

SIKA
HALF-YEAR REPORT

2016

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HALF-YEAR RESULTS AT A GLANCE

**SALES GROWTH
OF 7.6%
(6.9% IN CHF)
TO CHF 2,806
MILLION**

**GROWTH
IN ALL
REGIONS**

**6 NEW
FACTORIES**

**2 NEW
NATIONAL
SUBSIDIARIES**

**NET
PROFIT UP
24.8%**

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 protection in the building sector and automotive industry. Sika has subsidiaries in 95 countries around the world and manufactures in over 170 factories. Its more than 17,000 employees generated annual sales of CHF 5.49 billion in 2015.

KEY FIGURES

SIKA GROUP

in CHF mn	1/1/2015 – 6/30/2015	as % of net sales	1/1/2016 – 6/30/2016	as % of net sales
Net sales	2,625.2		2,806.2	
Gross result	1,428.0	54.4	1,559.7	55.6
Operating profit before depreciation (EBITDA)	370.2	14.1	439.7	15.7
Operating profit (EBIT)	288.6	11.0	353.7	12.6
Net profit	197.3	7.5	246.3	8.8
Operating free cash flow	43.0	1.6	106.0	3.8
Capital expenditures	-59.0	-2.2	-68.7	-2.4
Balance sheet total ¹	4,923.8		4,844.6	
Shareholders' equity ¹	2,552.1		2,563.1	
Equity ratio in % ^{1, 2}	51.8		52.9	
Return on capital employed (ROCE) in % ³	22.8		25.5	
Earnings per share (EPS) in CHF	76.53		95.87	
Number of employees ¹	17,281		17,274	

1 As of December 31, 2015/June 30, 2016.

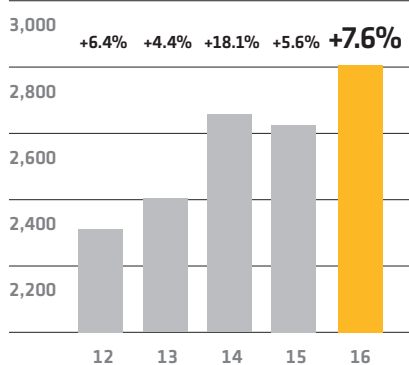
2 Shareholders' equity divided by balance sheet total.

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

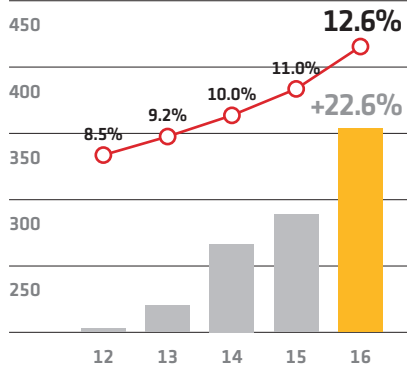
Growth in percent in local currencies



EBIT

in CHF mn

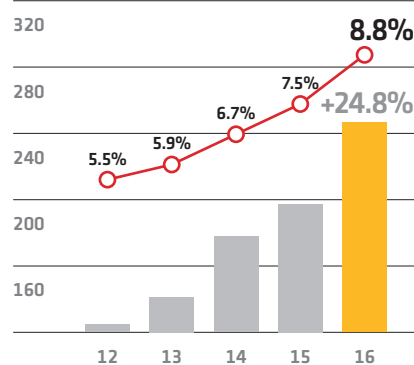
as percent of net sales



NET PROFIT

in CHF mn

as percent of net sales



INVESTOR INFORMATION

Number of bearer shares with a nominal value of CHF 0.60

of which entitled to dividend and to vote

Number of registered shares with a nominal value of CHF 0.10

Bearer share price as of June 30 (CHF)

Market capitalization¹ as of June 30 (CHF mn)

6/30/2015

6/30/2016

Number of bearer shares with a nominal value of CHF 0.60	2,151,199	2,151,199
of which entitled to dividend and to vote	2,150,382	2,149,085
Number of registered shares with a nominal value of CHF 0.10	2,333,874	2,333,874
Bearer share price as of June 30 (CHF)	3,298	4,076
Market capitalization ¹ as of June 30 (CHF mn)	8,378	10,354

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,

The dynamic growth trajectory has continued in 2016 with a sales increase of 7.6% in local currency and a new sales record for the first half of the year of CHF 2,806.2 million. Organic sales growth in the second quarter amounted to 6.5% – the highest figure in the last two years. The basis of this growth strategy is investment in new products together with the establishment of new national subsidiaries and factories. In the first half of the year, the more stable exchange-rate situation resulted in a modest currency impact (-0.7%) and very pleasing sales growth of 6.9% in Swiss francs.

