

SIKA  
HALF-YEAR REPORT

2014

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# HALF-YEAR RESULTS AT A GLANCE

**+18.1%**  
**SALES GROWTH**  
**(10.6% IN**  
**SWISS FRANCS)**

**GROWTH**  
**IN ALL**  
**REGIONS**

**3**  
**ACQUISITIONS**

**3**  
**NEW**  
**FACTORIES**

**+25.7%**  
**INCREASE**  
**IN NET**  
**PROFIT**

## PORTRAIT

Sika is a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing and protecting in the building sector and the motor vehicle industry. Sika has subsidiaries in 84 countries around the world and manufactures in over 160 factories. Its more than 16,000 employees generate annual sales of CHF 5,142.2 million.

## KEY FIGURES

# SIKA GROUP

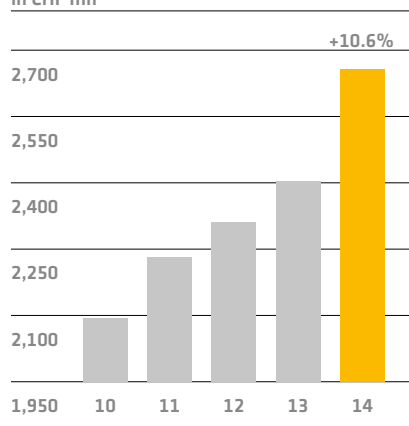
in CHF mn	1/1/2013 - 6/30/2013	as % of net sales	1/1/2014 - 6/30/2014	as % of net sales
Net sales	2,402.5		2,656.9	
Gross result	1,277.4	53.2	1,417.4	53.3
Operating profit before depreciation (EBITDA)	293.4	12.2	347.7	13.1
Operating profit (EBIT)	220.2	9.2	266.4	10.0
Net profit	141.3	5.9	177.6	6.7
Operating free cash flow	15.3	0.6	36.6	1.4
Capital expenditures	-65.2	-2.7	-66.3	-2.5
Balance sheet total <sup>1</sup>	4,732.0		4,583.4	
Shareholders' equity <sup>1</sup>	2,136.2		2,147.1	
Equity ratio in % <sup>1, 2</sup>	45.1		46.8	
Return on capital employed (ROCE) in % <sup>3</sup>	18.0		20.9	
Earnings per share (EPS) in CHF	55.00		69.39	
Number of employees	15,568		16,877	

1 As of December 31, 2013/June 30, 2014.

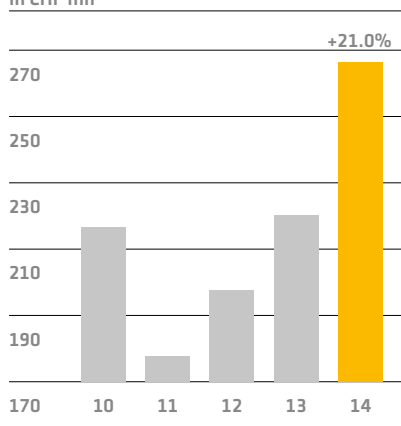
2 Shareholders' equity divided by balance sheet total.

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

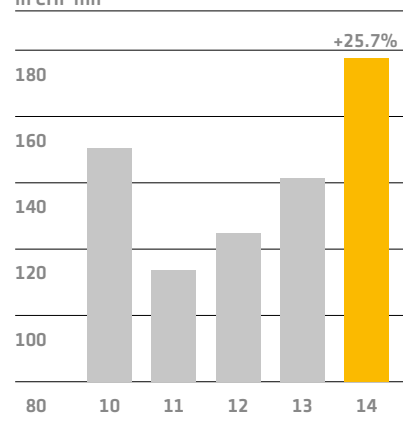
NET SALES  
in CHF mn



EBIT  
in CHF mn



NET PROFIT  
in CHF mn



## INVESTOR INFORMATION

	6/30/2013	6/30/2014
<b>Number of bearer shares with a nominal value of CHF 0.60</b>	<b>2,151,199</b>	<b>2,151,199</b>
of which entitled to dividend and to vote	2,143,089	2,147,328
<b>Number of registered shares with a nominal value of CHF 0.10</b>	<b>2,333,874</b>	<b>2,333,874</b>
of which entitled to dividend and to vote	2,333,874	2,333,874
Bearer share price as of June 30 (CHF)	2,446	3,626
Market capitalization <sup>1</sup> as of June 30 (CHF mn)	6,213	9,211

1 Since 2003, registered shares have been delisted from the Swiss stock exchange. Our calculation includes the registered shares with 1/6 of the bearer share price on June 30.

