

2012

Sika Half-Year Report



Investor Information

	6/30/2011	6/30/2012
Number of bearer shares with a nominal value of CHF 0.60 (CHF 9.00)	2 151 199	2 151 199
of which entitled to dividend and to vote	2 124 221	2 128 624
Number of registered shares with a nominal value of CHF 0.10 (CHF 1.50)	2 333 874	2 333 874
of which entitled to dividend and to vote	2 333 874	2 333 874
Key data per bearer share		
Half-year earnings (CHF)	44.96	49.75
Equity (CHF)	679	735
Bearer share price as of June 30 (CHF)	2 027	1 828
Market capitalization ¹ as of June 30 (CHF mn)	5 149	4 643

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.

Key Figures

Sika Group

in CHF mn	1/1/2011- 6/30/2011	1/1/2012- 6/30/2012	Change in %
Net sales	2 231.5	2 307.0	3.4
Gross result	1 157.1	1 225.5	5.9
Operating profit before depreciation (EBITDA)	241.7	263.3	8.9
Operating profit (EBIT)	177.6	195.5	10.1
Net profit after taxes	113.6	126.1	11.0
Earnings per share in CHF ¹	44.96	49.75	10.7
Operating free cash flow	-28.0	-13.8	
Balance sheet total ²	3 830.4	3 941.1	
Shareholders' equity ²	1 839.1	1 858.1	
Equity ratio in % ^{2,3}	48.0	47.1	
Return on capital employed (ROCE) in % ⁴	18.3	15.5	

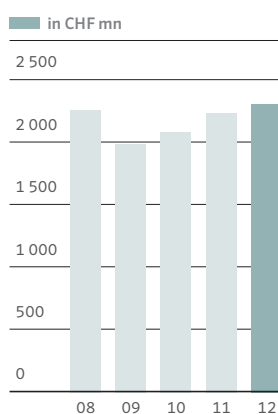
¹ Calculated on the basis of net profit after non-controlling interests and the average number of shares entitled to dividend.

² As of December 31, 2011/June 30, 2012.

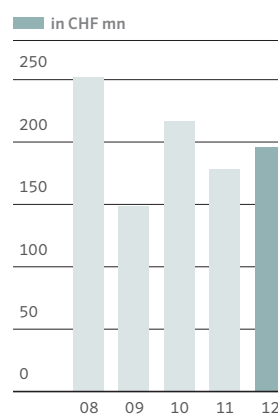
³ Shareholders' equity divided by balance sheet total.

⁴ Capital employed = operating assets ./. cash and cash equivalents ./. non-interest bearing current liabilities (each with average value).

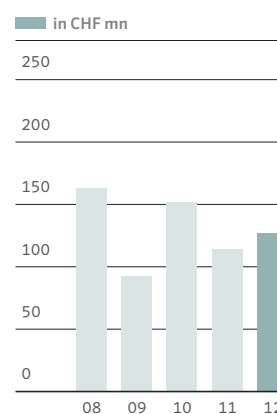
Net sales
(consolidated)



Operating profit
(EBIT)



Net profit
after taxes



Sika on track for profitable growth – significant rise in gross margin.

- Sales growth of 3.4% to CHF 2 307.0 million (6.4% in local currencies)
- 10.7% growth in emerging markets in local currencies
- Gross result of 53.1% (first half of 2011: 51.9%)
- Sharp 10.1% rise in EBIT to CHF 195.5 million

Letter to Shareholders

Sika's strong global presence and its successful growth strategy in the emerging markets are enabling the company to compensate for the current weakness in Europe and China through sustained growth in the Americas and large parts of Asia. In local currencies, Sika recorded a 6.4% increase in sales in the first half of the current business year. In Swiss franc terms, the company lifted its sales by 3.4% year-on-year to CHF 2 307.0 million.

Thanks to steady efforts in the first half of the year, Sika succeeded in passing on to the market increases in the cost of raw materials. This widened the gross result in percentage of net sales from 49.4% in the second half of 2011 to 53.1%. After factoring in additional acquisition-related costs, Sika posted an operating profit of CHF 195.5 million, corresponding to an increase of 10.1% (first half of 2011: CHF 177.6 million). As a result, the EBIT margin improved to 8.5% (first half of 2011: 8.0%). Sika increased its profit to CHF 126.1 million (first half of 2011: CHF 113.6 million), which represents an improvement of 11.0%.

In the first half of the year, Sika posted double-digit growth in both North and South America. The Region North America grew by 13.9% on the back of solid project business and buoyant renovation activities, while the Region Latin America lifted sales by 16.6% thanks to gains in market share and expansion of production capacity.

