | | |
|---|---|---|---|---|---|---|
| in CHF mn | Depreciation/amortization | Impairment | Capital expenditures | Depreciation/amortization | Impairment | 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
Licensed audit expert
(Auditor in charge)

Pascal Kocher
Licensed audit expert

# 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** i | **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 |

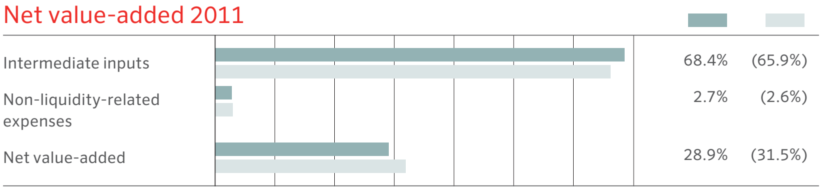
[1] See next page, Five-year review: Value-Added Statement.

# Five-Year Reviews

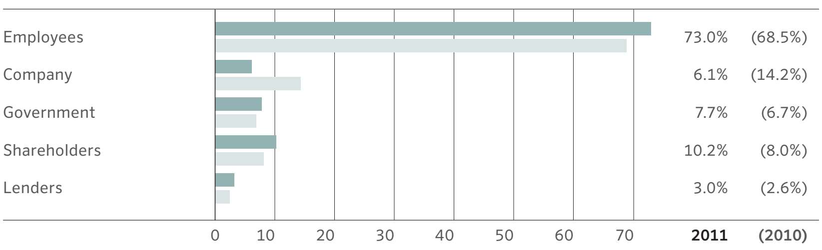
## Value-Added Statement

| 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

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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.