# LETTER TO SHAREHOLDERS

*Dear Shareholders*

**In the first half of 2014, we achieved growth in all regions and at Group level a high increase in sales of 18.1% (10.6% in Swiss francs) to CHF 2,656.9 million. Strong growth momentum and disciplined cost management led to an above-average increase in net profit to CHF 177.6 million. (+25.7%).**

The results achieved underline the strength of Sika's growth model. Our success formula for profitable growth is based on the strategic cornerstones of market penetration, technology leadership, faster expansion in the growth markets, market consolidation through acquisitions, and an entrepreneurially driven culture.

## **GROWTH IN ALL REGIONS**

All Group regions contributed to the 18.1% growth in sales. The currency effect had a negative impact of 7.5%. Adjusted to Swiss francs, sales were 10.6% higher.

Sales in the region EMEA (Europe, Middle East, Africa) saw a 21.7% increase in the first half of the year. An upturn in construction activities, significant growth in Germany and the Middle East, and the moderate recovery witnessed by the Southern European countries impacted positively on the region's performance. The acquisitions made in 2013, product launches and the mild winter were other contributory factors behind the strong rise in sales.

North America generated a 6.5% increase in sales. Projects delayed at the beginning of the year due to the harsh winter suffered by the region are now under construction and investments are being made in infrastructure projects and commercial buildings.

The region Asia/Pacific grew by 18.1%, building on the strong growth seen over recent years. Notably China, Japan, Indonesia, and Australia are showing double-digit growth. Growth is based on gains made in market share by moving into new markets, on the launch of new products and on the newly opened plants.

At 16.8%, sales growth remained consistently high in Latin America. In a challenging business environment, Sika succeeded in achieving double-digit growth in most countries and increasing market share further. Substantial devaluations of a number of local currencies led to high exchange rate losses.

## **THREE NEW FACTORIES OPENED AND THREE COMPANIES ACQUIRED**

We continued our accelerated expansion drive in the emerging markets in the first half of 2014, opening factories in Brazil, Indonesia, and India.

In addition, we acquired three firms with combined annualized sales of CHF 53 million: Lwart Química, a leading manufacturer of waterproofing systems in Brazil, a flooring and coating company in South Korea, and Klebag, a producer of adhesives for interior finishing applications in Switzerland.

## **OUTLOOK**

Through further investments in growth markets, the launch of new products, and the recently acquired companies, Sika will continue its growth strategy in the current year. Owing to the excellent business performance in the first half, sales growth projections for full-year 2014 have been raised from 6–8% to 9–11%. With strong currency movements and the framework conditions prevailing in some markets still a challenge in the present financial year, Sika is expecting stable margins for the year as a whole.

## **VOTE OF THANKS**

We wish to sincerely thank our employees for their enormous commitment and the results achieved. Thanks are also due to our customers, business partners, and suppliers for their outstanding cooperation, and we would especially like to thank our shareholders for their loyalty.

Sincerely,



DR. PAUL HÄLG  
Chairman of the Board



JAN JENISCH  
Chief Executive Officer

# ON EXPANSION TRACK IN ALL REGIONS

Sika increased sales by 18.1% in the first half of 2014 thanks to gains in market share, entry into new markets, and product launches. The expansion drive in the growth markets continued.

### EMEA

The construction industry reported an upturn in the first half of 2014. Development was particularly dynamic in Germany, the Middle East, and Eastern Europe. A gradual economic recovery accompanied by initial positive signals in the construction sector was in evidence in the countries of Southern Europe. The first six months of the year saw Sika expand its presence in the Middle East and Africa, which are key growth markets for the Group, and engage in various projects in an effort to improve its access there. New subsidiaries are being established in Côte d'Ivoire, Nigeria, and Mozambique. Sika benefited from extensive infrastructure projects in the region EMEA.

In May 2014, Sika acquired Swiss-based Klebag, a manufacturer of adhesives for the bonding, sealing, and flooring markets. The takeover will strengthen Sika's position in the interior finishing sector. The integration of Everbuild and the AkzoNobel building adhesives business, both acquired in 2013, is progressing to plan.

### NORTH AMERICA

After numerous construction projects were delayed by the long winter in the US and Canada in the first quarter, considerably more projects were completed in the second quarter. The housing construction market witnessed further growth in the half-year under review, and demand was considerably higher in the commercial and heavy industrial building sectors. Sales were up and margins wider thanks to new products and productivity increases. In Denver (Colorado), Sika invested in a production line for concrete admixtures, and at the Lyndhurst facility (New Jersey) a new cooling system was installed to substantially reduce water consumption for production activities and to help cut costs. Investments were also made in the sales force and marketing activities in order to lock into growth in the entire region.