With growth of 10.1%, the Region IMEA (India, Middle East, Africa) is back in the double-digit growth range. In the Region Asia/Pacific, Sika grew by 2.1%. The lower growth is due to the negative trend in China, where halted infrastructure projects and a government-decreed slowdown led to a sharp decline in sales. Developments in the rest of the region were in line with high expectations.

In Europe, the economy continued to slow under the impact of the euro crisis. This was also apparent in the Region Europe North, where sales were down 2.7% on the previous year. Sika was still able to grow in Eastern Europe and the Nordic countries. The Region Europe South grew by 2.8% year-on-year, but this was due to a strong acquisition effect of 9.7%. While the markets in the Mediterranean countries are still suffering, the performances turned in by Sika France and Sika UK had a stabilizing effect. In the UK, Sika benefited from extensive roof and other renovation activities.

“Other segments and activities” generated very strong growth of 35.9%, which includes sales in the automotive business area. Here, Sika was mainly able to make gains through the use of new technologies and benefited from its strong presence in the premium automotive segment, which is enjoying high growth rates in North America, Latin America, and Asia. 19.2% of the increase is attributable to acquisition effects.

In local currencies, Sika increased sales of products for the construction industry by 4.8%, 4.3% of which was attributable to acquisitions. Sika posted a high growth rate of 13.3% for products for industrial manufacturing. 5.6% of this growth is attributable to acquisitions.

Outlook

In the second half of the year, Sika still expects growth stimuli to come from the emerging markets in the Regions Latin America, IMEA, and Asia/Pacific. The second half of the year is also likely to see a revival in construction activities and infrastructure projects in China, which will benefit growth in the Region Asia/Pacific.

While the solid growth in North America should continue, the trend in Europe is difficult to assess. In the Mediterranean countries in particular, which have been badly affected by the euro crisis, there is little sign of recovery. However, even in these countries Sika's good market position should enable it to gain additional market share.

Having increased slightly in the first quarter, raw material prices stabilized toward the end of the first half of the year.

Sika expects its margins to remain on a positive year-on-year trend during the second half of the year.

Vote of thanks

We would like to thank our customers, suppliers, and business partners for their valuable cooperation, our employees for their strong engagement, and our shareholders for their loyalty.

Sincerely,



Dr. Paul Hälg
Chairman of the Board



Jan Jenisch
CEO

Sika well equipped to weather slowdown in Europe thanks to global presence. Sika's solid global presence and successful growth strategy in the emerging markets have enabled the company to compensate for the slowdown in Europe. Strong growth stimulus came from North and Latin America, while the Region Asia/Pacific suffered from the short-term decline in China. Growth for all regions combined came to 6.4%.

Regions

Europe North

Sika recorded net sales of CHF 590.6 million in the Region Europe North. Measured in local currencies, this is equivalent to a -2.7% decline (currency effect: -4.8%, acquisition effect: 0.0%).

The Region Europe North's performance showed a slight downturn in the first half of 2012. With the exception of Russia and Poland, economic activity in the countries of Central and Eastern Europe continued to lose impetus. The Nordic countries continued to grow. While the German economy was still benefiting from strong export business, the Benelux countries saw a decline in investment in the manufacturing and construction sectors.

As a result of the austerity measures adopted by various governments, a number of construction projects were halted or postponed during the period under review. However, despite last winter's low temperatures, which caused delays to numerous construction projects, the region reported a gratifying order intake overall.

Sales developed positively in the industrial sector. Strong demand in Germany made a key contribution to growth, as did a number of wind power projects.

Europe South

Sika recorded net sales of CHF 405.0 million in the Region Europe South. Measured in local currencies, this is equivalent to a 2.8% rise (currency effect: -4.8%, acquisition effect: 9.7%).

Economic conditions in the Region Europe South remained difficult in the first half of the year. In most countries, the construction sector also suffered from the very low temperatures in February.

Greece, Italy, Spain, and Portugal witnessed particularly sharp declines in the volume of construction activity. However, Sika is still well positioned in all countries and was even able to gain additional market share in these difficult markets. This was partly because competitors are withdrawing from the markets or scaling back their presence there.

Deliveries to industrial customers increased slightly year-on-year. While sales in Italy and Spain declined, Sika continued to grow in the UK and France.

North America

In the Region North America, Sika recorded net sales of CHF 330.8 million. Measured in local currencies, this is equivalent to a rise of 13.9% (currency effect: 1.2%, acquisition effect: 5.8%).