NET PROFIT UP 24.8%

The positive margin development of the last five years continued in the first half of 2016. The Sika growth model, with its emphasis on volume growth together with disproportionately low cost development, resulted in a further improvement in margins. A more stable exchange-rate situation and lower commodity prices strengthened this effect, with the result that operating profit, net profit, and cash flow all posted new record values in the first half of the year. Operating profit (EBIT) improved by 22.6% (+ CHF 65.1 million) to CHF 353.7 million (previous year: CHF 288.6 million). Net profit rose by as much as 24.8% to CHF 246.3 million (previous year: CHF 197.3 million).

Jan Jenisch, CEO: "Our investment in new products, national subsidiaries and the expansion of production capacity is paying off. All regions contributed to the record result in the first half of 2016, and with sales up by 7.6% we have continued to deliver impressively on our growth strategy. We posted double-digit growth rates in the USA, Canada, Argentina, Chile, UK, Africa, Southeast Asia, the Pacific area, and Automotive. We have rigorously pursued our growth strategy, with two additional national subsidiaries and six new factories. The commitment and performance of our employees in what is now 95 countries are the cornerstones of our success. I would like to express my thanks to our global team for their tremendous dedication under partly difficult circumstances. Thanks to this dedication and the strength of our growth model, we can look forward to the future and to the second half of 2016."

GROWTH IN ALL REGIONS

The EMEA region (Europe, Middle East, Africa) saw sales increase in local currencies by 6.6%. Good growth rates were achieved in Southern Europe and the Middle East. The strongest rise in sales was achieved in Africa, with an increase of more than 20%. Sika's presence in Africa consists of 16 national subsidiaries and 14 production locations. Demand in the Western European market came in at a healthy level. A new mortar factory was opened in Kryoneri, near Athens, while a new national subsidiary was opened in Kuwait – Sika's 13th in the Middle East.

The North American region generated a sales increase of 12.7% in local currencies, a record result. Growth drivers here include the accelerated expansion of the supply chain and investments in sales force in the growing metropolitan areas, together with robust activity in the construction sector. The number of production sites for mortar and concrete admixtures has been increased to a total of 20 in the past two years, with four new factories in Denver, Atlanta, Philadelphia, and Vancouver, plus the acquisitions of BMI and Scofield.

The Latin America region recorded a 5.9% sales increase in local currencies. Mexico, Argentina, and Chile all developed strongly. By contrast, the economic crisis in Brazil and a significant fall in the value of some local currencies led to a downturn in business activity. Investment in the region included a new mortar factory in Ecuador and the establishment of a new national subsidiary in Nicaragua.

Growth in the Asia/Pacific region increased to 4.6%. Significant, double-digit sales gains were once again achieved in Southeast Asia and the Pacific area. Market demand in China remained at a low but significantly more optimistic level than a year earlier. The first factory in Myanmar was opened in February 2016. Sika is positioning itself to derive maximum benefit from the construction boom in this burgeoning market through a new production site for concrete admixtures in the Yangon metropolitan region. In Thailand, a second factory for mortar and concrete admixtures was opened. The market expansion in Asia is completed by a new plant in Phnom Penh, Cambodia, which is also Sika's first manufacturing plant in that country.

OUTLOOK FOR 2016

Strategy 2018 was successfully continued in the first half of the year, with new record results achieved. The annual targets for 2016 can be confirmed. Sales growth of 6 – 8% is expected for the current business year, along with a disproportionately strong rise in margins. The growth strategy will continue in 2016 with the opening of between eight and ten new factories and three to four national subsidiaries. The unknown outcome of Saint-Gobain's hostile takeover attempt remains an element of uncertainty for the future.

Sincerely,



DR PAUL HÄLG
Chairman of the Board



JAN JENISCH
Chief Executive Officer

EXPANSION IN ALL REGIONS

Sales in the first half-year rose by 7.6% (6.9% in CHF) to CHF 2,806.2 million. The implementation of Strategy 2018, which involves investment in all regions, is delivering strong results. All regions contributed to growth and the significant improvement of margins.

EMEA

In the eurozone, economic growth stabilized at a robust level, despite a slowdown in some East European countries and the volatility of certain financial markets. Economic growth developed pleasingly in the United Kingdom and Spain. A phase of stabilization has become evident in Russia.