### LATIN AMERICA

The Latin American economy suffered a slowdown in growth in the first half of 2014. Above all, the Brazilian and Mexican economies grew less substantially than originally predicted. In this challenging business environment, Sika posted double-digit sales growth in the majority of countries and succeeded in increasing market share in some cases. Substantial devaluations of a number of local currencies led to high exchange rate losses. Brazilian waterproofing specialist Lwart Química was acquired at the beginning of the year. Sika opened a new plant in the state of Goiás, its seventh in Brazil.

### ASIA/PACIFIC

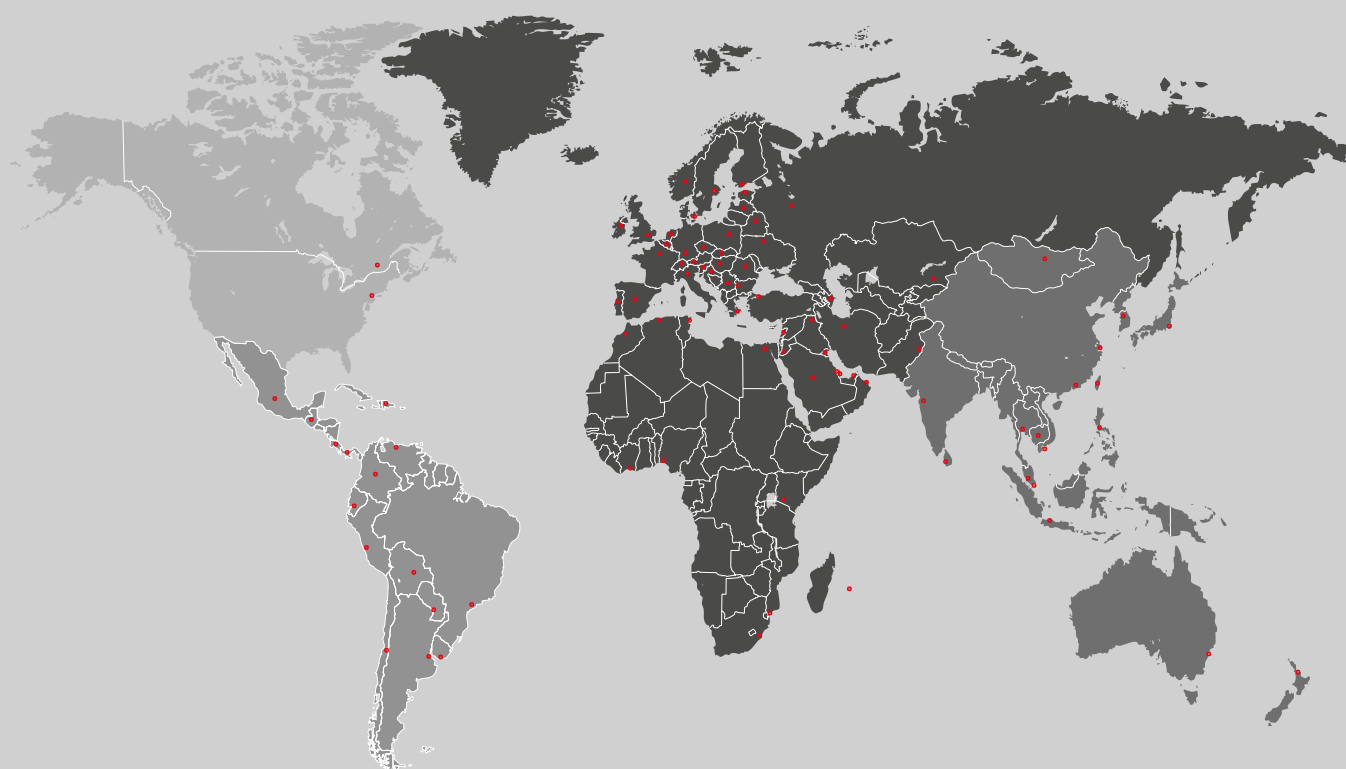
The region Asia/Pacific continued growing in the first half of 2014. Sika achieved double-digit percentage sales growth in the region on the back of gains in market share, new product launches, and expansion of the supply chain. A new factory was opened in each of Indonesia and India. A flooring and coating company was acquired in South Korea. The holdings in Dyflex in Japan and Jiangsu TMS in China were increased to 100%. Furthermore, a new subsidiary was established in Sri Lanka.

### OTHER SEGMENTS AND ACTIVITIES

The automotive business, which Sika manages centrally on a global basis, is a key component of "Other segments and activities". Global automotive production grew by 3.6% in the first half of 2014. The 19.2% organic growth achieved by Sika far exceeded the market average. With the exception of Latin America, where the automotive market experienced a downturn, sales were higher in all regions.

The results of the individual regions are shown in note 10.