Economic growth in the Region North America contracted slightly in the first half of 2012. The employment situation continued to improve and most companies were able to increase their profitability. Whereas the infrastructure market saw a decline in spending on public buildings, investment in residential and commercial buildings matched the year-back level.

Thanks to successful project business, Sika was able to significantly increase sales of construction products in this economic environment. The main target markets that contributed to the gratifying result were waterproofing engineering, concrete production, and roofing and flooring systems. Sika also benefited from the strong renovation business.

In the industrial sector, Sika posted double-digit growth, particularly in the transport segment.

Latin America

In the Region Latin America, Sika recorded net sales of CHF 280.7 million. Measured in local currencies, this is equivalent to a rise of 16.6% (currency effect: -5.9%, acquisition effect: 0.0%).

Economic performance in the Region Latin America remained stable in the first half of the year. Although the Brazilian economy grew less than expected, Colombia, Chile, and Mexico, where Sika has a strong presence, posted high GDP growth. Some regional currencies, particularly the Brazilian real, depreciated sharply during the first half of 2012.

Sika once again posted double-digit sales growth and was able to expand its market share in most markets. Thanks to major infrastructure projects, Sika posted excellent results in the target market concrete production. Peru, Panama, and Uruguay also recorded impressive growth rates thanks to booming mining industries and various new large-scale orders.

In Brazil, construction of a new manufacturing facility in Recife was completed and production got off to a successful start. Manufacturing facilities were also expanded at four other sites in Latin America.

IMEA

Sika recorded net sales of CHF 139.8 million in the Region IMEA (India, Middle East, Africa). Measured in local currencies, this is equivalent to a rise of 10.1% (currency effect: -8.1%, acquisition effect: 8.3%).

The situation in the Region IMEA remains challenging, with many markets still very unsettled by the political upheavals in the Arab world. Investment decisions were often postponed because of the unstable situation.

Against this backdrop, Sika posted a year-on-year increase in net sales in the first half of 2012. Toward the end of the first half of the year, stronger recovery trends were witnessed in most countries.

In the industrial sector, sales trends in the transport segment and the automotive aftermarket were positive.

Asia/Pacific

Sika recorded net sales of CHF 392.2 million in the Region Asia/Pacific. Measured in local currencies, this is equivalent to a rise of 2.1% (currency effect: 2.6%, acquisition effect: 2.2%).

Apart from the government-decreed slowdown in China, the Region Asia/Pacific continued to make good headway, with Southeast Asia in particular benefiting from economic stimulus programs.

Overall, the first half of 2012 saw an improvement in regional conditions in the construction industry. While the concrete business suffered a sharp decline in China, in May the Chinese government approved various major infrastructure projects. In addition, the process of urbanization underway in China and other emerging markets offers new opportunities in the rail- and subway markets as well as in the tunnel and bridge-building sectors. Sika continued to post double-digit growth in Southeast Asia. While in Japan the reconstruction effort after the 2011 tsunami led to increased demand for Sika's products, in Australia Sika benefited from the boom in the mining industry, as well as winning major new customers.

In the industrial sector, the increase in vehicle production in China and Japan had a positive impact on Sika's sales.

Other segments and activities

"Other segments and activities" generated net sales of CHF 167.9 million. Measured in local currencies, this is equivalent to a rise of 35.9% (currency effect: -4.2%, acquisition effect: 19.2%).

The Automotive business area, which Sika has been managing centrally on a global basis since 2011, is a key component of "Other segments and activities". With organic growth of 19%, Sika exceeded market growth in this area. At the same time, Sika benefited both from its strong presence in the luxury segment and from its global focus. The previous year's acquisitions led to additional growth of 19.2% and the resulting synergies made it possible to further improve the profitability of the automotive sector.

The results of the individual Regions are shown in note 10. For an exact overview of the regions see page 19.