In overall terms, the construction market in the EMEA region was characterized by solid growth rates in the first half of 2016. From Sika's perspective, market developments were positive in the United Kingdom, North and South Europe, the Middle East, and Africa. In Africa in particular, business activity continued to thrive on a high level, with growth rates of more than 20% for the first half of the year.

NORTH AMERICA

The construction market in North America continued to develop positively in the first half of 2016. Strong construction activity was in particular seen in the major US and Canadian metropolitan areas.

The Concrete, Refurbishment and Sealing & Bonding segments contributed to the strong development of North American business, with high double-digit growth rates. This was due in particular to the exploitation of new distribution channels, the investments in the supply chain and the launch of product innovations that have now successfully established themselves in the market. The Roofing area posted a sales record in the first half of the year, benefiting among other things from the investments that have been made in sales force and the associated market share gains.

LATIN AMERICA

Divergent economic trends were evident in the Latin America region in the first half of 2016. The political and economic situation remained difficult in Brazil. In addition, the volatility of certain currencies against the US dollar will prove a challenge also going forward. In Argentina, there are indications that the ailing economy is now stabilizing, and the first positive trends have become apparent.

Against a backdrop of challenging economic parameters, Sika nonetheless managed to generate sales growth in this region in the first half of 2016. The strongest growth rates were recorded in Mexico, Argentina, Paraguay, and Bolivia.

ASIA/PACIFIC

Although economic growth has weakened slightly in the Asia/Pacific region, strong growth rates have been recorded in the construction industry of certain countries, with China and South Korea proving exceptions in this respect.

In China, liquidity problems resulted in a slowdown in the construction industry in the first half of 2016, while in South Korea delays to major infrastructure projects in the Seoul metropolitan area negatively impacted growth. By contrast, the Pacific area enjoyed dynamic momentum, with double-digit growth rates driven by residential construction in particular. The emerging markets of Southeast Asia were likewise stimulated by infrastructure and residential construction projects, resulting in strong growth rates.

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)	1,335.1 (1,242.0)	441.3 (380.9)	273.9 (303.7)	509.5 (483.9)	246.4 (214.7)
Growth in local currencies	6.6%	12.7%	5.9%	4.6%	13.9%
Currency impact	0.9%	3.2%	-15.7%	0.7%	0.9%
Acquisition effect	2.4%	1.7%	0.0%	1.1%	0.0%

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2015	6/30/2016
Cash and cash equivalents	1	1,074.4	705.8
Accounts receivable	2	1,014.5	1,177.3
Inventories	3	584.9	650.2
Prepaid expenses and accrued income		87.0	117.6
Other current assets		17.3	32.4
Current assets		2,778.1	2,683.3
Property, plant, and equipment		924.3	934.4
Intangible assets	4	1,037.9	1,028.2
Investments in associated companies		6.4	6.7
Deferred tax assets		126.1	138.0
Other non-current assets		51.0	54.0
Non-current assets		2,145.7	2,161.3
ASSETS		4,923.8	4,844.6
Accounts payable	5	581.1	641.1
Accrued expenses and deferred income		217.3	231.6
Bond		249.9	0.0
Income tax liabilities		67.7	80.3
Current provisions	6	18.8	23.9
Other current liabilities		28.3	56.6
Current liabilities		1,163.1	1,033.5
Bonds		698.4	698.6
Non-current provisions	6	61.9	62.4
Deferred tax liabilities		109.8	98.4
Employee benefit obligation		298.9	352.4
Other non-current liabilities		39.6	36.2
Non-current liabilities		1,208.6	1,248.0
LIABILITIES		2,371.7	2,281.5
Capital stock		1.5	1.5
Treasury shares		-0.9	-7.8
Reserves		2,530.2	2,547.5
Equity attributable to Sika shareholders		2,530.8	2,541.2
Non-controlling interests		21.3	21.9
SHAREHOLDERS' EQUITY		2,552.1	2,563.1
LIABILITIES AND SHAREHOLDERS' EQUITY		4,923.8	4,844.6