## WORLDWIDE MARKET PRESENCE



● SIKA SUBSIDIARIES

## THE REGIONS IN BRIEF

	EMEA	North America	Latin America	Asia/Pacific	Other Segments and Activities
Net sales in CHF mn (previous year)	1,335.8 (1,128.5)	335.2 (335.3)	295.6 (303.0)	485.0 (455.2)	205.3 (180.5)
<b>Growth in local currencies</b>	<b>21.7%</b>	<b>6.5%</b>	<b>16.8%</b>	<b>18.1%</b>	<b>18.7%</b>
Currency impact	-3.3%	-6.5%	-19.2%	-11.6%	-5.0%
Acquisition effect	14.7%	0.0%	4.1%	4.0%	0.0%

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2013	6/30/2014
Cash and cash equivalents	1	1,028.3	526.8
Accounts receivable	2	909.7	1,101.5
Inventories	3	539.0	641.5
Prepaid expenses and accrued income		92.0	98.7
Other current assets		18.9	20.6
<b>Current assets</b>		<b>2,587.9</b>	<b>2,389.1</b>
Property, plant, and equipment		920.2	932.4
Intangible assets	4	1,066.0	1,087.3
Investments in associated companies		13.9	13.9
Deferred tax assets		104.7	118.4
Other non-current assets		39.3	42.3
<b>Non-current assets</b>		<b>2,144.1</b>	<b>2,194.3</b>
<b>ASSETS</b>		<b>4,732.0</b>	<b>4,583.4</b>
Accounts payable	5	560.0	612.2
Accrued expenses and deferred income		204.9	246.5
Bond		299.7	0.0
Income tax liabilities		72.6	85.3
Current provisions	6	22.0	23.0
Other current liabilities		29.9	30.6
<b>Current liabilities</b>		<b>1,189.1</b>	<b>997.6</b>
Bonds		946.9	947.2
Non-current provisions	6	93.0	103.1
Deferred tax liabilities		129.6	123.6
Employee benefit obligation		212.9	240.7
Other non-current liabilities		24.3	24.1
<b>Non-current liabilities</b>		<b>1,406.7</b>	<b>1,438.7</b>
<b>LIABILITIES</b>		<b>2,595.8</b>	<b>2,436.3</b>
Capital stock		1.5	1.5
Treasury shares		-13.7	-10.5
Reserves		2,132.3	2,142.2
<b>Equity attributable to Sika shareholders</b>		<b>2,120.1</b>	<b>2,133.2</b>
Non-controlling interests		16.1	13.9
<b>SHAREHOLDERS' EQUITY</b>		<b>2,136.2</b>	<b>2,147.1</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,732.0</b>	<b>4,583.4</b>

## CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30

in CHF mn	Notes	%	2013	%	2014	Change in %
<b>Net sales</b>	7	<b>100.0</b>	<b>2,402.5</b>	<b>100.0</b>	<b>2,656.9</b>	<b>10.6</b>
Material expenses	8	-46.8	-1,125.1	-46.7	-1,239.5	
<b>Gross result</b>		<b>53.2</b>	<b>1,277.4</b>	<b>53.3</b>	<b>1,417.4</b>	<b>11.0</b>
Personnel expenses		-21.8	-523.4	-20.7	-550.6	
Other operating expenses		-19.2	-460.6	-19.5	-519.1	
<b>Operating profit before depreciation</b>	9	<b>12.2</b>	<b>293.4</b>	<b>13.1</b>	<b>347.7</b>	<b>18.5</b>
Depreciation and amortization expenses		-3.0	-73.2	-3.1	-81.3	
<b>Operating profit</b>		<b>9.2</b>	<b>220.2</b>	<b>10.0</b>	<b>266.4</b>	<b>21.0</b>
Interest income		0.1	1.5	0.1	1.2	
Interest expenses		-0.7	-15.9	-0.7	-18.3	
Other financial income		0.1	2.3	0.1	3.2	
Other financial expenses		-0.5	-12.4	-0.2	-4.9	
Income from associated companies		0.0	0.7	0.0	0.5	
<b>Profit before taxes</b>		<b>8.2</b>	<b>196.4</b>	<b>9.3</b>	<b>248.1</b>	<b>26.3</b>
Income taxes		-2.3	-55.1	-2.6	-70.5	
<b>Net profit</b>		<b>5.9</b>	<b>141.3</b>	<b>6.7</b>	<b>177.6</b>	<b>25.7</b>
Profit attributable to Sika shareholders		5.8	139.1	6.6	175.9	
Profit attributable to non-controlling interests		0.1	2.2	0.1	1.7	
Undiluted/diluted earnings per bearer share (in CHF)			55.00		69.39	26.2
Undiluted/diluted earnings per registered share (in CHF)			9.17		11.56	26.2