Financial Statements

Balance Sheet as of June 30, 2012

in CHF mn	Notes	12/31/2011	6/30/2012
Cash and cash equivalents	1	536.0	391.1
Accounts receivable	2	875.7	1 036.1
Inventories	3	530.6	613.4
Prepaid expenses and accrued income		75.8	82.8
Other current assets		34.3	45.6
Current assets		2 052.4	2 169.0
Property, plant, and equipment		860.6	865.0
Intangible assets	4	770.4	760.6
Investments in associated companies		21.1	20.9
Deferred tax assets		82.4	80.6
Other non-current assets		43.5	45.0
Non-current assets		1 778.0	1 772.1
Assets		3 830.4	3 941.1
Accounts payable	5	501.0	568.8
Accrued expenses and deferred income		191.4	228.0
Bond		0.0	249.6
Income tax liabilities		58.0	38.6
Current provisions	6	11.3	14.7
Other current liabilities		59.1	62.9
Current liabilities		820.8	1 162.6
Bonds		796.0	547.3
Non-current provisions	6	90.6	89.7
Deferred tax liabilities		101.0	100.9
Employee benefit obligation		142.9	146.0
Other non-current liabilities		40.0	36.5
Non-current liabilities		1 170.5	920.4
Liabilities		1 991.3	2 083.0
Capital stock		1.5	1.5
Treasury shares		-55.7	-43.7
Reserves		1 880.3	1 889.1
Equity attributable to Sika shareholders		1 826.1	1 846.9
Non-controlling interests		13.0	11.2
Shareholders' equity		1 839.1	1 858.1
Liabilities and shareholders' equity		3 830.4	3 941.1

Income Statement from January 1 to June 30, 2012

in CHF mn	Notes	%	1/1/2011- 6/30/2011	%	1/1/2012- 6/30/2012	Change in %
Net sales	7	100.0	2 231.5	100.0	2 307.0	3.4%
Other operating income		0.2	3.5	0.2	3.7	
Operating revenue		100.2	2 235.0	100.2	2 310.7	3.4%
Material expenses	8	-48.3	-1 077.9	-47.1	-1 085.2	
Gross result		51.9	1 157.1	53.1	1 225.5	5.9%
Personnel expenses		-21.5	-479.4	-22.3	-515.0	
Other operating expenses		-19.6	-436.0	-19.4	-447.2	
Operating profit before depreciation	9	10.8	241.7	11.4	263.3	8.9%
Depreciation and amortization expenses		-2.8	-64.1	-2.9	-67.8	
Operating profit		8.0	177.6	8.5	195.5	10.1%
Interest income		0.2	4.1	0.1	3.2	
Interest expenses		-0.8	-16.8	-0.6	-14.2	
Other financial income		0.0	0.3	0.1	2.9	
Other financial expenses		-0.2	-5.0	-0.4	-10.7	
Income from associated companies		0.3	7.7	0.1	2.4	
Profit before taxes		7.5	167.9	7.8	179.1	6.7%
Income taxes		-2.4	-54.3	-2.3	-53.0	
Net profit		5.1	113.6	5.5	126.1	11.0%
Profit attributable to Sika shareholders		5.1	112.8	5.4	125.1	
Profit attributable to non-controlling interests		0.0	0.8	0.0	1.0	
Undiluted earnings per bearer share (in CHF)			44.96		49.75	10.7%
Undiluted earnings per registered share (in CHF)			7.49		8.29	10.7%

Statement of Comprehensive Income and Changes in Equity

Statement of comprehensive income

in CHF mn	%	1/1/2011- 6/30/2011	%	1/1/2012- 6/30/2012	Change in %
Net profit	5.1	113.6	5.5	126.1	11.0
Exchange differences taken to equity	-3.1	-69.5	0.1	3.2	
Valuation gains (+)/losses (-) from financial assets	0.0	0.4	0.0	0.0	
Other comprehensive income	-3.1	-69.1	0.1	3.2	
Comprehensive income	2.0	44.5	5.6	129.3	190.6
Attributable to Sika shareholders	2.0	44.9	5.6	128.1	
Attributable to non-controlling interests	0.0	-0.4	0.1	1.2	