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30

in CHF mn	Notes	%	2015	%	2016	Change in %
Net sales	7	100.0	2,625.2	100.0	2,806.2	6.9
Material expenses	8	-45.6	-1,197.2	-44.4	-1,246.5	
Gross result		54.4	1,428.0	55.6	1,559.7	9.2
Personnel expenses		-21.1	-552.8	-20.8	-584.0	
Other operating expenses		-19.2	-505.0	-19.1	-536.0	
Operating profit before depreciation	9	14.1	370.2	15.7	439.7	18.8
Depreciation and amortization expenses		-3.1	-81.6	-3.1	-86.0	
Operating profit		11.0	288.6	12.6	353.7	22.6
Interest income		0.1	1.5	0.1	1.3	
Interest expenses		-0.5	-13.4	-0.3	-10.4	
Other financial income		0.2	4.8	0.1	3.3	
Other financial expenses		-0.7	-15.9	-0.6	-15.7	
Income from associated companies		0.1	2.5	0.0	0.5	
Profit before taxes		10.2	268.1	11.9	332.7	24.1
Income taxes		-2.7	-70.8	-3.1	-86.4	
Net profit		7.5	197.3	8.8	246.3	24.8
Profit attributable to Sika shareholders		7.4	194.2	8.7	243.4	
Profit attributable to non-controlling interests		0.1	3.1	0.1	2.9	
Undiluted/diluted earnings per bearer share (in CHF)			76.53		95.87	25.3
Undiluted/diluted earnings per registered share (in CHF)			12.75		15.98	25.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	%	1/1/2015 - 6/30/2015	%	1/1/2016 - 6/30/2016	Change in %
Net profit	7.5	197.3	8.8	246.3	24.8
Actuarial gains/(losses) on post employment benefit obligations	-1.5	-39.7	-1.4	-39.2	
Income tax effect	0.3	7.4	0.2	7.2	
Items that will not be reclassified to profit or loss	-1.2	-32.3	-1.2	-32.0	
Exchange differences taken to equity	-5.5	-144.6	0.3	7.3	
Items that may be reclassified subsequently to profit or loss	-5.5	-144.6	0.3	7.3	
Other comprehensive income	-6.7	-176.9	-0.9	-24.7	
Comprehensive income	0.8	20.4	7.9	221.6	986.3
Attributable to Sika shareholders	0.7	18.1	7.8	219.1	
Attributable to non-controlling interests	0.1	2.3	0.1	2.5	

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								
January 1, 2015	1.5	203.1	-10.8	-415.4	2,588.7	2,367.1	16.2	2,383.3
Profit for the period					194.2	194.2	3.1	197.3
Other comprehensive income				-143.8	-32.3	-176.1	-0.8	-176.9
Comprehensive income	-	-	-	-143.8	161.9	18.1	2.3	20.4
Transactions with treasury shares ¹			8.4		-9.7	-1.3		-1.3
Share-based payments					3.5	3.5		3.5
Dividends ³					-182.8	-182.8		-182.8
Inflation adjustment ²					0.3	0.3		0.3
June 30, 2015	1.5	203.1	-2.4	-559.2	2,561.9	2,204.9	18.5	2,223.4
January 1, 2016	1.5	203.1	-0.9	-543.3	2,870.4	2,530.8	21.3	2,552.1
Profit for the period					243.4	243.4	2.9	246.3
Other comprehensive income				7.7	-32.0	-24.3	-0.4	-24.7
Comprehensive income	-	-	-	7.7	211.4	219.1	2.5	221.6
Transactions with treasury shares ¹			-6.9		-9.1	-16.0		-16.0
Share-based payments					4.7	4.7		4.7
Dividends ⁴					-198.0	-198.0	-1.9	-199.9
Inflation adjustment ²					0.6	0.6		0.6
June 30, 2016	1.5	203.1	-7.8	-535.6	2,880.0	2,541.2	21.9	2,563.1

1 Including income tax of CHF 0.0 mn (CHF 0.2 mn).

2 Hyperinflation accounting concerns the subsidiary in Venezuela.

3 Dividend per bearer share: CHF 72.00, dividend per registered share: CHF 12.00.

4 Dividend per bearer share: CHF 78.00, dividend per registered share: CHF 13.00.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn