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	%	1/1/2013 - 6/30/2013	%	1/1/2014 - 6/30/2014	Change in %
<b>Net profit</b>	<b>5.9</b>	<b>141.3</b>	<b>6.7</b>	<b>177.6</b>	<b>25.7</b>
Actuarial gains/(losses) on post employment benefit obligations	0.1	1.3	-0.8	-22.2	
Income tax effect	0.0	0.4	0.1	4.7	
<b>Items that will not be reclassified to profit or loss</b>	<b>0.1</b>	<b>1.7</b>	<b>-0.7</b>	<b>-17.5</b>	
Exchange differences taken to equity	-0.3	-6.9	-0.1	-3.2	
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>-0.3</b>	<b>-6.9</b>	<b>-0.1</b>	<b>-3.2</b>	
<b>Other comprehensive income</b>	<b>-0.2</b>	<b>-5.2</b>	<b>-0.8</b>	<b>-20.7</b>	
<b>Comprehensive income</b>	<b>5.7</b>	<b>136.1</b>	<b>5.9</b>	<b>156.9</b>	<b>15.3</b>
Attributable to Sika shareholders	5.6	133.5	5.8	155.3	
Attributable to non-controlling interests	0.1	2.6	0.1	1.6	

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital stock	Capital surplus	Treasury shares	Currency trans- lation differ- ences	Retained earnings	Total Sika share- holders' equity	Non- control- ling interests	Total equity
in CHF mn								
<b>January 1, 2013</b>	<b>1.5</b>	<b>203.1</b>	<b>-27.6</b>	<b>-364.3</b>	<b>2,082.2</b>	<b>1,894.9</b>	<b>14.9</b>	<b>1,909.8</b>
Profit for the period					139.1	139.1	2.2	141.3
Other comprehensive income				-7.3	1.7	-5.6	0.4	-5.2
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-7.3</b>	<b>140.8</b>	<b>133.5</b>	<b>2.6</b>	<b>136.1</b>
Transactions with treasury shares <sup>1</sup>			10.8		-3.6	7.2		7.2
Share based payments					4.7	4.7		4.7
Dividends					-129.2	-129.2		-129.2
Inflation adjustment <sup>2</sup>					1.1	1.1		1.1
<b>June 30, 2013</b>	<b>1.5</b>	<b>203.1</b>	<b>-16.8</b>	<b>-371.6</b>	<b>2,096.0</b>	<b>1,912.2</b>	<b>17.5</b>	<b>1,929.7</b>
<b>January 1, 2014</b>	<b>1.5</b>	<b>203.1</b>	<b>-13.7</b>	<b>-425.4</b>	<b>2,354.6</b>	<b>2,120.1</b>	<b>16.1</b>	<b>2,136.2</b>
Profit for the period					175.9	175.9	1.7	177.6
Other comprehensive income				-3.1	-17.5	-20.6	-0.1	-20.7
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3.1</b>	<b>158.4</b>	<b>155.3</b>	<b>1.6</b>	<b>156.9</b>
Transactions with treasury shares <sup>1</sup>			3.2		-3.2	-		-
Share based payments					3.7	3.7		3.7
Dividends					-144.6	-144.6	-0.9	-145.5
Inflation adjustment <sup>2</sup>					0.5	0.5		0.5
Purchase of non-controlling interests					-1.8	-1.8	-2.9	-4.7
<b>June 30, 2014</b>	<b>1.5</b>	<b>203.1</b>	<b>-10.5</b>	<b>-428.5</b>	<b>2,367.6</b>	<b>2,133.2</b>	<b>13.9</b>	<b>2,147.1</b>