Statement of changes in equity

in CHF mn	Capital stock	Capital surplus	Treasury shares	Currency trans- lation differ- ences	Fluctua- tion value of financial instru- ments	Re- tained earnings	Total Sika share- holders' equity	Non- control- ling interests	Total equity ¹
January 1, 2011¹	22.9	256.0	-69.9	-310.9	0.2	1 857.6	1 755.9	3.7	1 759.6
Profit for the period						112.8	112.8	0.8	113.6
Other comprehensive income				-68.3	0.4		-67.9	-1.2	-69.1
Comprehensive income	-	-	-	-68.3	0.4	112.8	44.9	-0.4	44.5
Transactions with treasury shares ²			16.9			-6.1	10.8		10.8
Share based payments						3.0	3.0		3.0
Dividends						-112.8	-112.8		-112.8
Inflation adjustment ³						2.7	2.7		2.7
Change in scope of consolidation								6.9	6.9
Capital increase								7.0	7.0
June 30, 2011	22.9	256.0	-53.0	-379.2	0.6	1 857.2	1 704.5	17.2	1 721.7
January 1, 2012	1.5	256.0	-55.7	-338.6	0.0	1 962.9	1 826.1	13.0	1 839.1
Profit for the period						125.1	125.1	1.0	126.1
Other comprehensive income				3.0			3.0	0.2	3.2
Comprehensive income				3.0	-	125.1	128.1	1.2	129.3
Transactions with treasury shares ²			12.0			-8.1	3.9	-	3.9
Share based payments						3.5	3.5	-	3.5
Dividends						-113.4	-113.4	-0.5	-113.9
Inflation adjustment ³						0.6	0.6	-	0.6
Buyout of non-controlling interests						-1.9	-1.9	-2.5	-4.4
June 30, 2012	1.5	256.0	-43.7	-335.6	0.0	1 968.7	1 846.9	11.2	1 858.1

¹ The equity as of January 1, 2011 corresponds to the equity as of January 1, 2011 as disclosed in the annual report 2011. In respect of the half-year report 2011, the retained earnings contain a restatement of CHF 7.4 mn as the IFRIC 14 amendment was made erroneously in the second instead of the first half-year 2011.

² Including income tax of CHF 0.7 mn (CHF 0.8 mn).

³ Hyperinflation accounting concerns the subsidiary in Venezuela.

Cash Flow Statement

in CHF mn	1/1/2011 – 6/30/2011	1/1/2012 – 6/30/2012
Operating activities		
Profit before taxes	167.9	179.1
Depreciation/amortization/impairment	64.1	67.8
Increase (+)/decrease (-) in provisions/employee benefit plans	1.8	8.9
Increase (-)/decrease (+) in net working capital	-177.7	-157.9
Other adjustments	-8.4	-1.8
Income taxes paid	-32.7	-56.5
Cash flow from operating activities	15.0	39.6
Investing activities		
Property, plant, and equipment: capital expenditures	-31.7	-53.2
Property, plant, and equipment: disposals	1.6	0.9
Intangible assets: capital expenditures	-8.1	-1.5
Intangible assets: disposals	0.0	0.4
Acquisitions less cash and cash equivalents	-4.9	-7.3
Acquisitions (-)/Disposals (+) of financial assets	-1.5	-4.4
Capital increase at associated companies	-4.8	0.0
Cash flow from investing activities	-49.4	-65.1
Financing activities		
Increase in financial liabilities	13.7	4.0
Repayment of financial liabilities	-6.0	-12.3
Acquisitions (-)/disposals (+) in treasury shares	18.2	5.0
Dividend payment to shareholders of Sika AG	-112.8	-113.4
Dividends related to non-controlling interests	0.0	-0.5
Purchase of non-controlling interests	0.0	-4.3
Cash flow from financing activities	-86.9	-121.5
Exchange differences on cash and cash equivalents	-17.7	2.1
Net change in cash and cash equivalents	-139.0	-144.9
Cash and cash equivalents at the beginning of the period	938.4	536.0
Cash and cash equivalents at the end of the period	799.4	391.1
Cash flow from operating activities contains:		
Dividends from associated companies	4.4	2.3
Interest received	4.1	3.2
Interest paid	-21.2	-26.4

Appendix to the Financial Statements

Principles of Consolidation and Valuation

The unaudited, interim consolidated financial statements for the first half of 2012 have been prepared in accordance with IAS 34 “Interim Financial Reporting.”

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Sika’s annual financial statements as at December 31, 2011.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2011, except for the adoption of new standards and interpretations as of January 1, 2012, noted below:

- IFRS 7 – Financial Instruments
- IAS 12 – Income taxes
- Improvements to IFRS 2011

The application of these revised standards and interpretations did not have an impact on the financial statements of Sika.

Acquisitions 2012. As per March 8, 2012 Sika acquired the Korean company Yean-II Industrial Co. Ltd.

Acquired net assets at fair values

in CHF mn	Yean-II Industrial Co. Ltd.
Inventories	0.8
Property, plant, and equipment	0.5
Intangible assets	3.2
Acquired net assets	4.5
Goodwill	2.8
Total purchase price	7.3
Payments still due	-2.5
Net cash outflow (per June 30, 2012)	4.8

Cash outflow on acquisitions

in CHF mn	Cash outflow
Acquisitions 2012	4.8
Unconditional payments on prior year acquisitions	2.5
Net cash outflow (per June 30, 2012)	7.3

Yean-II Industrial Co. Ltd. is a market leader in tunnel waterproofing membranes in South Korea with a well-established brand and long project history. The acquisition of Yean-II Industrial Co. Ltd. will enable Sika to expand its market position in the Korean infrastructure sector and to offer a wide array of combined product solutions and technologies tailored to the requirements of the local market.