	1/1/2015 – 6/30/2015	1/1/2016 – 6/30/2016
Operating activities		
Profit before taxes	268.1	332.7
Depreciation and amortization expenses	81.6	86.0
Increase (+)/decrease (-) in provisions/employee benefit assets and obligations	4.1	13.9
Increase (-)/decrease (+) in net working capital	-176.6	-154.1
Other adjustments	8.2	7.2
Income taxes paid	-87.0	-112.0
Cash flow from operating activities	98.4	173.7
Investing activities		
Property, plant, and equipment: capital expenditures	-55.8	-67.2
Property, plant, and equipment: disposals	3.6	1.0
Intangible assets: capital expenditures	-3.2	-1.5
Acquisitions less cash and cash equivalents	-65.8	0.6
Acquisitions (-)/disposals (+) of financial assets	0.1	0.0
Cash flow from investing activities	-121.1	-67.1
Financing activities		
Increase in financial liabilities	4.8	10.0
Repayment of financial liabilities	-6.2	-1.7
Repayment of a bond	0.0	-250.0
Acquisitions of treasury shares	-12.0	-39.2
Disposals of treasury shares	13.5	8.9
Dividend payment to shareholders of Sika AG	-182.8	-198.0
Dividends related to non-controlling interests	0.0	-1.9
Cash flow from financing activities	-182.7	-471.9
Exchange differences on cash and cash equivalents	-13.7	-3.3
Net change in cash and cash equivalents	-219.1	-368.6
Cash and cash equivalents at the beginning of the period	898.8	1,074.4
Cash and cash equivalents at the end of the period	679.7	705.8
Cash flow from operating activities contains:		
Dividends from associated companies	1.6	0.5
Interest received	1.4	1.3
Interest paid	-8.3	-8.5

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

The unaudited, interim Consolidated Financial Statements for the first half of 2016 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, 2015.

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, 2016, 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, 2016. They have had no significant effect on the Consolidated Financial Statements of the Group:

- Amendments to IAS 1 - Disclosure initiative
- Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 27 - Equity method in separate financial statements
- Amendments to IFRS 10 and IAS 28 - Investment entities: applying the consolidation exception
- Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations
- Annual improvements (2012 - 2014 Cycle) - Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology

ACQUISITIONS 2016

In 2016 Sika acquired the following company:

Company	Type of transaction	Stake in %	Closing date
L.M. Scofield, USA	Share deal	100.0	4/1/2016

In April Sika has acquired L.M. Scofield, an US-based market leader in the production of concrete color additives for ready-mixed concrete, along with decorative products and treatments for concrete refurbishment. With two strategic production locations in Los Angeles, California, and Atlanta, Georgia, Scofield produces a complete range of color solution products to serve customers in the fast-growing decorative concrete market of North America. The products are highly regarded and widely specified, even beyond the North American continent.

The purchase consideration was paid using Sika bearer shares. The fair value of the transferred shares amounted to CHF 14.1 million based on the published share price on April 1, 2016. A contingent consideration payable in Sika bearer shares with a value of CHF 1.5 million at acquisition date is included in the total purchase consideration.

The acquisition has contributed sales of CHF 5.1 million and net profit of CHF 0.3 million. If the acquisition had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 3.9 million. Consolidated net profit would have been CHF 0.6 million lower.

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. Market access and combined distribution channels and supplementary product portfolios justify the goodwill posted. Goodwill is not tax deductible. Accounts receivables have a gross value of CHF 1.9 million and are classified as fully recoverable.

The directly attributable transaction costs of the acquisition amounted to CHF 0.2 million and were charged to other operating expenses.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn

L.M. Scofield

Cash and cash equivalents	0.6
Accounts receivable	1.9
Inventories	1.9
Other current assets	0.3
Property, plant, and equipment	0.6
Intangible assets	5.2
Total assets	10.5
Current bank loans	0.2
Accounts payable	1.1
Other current liabilities	1.3
Provisions	0.1
Employee benefit obligation	0.1
Deferred tax liabilities	1.1
Other non-current liabilities	0.4
Total liabilities	4.3
Acquired net assets	6.2
Goodwill	9.4
Total purchase price	15.6
Cash in acquired assets	-0.6
Use of Sika bearer shares	-14.1
Payments still due (per June 30, 2016)	-1.5
Net cash inflow	-0.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet data as of June 30, 2016 (December 31, 2015).

Income statement from January 1 to June 30, 2016 (January 1 to June 30, 2015).

1. CASH AND CASH EQUIVALENTS CHF 705.8 MN (CHF 1,074.4 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 2015 due to the repayment of the bond in the amount of CHF 250.0 million and seasonal influences. The change in this position can be seen in detail in the statement of cash flows.

2. ACCOUNTS RECEIVABLE CHF 1,177.3 MN (CHF 1,014.5 MN)

Accounts receivables are higher at mid-year than at the end of 2015 as a result of seasonal influences. At the half-year 2015 accounts receivables amounted to CHF 1,097.1 million.

3. INVENTORIES CHF 650.2 MN (CHF 584.9 MN)

The rise in inventories is due to seasonal distribution of sales. At mid-year 2015 inventories amounted to CHF 624.6 million.