1 Including income tax of CHF 0.1 mn (CHF 0.2 mn).

2 Hyperinflation accounting concerns the subsidiary in Venezuela.

## CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn

	1/1/2013 – 6/30/2013	1/1/2014 – 6/30/2014
<b>Operating activities</b>		
Profit before taxes	196.4	248.1
Depreciation and amortization expenses	73.2	81.3
Increase (+)/decrease (-) in provisions/employee benefit assets and obligations	13.4	12.7
Increase (-)/decrease (+) in net working capital	-143.1	-191.2
Other adjustments	-4.2	9.1
Income taxes paid	-56.0	-73.1
<b>Cash flow from operating activities</b>	<b>79.7</b>	<b>86.9</b>
<b>Investing activities</b>		
Property, plant, and equipment: capital expenditures	-60.5	-63.7
Property, plant, and equipment: disposals	0.8	16.0
Intangible assets: capital expenditures	-4.7	-2.6
Acquisitions less cash and cash equivalents	-84.6	-67.0
Acquisitions (-)/disposals (+) of financial assets	-3.7	0.4
<b>Cash flow from investing activities</b>	<b>-152.7</b>	<b>-116.9</b>
<b>Financing activities</b>		
Increase in financial liabilities	0.0	4.1
Repayment of financial liabilities	-6.8	-22.8
Repayment of a bond	-250.0	-300.0
Acquisitions of treasury shares	-16.9	-10.3
Disposals of treasury shares	25.6	9.0
Dividend payment to shareholders of Sika AG	-129.2	-144.6
Dividends related to non-controlling interests	0.0	-0.9
Purchase of non-controlling interests	0.0	-4.7
<b>Cash flow from financing activities</b>	<b>-377.3</b>	<b>-470.2</b>
<b>Exchange differences on cash and cash equivalents</b>	<b>0.4</b>	<b>-1.3</b>
<b>Net change in cash and cash equivalents</b>	<b>-449.9</b>	<b>-501.5</b>
Cash and cash equivalents at the beginning of the period	994.2	1,028.3
Cash and cash equivalents at the end of the period	544.3	526.8
<b>Cash flow from operating activities contains:</b>		
Dividends from associated companies	2.0	0.6
Interest received	1.6	1.1
Interest paid	-24.8	-14.8

# APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

## PRINCIPLES OF CONSOLIDATION AND VALUATION

The unaudited, interim Consolidated Financial Statements for the first half of 2014 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

These condensed interim financial statements do not include all information and disclosures as would be required in the annual financial statements, and should therefore be read in conjunction with Sika's annual Consolidated Financial Statements for the year ended December 31, 2013.

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 June 30, 2014, were taken into account. The financial statements are prepared according to the going-concern principle. The Consolidated Financial Statements have been prepared under the historical cost principle with the exception of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

The accounting standards applied conform to those standards that were valid in the previous year. Exceptions are the following revised and new standards, which Sika applied since January 1, 2014. They have had no significant effect on the Consolidated Financial Statements of the Group:

- Amendments to IAS 19 – Employee benefits entitled defined benefit plans: Employee contributions
- Amendments to IAS 32 – Offsetting financial assets and financial liabilities
- Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting
- Amendments to IFRS 10, IFRS 12 und IAS 27 – Investment entities
- IFRIC 21 – Levies
- Annual improvements to IFRS – Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology

## ACQUISITIONS 2014

In 2014 Sika acquired the following companies:

Company	Type of transaction	Stake in %	Closing Date
LCS Optiroc Pte Ltd, Singapore, and LCS Optiroc SDN. BHD, Malaysia	Share deal	100.0	01/16/2014
Lwart Química Ltda., Brazil	Share deal	100.0	05/02/2014
Company in Gunsan, South Korea	Asset deal		04/14/2014
Klebag AG, Switzerland	Share deal	100.0	05/14/2014

In December 2013, Sika agreed to acquire LCS Optiroc Pte Ltd. in Singapore and LCS Optiroc SDN. BHD in Malaysia, a leading manufacturer of cementitious powder products in Singapore. LCS Optiroc has a strong product offering which includes grouts, mortars, floor screeds, tile adhesives, and renders for interior and exterior finishing in the Refurbishment and Flooring target markets. The transaction was completed on January 16, 2014.

In February, Sika has agreed to acquire Lwart Química Ltda., a renowned supplier of waterproofing products in Brazil. The transaction was completed on May 2, 2014. The acquisition strengthens Sika's position in the Brazilian construction chemicals market and complements Sika's geographical footprint in Brazil.

In April, Sika acquired a company located in Gunsan, South Korea. The company manufactures and distributes flooring and coating products based on epoxy resins, acrylic emulsions, and polyurethane. The additional production capacity will enable Sika to strengthen its range of locally produced flooring and coating products and expand the production of its complete range of products.

In mid-May, Sika acquired Klebag AG, a manufacturer of adhesives for the sealing, bonding, and flooring markets. The takeover strengthens Sika's position in the Swiss interior finishing sector.

Since the purchase, the acquisitions contributed sales of CHF 20.0 million and net profit of CHF 0.8 million. If the acquisitions had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 20.0 million. Consolidated net profit would have been CHF 1.0 million higher.

Since the purchase prices and 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. Goodwill in the amount of CHF 1.6 million is tax deductible. Accounts receivables have a gross value of CHF 15.5 million and were adjusted since CHF 0.3 million were classified as non-recoverable.

The directly attributable transaction costs of all acquisitions amounted to CHF 0.8 million and were charged to other operating expenses.

The net outflow of assets in the first half of 2014 amounted to CHF 67.0 million.