The purchase price of the shareholding acquired amounted to CHF 7.3 million. This contains a purchase price contingent on the course of business, for which a fair value of CHF 2.5 million has been estimated. The purchase price and its allocation (PPA) are not yet definitive.

If the acquisition had occurred on the first day of the business year, consolidated net sales would have been CHF 1.0 million higher and consolidated net profit attributable to shareholders would have been CHF 0.2 million lower. Since the acquisition, the acquired business contributed sales of CHF 5.4 million. The contribution to consolidated net profit since the acquisition was CHF 0.4 million. Goodwill is justified by expected synergies.

The directly attributable costs of this acquisition amounted to CHF 0.1 million and were charged to other operating expenses.

In the first half-year 2011 Sika acquired Chinese Hebei Jiuqiang Construction Material Co. Ltd. Furthermore Sika increased its stake in Sika Gulf B.S.C. to 51% and consolidated the company for the first time as of June 30, 2011.

The net outflow of assets in the first half of 2011 amounted to CHF 4.9 million.

Appendix to the Financial Statements

Notes to the Financial Statements

Balance sheet data as of June 30, 2012 (December 31, 2011).

Income statement from January 1 to June 30, 2012 (from January 1 to June 30, 2011).

1 Cash and cash equivalents. CHF 391.1 mn (CHF 536.0 mn)

The position "Cash and cash equivalents" contains payment instruments with a duration of less than three months. The change in this position can be seen in detail in the cash flow statement.

2 Accounts receivable. CHF 1 036.1 mn (CHF 875.7 mn)

Accounts receivable are higher at the half-year than at the end of 2011 as a result of seasonal influences. At the half-year 2011 accounts receivable were lower at CHF 914.4 million due to currency and acquisition impacts.

3 Inventories. CHF 613.4 mn (CHF 530.6 mn)

Inventories increased during the reporting period as stock levels are higher compared to the end of the year due to seasonal influences. At the half-year 2011 inventories amounted to CHF 574.7 million.

4 Intangible assets. CHF 760.6 mn (CHF 770.4 mn)

Intangible assets decreased slightly as a result of current amortization expenses.

5 Accounts payable. CHF 568.8 mn (CHF 501.0 mn)

Accounts payable are higher at the half-year than at the end of 2011 due to seasonal influences. At the half-year 2011 accounts payable were comparatively low at CHF 501.4 million as a result of currency impacts.

6 Provisions. CHF 104.4 mn (CHF 101.9 mn)

Provisions for guarantees reflect all known or anticipated claims in the near future which are not covered by insurance. 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%. For provisions of CHF 14.7 million (CHF 11.3 million) an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

7 Net sales. CHF 2 307.0 mn (CHF 2 231.5 mn)

Sale of goods accounts for nearly all of net sales. Net sales increased in comparison with the prior year period by 6.4% in local currencies. Included therein was an acquisition effect of 4.5%. Exchange rate fluctuations bore a negative effect of -3.0%. Segment details can be found under note 10.

8 Material expenses. CHF 1 085.2 mn (CHF 1 077.9 mn)

Material expenses stabilized compared to previous year. Mix and currency effects impacted material expenses slightly positively. The CHF 28.5 million (CHF 33.5 million) change in inventory is contained in material expenses.

9 Operating profit before depreciation (EBITDA). CHF 263.3 mn (CHF 241.7 mn)

Personnel costs as a proportion of sales rose from 21.5% to 22.3%. This is due in particular to time-lag effects. Other operating expenses developed largely in line with the volume, while the expense ratio improved moderately from 19.5% to 19.3%. As a result of increasing gross result, operating profit before depreciation (EBITDA) rose by 8.9% to CHF 263.3 million, yielding an EBITDA margin of 11.4% (10.8%).

Personnel expenses include a portion of the salaries paid to senior executives and Group Management in the form of Sika AG stock. The shares are posted at market prices in the first two months of the following business year. The allocated shares are subject to a vesting period of four years. Related personnel expenses in the first half of 2012 totaled CHF 10.0 million (CHF 8.5 million). 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. 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 criteria for capitalization.