4. INTANGIBLE ASSETS CHF 1,028.2 MN (CHF 1,037.9 MN)

The decline in intangible assets despite the acquisition is mainly based on the current amortization expenses.

5. ACCOUNTS PAYABLE CHF 641.1 MN (CHF 581.1 MN)

Accounts payables are higher at mid-year than at the end of 2015 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 86.3 MN (CHF 80.7 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 23.9 million (CHF 18.8 million) an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

7. NET SALES CHF 2,806.2 MN (CHF 2,625.2 MN)

Sales of goods account for nearly all net sales. In comparison with the previous year, net sales denominated in Swiss francs increased by 6.9%. Taking currency effects amounting to -0.7% into consideration, sales increased in local currencies by 7.6%, including a growth from acquisitions of 1.6%. Details to segments can be found in note 10.

8. MATERIAL EXPENSES CHF 1,246.5 MN (CHF 1,197.2 MN)

Material expenses decreased as a percentage of net sales by 1.2 percentage points mainly due to lower material costs.

9. OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) CHF 439.7 MN (CHF 370.2 MN)

In the period under review the operative costs were at a slightly lower level compared to the sales growth rates. The personnel costs as a proportion of sales decreased from 21.1% to 20.8%, mainly due to further increase in efficiency and selective adjustments of structures in some countries. Other operating expenses developed largely in line with volume, while the expense ratio improved slightly from 19.2% to 19.1%. As a result of increasing gross result, operating profit before depreciation (EBITDA) rose by 18.8% to CHF 439.7 million, yielding an EBITDA margin of 15.7% (14.1%).

Personnel expenses include a portion of 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 the first five trading days in April 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 2016 amounted to CHF 14.2 million (CHF 12.1 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.

NET SALES FROM JANUARY 1 TO JUNE 30

in CHF mn	2015			2016		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	1,242.0	48.4	1,290.4	1,335.1	61.1	1,396.2
North America	380.9	10.4	391.3	441.3	11.4	452.7
Latin America	303.7	0.1	303.8	273.9	0.1	274.0
Asia/Pacific	483.9	2.1	486.0	509.5	6.6	516.1
Other segments and activities	214.7		214.7	246.4		246.4
Eliminations	-	-61.0	-61.0	-	-79.2	-79.2
Net sales	2,625.2	-	2,625.2	2,806.2	-	2,806.2
Products for construction industry	2,072.1			2,177.8		
Products for industrial manufacturing	553.1			628.4		

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	1/1/2015 – 6/30/2015	1/1/2016 – 6/30/2016	Change compared to prior period (+/- in %)		
			In Swiss francs	In local currencies	Currency impact
By region					
EMEA	1,242.0	1,335.1	7.5	6.6	0.9
North America	380.9	441.3	15.9	12.7	3.2
Latin America	303.7	273.9	-9.8	5.9	-15.7
Asia/Pacific	483.9	509.5	5.3	4.6	0.7
Other segments and activities	214.7	246.4	14.8	13.9	0.9
Net sales	2,625.2	2,806.2	6.9	7.6	-0.7
Products for construction industry	2,072.1	2,177.8	5.1	6.0	-0.9
Products for industrial manufacturing	553.1	628.4	13.6	13.4	0.2

OPERATING PROFIT

in CHF mn	1/1/2015 – 6/30/2015	1/1/2016 – 6/30/2016	Change compared to prior period	
			(+/-)	(+/- in %)
By region				
EMEA	168.0	189.3	21.3	12.7
North America	55.4	78.2	22.8	41.2
Latin America	54.5	53.4	-1.1	-2.0
Asia/Pacific	74.0	87.3	13.3	18.0
Other segments and activities	-63.3	-54.5	8.8	n.a.
Operating profit	288.6	353.7	65.1	22.6

11. EVENTS AFTER THE BALANCE SHEET DATE

No relevant events occurred between June 30, 2016, and the release of these Consolidated Financial Statements.

FINANCIAL CALENDAR

RESULTS FIRST NINE MONTHS 2016

Thursday, October 27, 2016

NET SALES 2016

Tuesday, January 10, 2017

**MEDIA CONFERENCE / ANALYST PRESENTATION
ON FULL-YEAR RESULTS 2016**

Friday, February 24, 2017

NET SALES FIRST QUARTER 2017

Tuesday, April 11, 2017

49TH ANNUAL GENERAL MEETING

Tuesday, April 11, 2017

HALF-YEAR REPORT 2017

Thursday, July 27, 2017

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