As of January 7, 2014, Sika has acquired the remaining 24.5% of Dyflex HD Co., Ltd. The complete takeover further strengthens Sika's position in the Japanese construction market. The acquisition of the remaining shares has no material impact on the Consolidated Financial Statements. Since the acquisition in 2010 a put-and-call agreement has been arranged. Sika could exercise its purchase price option as of the end of 2013. Sika therefore considered the outstanding company interests of 24.5%, for which the purchase price had already been established, as acquired and consolidated the shareholding at 100% since acquisition. The payment is shown as a repayment of financial liabilities.

In the first half of the year 2014 Sika further increased its shareholdings from 70% to 100% in Jiangsu TMS Concrete Admixture Co. Ltd., Guangzhou.

## ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn

Acquisitions 2014<sup>1</sup>

Cash and cash equivalents	3.7
Accounts receivable	15.2
Inventories	9.1
Other current assets	2.0
Property, plant, and equipment	16.3
Intangible assets	14.5
<b>Total assets</b>	<b>60.8</b>
Current bank loans	3.6
Accounts payable	5.9
Other current liabilities	1.3
Provisions	0.8
Employee benefit obligation	2.1
Deferred tax liabilities	4.2
<b>Total liabilities</b>	<b>17.9</b>
<b>Acquired net assets</b>	<b>42.9</b>
Goodwill	31.2
<b>Total purchase price</b>	<b>74.1</b>
Cash in acquired assets	-3.7
Payments still due (per June 30, 2014)	-3.4
<b>Net cash outflow</b>	<b>67.0</b>

1 LCS Optiroc, Lwart Química, company in Gunsan, Klebag; individually not material.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet data as of June 30, 2014 (December 31, 2013).

Income statement from January 1 to June 30, 2014 (January 1 to June 30, 2013).

### **1. CASH AND CASH EQUIVALENTS** CHF 526.8 MN (CHF 1,028.3 MN)

The cash management of the Group includes cash pooling, in which cash and cash equivalents available within the Group are pooled. The item "Cash and cash equivalents" includes cash and cash equivalents with a maturity of less than three months, bearing interest at a respectively valid rate. This position is lower than at the end of 2013 due to seasonal influences and the repayment of the bond in the amount of CHF 300.0 million. The change in this position can be seen in detail in the statement of cash flows.

### **2. ACCOUNTS RECEIVABLE** CHF 1,101.5 MN (CHF 909.7 MN)

Accounts receivables are higher at mid-year than at the end of 2013 as a result of seasonal influences. At the half-year 2013 accounts receivables amounted to CHF 1,044.6 million.

### **3. INVENTORIES** CHF 641.5 MN (CHF 539.0 MN)

The rise in inventories is due to seasonal distribution of sales. At mid-year 2013 inventories amounted to CHF 593.1 million.

### **4. INTANGIBLE ASSETS** CHF 1,087.3 MN (CHF 1,066.0 MN)

Intangible assets increased due to the acquisitions.

### **5. ACCOUNTS PAYABLE** CHF 612.2 MN (CHF 560.0 MN)

Accounts payables are higher at mid-year than at the end of 2013 as a result of seasonal influences. Accounts payable do not bear interest and will usually become due within 30 to 60 days.

### **6. PROVISIONS** CHF 126.1 MN (CHF 115.0 MN)

Provisions for guarantees reflect all known or anticipated claims in the near future. The provision amounts are determined on the basis of experience and are therefore subject to a degree of uncertainty. The outflow of funds depends on the timing of the filing and conclusion of warranty claims. Provisions for sundry risks include loan guarantees as well as open and anticipated legal and tax cases with a probability of above 50%. For provisions of CHF 23.0 million (CHF 22.0 million) an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

### **7. NET SALES** CHF 2,656.9 MN (CHF 2,402.5 MN)

Sales of goods account for nearly all net sales. In comparison with the previous year, net sales denominated in Swiss francs increased by 10.6%. Taking currency effects amounting to -7.5% into consideration, sales increased in local currencies by 18.1%, including a growth from acquisitions of 8.2%. Details to segments can be found in note 10.

### **8. MATERIAL EXPENSES** CHF 1,239.5 MN (CHF 1,125.1 MN)

Material expenses decreased as a percentage of net sales by 0.1 percentage points.

### **9. OPERATING PROFIT BEFORE DEPRECIATION (EBITDA)** CHF 347.7 MN (CHF 293.4 MN)

The personnel costs as a proportion of sales declined from 21.8% to 20.7%. This is mainly due to increased efficiency. Other operating expenses developed largely in line with volume, while the expense ratio deteriorated slightly from 19.2% to 19.5%. As a result of increasing gross result, operating profit before depreciation (EBITDA) rose by 18.5% to CHF 347.7 million, yielding an EBITDA margin of 13.1% (12.2%).