10 Segmentation by region.

Sika conducts worldwide activities according to regions, to each of which a certain number of countries belong. Regional Managers are members of Group Management. Group Management is the highest operative executive body, measuring the performance of the segments and allocating resources. The composition of the regions is not carried out according to commonly known geographical assignment of countries to continents. This is rather a result of various organizational, commercial, and cultural factors. For example in the Region IMEA (India, Middle East, Africa), the countries of the Middle East and India are combined. Among other reasons because in construction business these countries are strongly interdependent. The exact composition of the regions can be found on page 19.

Products and services of all product groups are distributed in all regions. Customers stem from the construction industry or from the area of industrial manufacturing. Sales are allocated according to legal entity locations.

The automotive business area is managed centrally on a global basis. The corresponding automotive units are reported in "Other segments and activities." These also include expenditures for Group headquarters and proceeds from services and delivery of goods to Group companies. They furthermore contain expenses and income that cannot be allocated to any region. These are mainly expenses for research and development.

Certain distribution channels were realigned in the course of the business year. The sales figures for the first half of 2011 have been restated accordingly. For reasons of materiality, the operating profit was not restated.

Net sales from January 1 to June 30

in CHF mn	2011			2012		
	With third parties	With other segments	Total	With third parties	With other segments	Total
Europe North	638.3	43.1	681.4	590.6	42.9	633.5
Europe South	413.1	15.3	428.4	405.0	16.1	421.1
North America	287.4	9.8	297.2	330.8	13.6	344.4
Latin America	253.5	0.0	253.5	280.7	0.1	280.8
IMEA	137.0	0.2	137.2	139.8	0.3	140.1
Asia/Pacific	374.7	2.3	377.0	392.2	4.0	396.2
Other segments and activities	127.5	-	127.5	167.9	-	167.9
Eliminations	-	-70.7	-70.7	-	-77.0	-77.0
Consolidated net sales	2 231.5	-	2 231.5	2 307.0	-	2 307.0
Products for construction industry	1 791.8			1 826.0		
Products for industrial manufacturing	439.7			481.0		

Net sales with third parties/translation impacts

in CHF mn	1/1/2011- 6/30/2011	1/1/2012- 6/30/2012	Change compared to prior year (+/- in %)		
			In Swiss francs	In local currencies ¹	Currency impact
By region					
Europe North	638.3	590.6	-7.5	-2.7	-4.8
Europe South	413.1	405.0	-2.0	2.8	-4.8
North America	287.4	330.8	15.1	13.9	1.2
Latin America	253.5	280.7	10.7	16.6	-5.9
IMEA	137.0	139.8	2.0	10.1	-8.1
Asia/Pacific	374.7	392.2	4.7	2.1	2.6
Other segments and activities	127.5	167.9	31.7	35.9	-4.2
Consolidated net sales	2 231.5	2 307.0	3.4	6.4	-3.0
Products for construction industry	1 791.8	1 826.0	1.9	4.8	-2.9
Products for industrial manufacturing	439.7	481.0	9.4	13.3	-3.9

¹ Including acquisitions.

Operating profit

in CHF mn	1/1/2011- 6/30/2011	1/1/2012- 6/30/2012	Change compared to prior year	
			(+/-)	(+/- in %)
By region				
Europe North	48.1	57.1	9.0	18.7
Europe South	52.9	41.9	-11.0	-20.8
North America	21.9	31.4	9.5	43.4
Latin America	46.9	52.6	5.7	12.2
IMEA	14.6	15.3	0.7	4.8
Asia/Pacific	45.4	48.1	2.7	5.9
Other segments and activities	-52.2	-50.9	1.3	na
Operating profit	177.6	195.5	17.9	10.1

11 Events after the balance sheet date.

Sika AG successfully placed a six-year bond issue with an amount of CHF 150 million and a coupon of 1.0% per annum and a ten-year bond issue of CHF 150 million and a coupon of 1.75% per annum in the Swiss capital market. The payment date of the bonds is July 12, 2012. The issues were placed under the lead management of UBS AG. The net proceeds of the transaction will be used to support the growth strategy of Sika and to serve the company's long-term general financing.