Personnel expenses include a portion of the salaries paid to senior managers and Group Management in the form of Sika AG stock. The shares are granted at the average market price of February of the subsequent business year. The allocated shares are subject to a blocking period of four years. Related personnel expenses in the first half of 2014 amounted to CHF 12.0 million (CHF 10.1 million). Provided employees are entitled to the option of drawing shares of Sika AG, this portion will be recognized as liabilities as at balance sheet date. In the event that shares are drawn, this portion will be taken to equity in the subsequent year. Expenses for research and development are included in other operating expenses because they do not meet the recognition criteria.

## 10. SEGMENTATION BY REGION

Sika conducts its worldwide activities according to regions. Region heads are members of Group Management. Group Management is the highest operative execution body measuring 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 Statements. The financing (including financial expenditures and revenues) as well as income taxes are managed uniformly across the Group and are not assigned to the individual segments. The precise composition of the regions is shown on page 6.

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

"Other segments and activities" include the automotive segment, expenditures for Group head quarter, and its proceeds from services to subsidiaries. In addition they contain expenses and income that cannot be allocated to an individual region.

A change in internal reporting practice was implemented effective January 1, 2014. Certain internal allocations were no longer charged to the segment results. Essentially, these internal allocations are understood to be the charges for central marketing as well as production support. In keeping with internal reporting practice, the segment reporting presented here has been adjusted accordingly. The prior-year figures have been restated to allow like-for-like comparison.

### NET SALES FROM JANUARY 1 TO JUNE 30

in CHF mn	2013			2014		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	1,128.5	55.4	1,183.9	1,335.8	59.4	1,395.2
North America	335.3	9.6	344.9	335.2	10.1	345.3
Latin America	303.0	0.1	303.1	295.6	0.1	295.7
Asia/Pacific	455.2	3.1	458.3	485.0	2.7	487.7
Other segments and activities	180.5		180.5	205.3		205.3
Eliminations	-	-68.2	-68.2	-	-72.3	-72.3
<b>Net sales</b>	<b>2,402.5</b>	<b>-</b>	<b>2,402.5</b>	<b>2,656.9</b>	<b>-</b>	<b>2,656.9</b>
Products for construction industry	1,903.1			2,124.5		
Products for industrial manufacturing	499.4			532.4		



## CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	1/1/2013 – 6/30/2013	1/1/2014 – 6/30/2014	Change compared to prior period (+/- in %) <sup>1</sup>		
			In Swiss francs	In local currencies	Currency impact
<b>By region</b>					
EMEA	1,128.5	1,335.8	18.4	21.7	-3.3
North America	335.3	335.2	-0.0	6.5	-6.5
Latin America	303.0	295.6	-2.4	16.8	-19.2
Asia/Pacific	455.2	485.0	6.5	18.1	-11.6
Other segments and activities	180.5	205.3	13.7	18.7	-5.0
<b>Net sales</b>	<b>2,402.5</b>	<b>2,656.9</b>	<b>10.6</b>	<b>18.1</b>	<b>-7.5</b>
Products for construction industry	1,903.1	2,124.5	11.6	19.6	-8.0
Products for industrial manufacturing	499.4	532.4	6.6	12.6	-6.0

<sup>1</sup> Including acquisitions.

## OPERATING PROFIT

in CHF mn	1/1/2013 – 6/30/2013 Restated	1/1/2014 – 6/30/2014	Change compared to prior period	
			(+/-)	(+/- in %)
<b>By region</b>				
EMEA	125.0	170.5	45.5	36.4
North America	38.2	40.3	2.1	5.5
Latin America	53.2	49.1	-4.1	-7.7
Asia/Pacific	61.4	64.0	2.6	4.2
Other segments and activities	-57.6	-57.5	0.1	n.a.
<b>Operating profit</b>	<b>220.2</b>	<b>266.4</b>	<b>46.2</b>	<b>21.0</b>

## 11. EVENTS AFTER THE BALANCE SHEET DATE

No relevant events occurred between June 30, 2014, and the release of these Consolidated Financial Statements.



# FINANCIAL CALENDAR

**RESULTS FIRST NINE MONTHS 2014**

Thursday, October 30, 2014

**NET SALES 2014**

Tuesday, January 13, 2015

**MEDIA CONFERENCE/ANALYST PRESENTATION  
ON FULL-YEAR RESULTS 2014**

Friday, February 27, 2015

**SALES FIRST QUARTER 2015**

Tuesday, April 14, 2015

**47<sup>TH</sup> ANNUAL GENERAL MEETING**

Tuesday, April 14, 2015

**HALF-YEAR REPORT 2015**

Friday, July 24, 2015

**SIKA AG**  
Zugerstrasse 50  
6341 Baar  
Switzerland

**Contact**  
Phone +41 58 436 68 00  
Fax +41 58 436 68 50  
[www.sika.com](http://www.sika.com)