Financial Calendar

Wednesday, October 31, 2012

Shareholder letter (nine months 2012)

Thursday, January 10, 2013

Net sales 2012

Thursday, February 28, 2013

Full-year results 2012; media conference/analysts' presentation

Tuesday, April 16, 2013

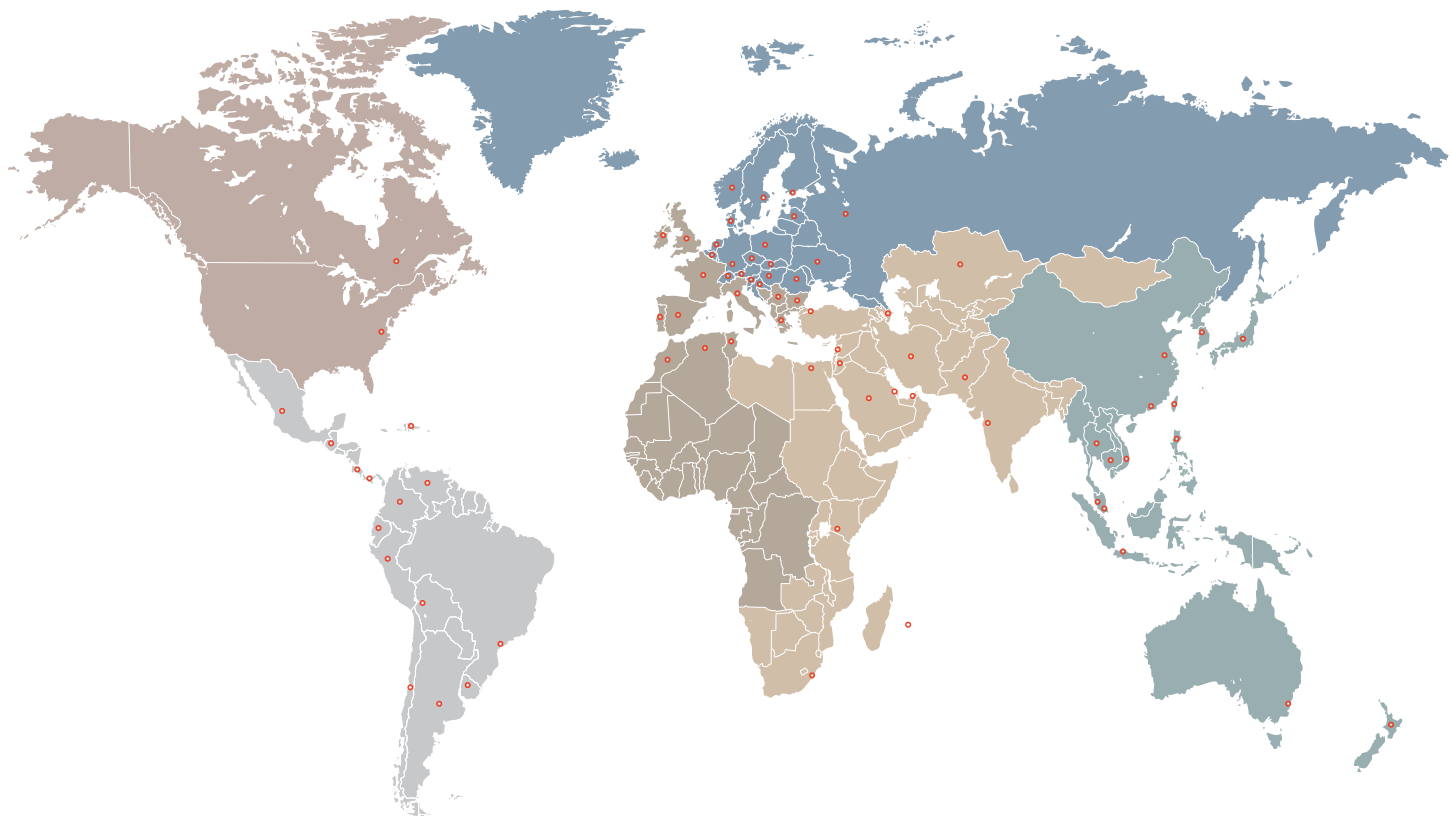
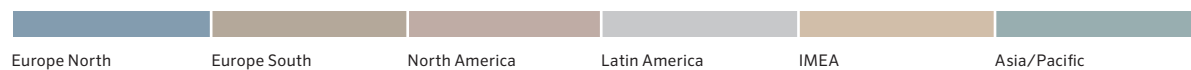
Shareholder letter (first quarter 2013)

45. Annual General Meeting at Lorzensaal, Cham, 3 pm

Thursday, July 30, 2013

Shareholder letter (half-year report 2013)

Worldwide market presence



● Sika subsidiaries

Sika AG
Zugerstrasse 50
6341 Baar
Switzerland
Phone +41 58 436 68 00
Fax +41 58 436 68 50
sikagroup@ch.sika.com
www.sika.com

