

SIKA  
HALF-YEAR REPORT

2017

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# HALF-YEAR RESULTS AT A GLANCE

**SALES GROWTH  
OF 8.1%  
(6.7% IN CHF)  
TO CHF 2,994.9  
MILLION**

**GROWTH  
IN ALL  
REGIONS**

**3 NEW  
FACTORIES**

**ACQUISITION  
OF BITBAU DÖRR  
IN AUSTRIA**

**NET  
PROFIT UP  
16.0%  
TO CHF 285.7  
MILLION**

## 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 automotive industry. Sika has subsidiaries in 98 countries around the world and manufactures in over 190 factories. Its more than 17,000 employees generated annual sales of CHF 5.75 billion in 2016.

## KEY FIGURES

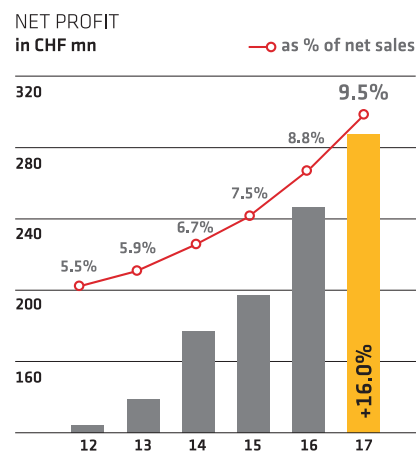
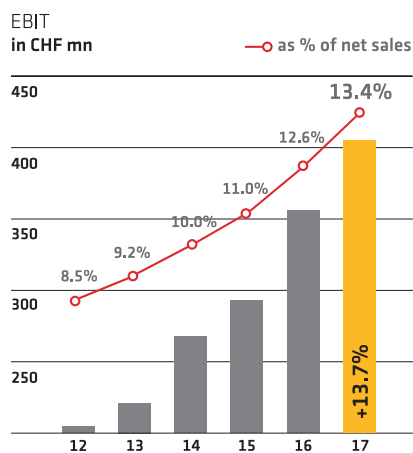
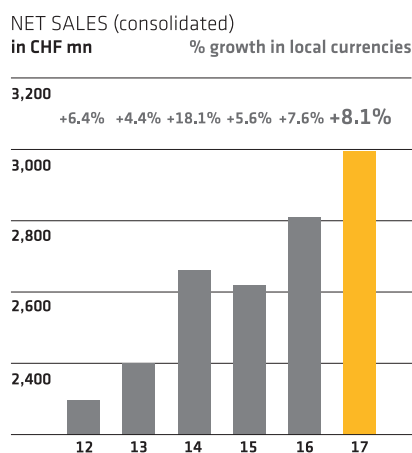
# SIKA GROUP

in CHF mn	1/1/2016 – 6/30/2016	as % of net sales	1/1/2017 – 6/30/2017	as % of net sales
Net sales	2,806.2		2,994.9	
Gross result	1,559.7	55.6	1,651.4	55.1
Operating profit before depreciation (EBITDA)	439.7	15.7	488.2	16.3
Operating profit (EBIT)	353.7	12.6	402.1	13.4
Net profit	246.3	8.8	285.7	9.5
Operating free cash flow	106.0	3.8	63.0	2.1
Capital expenditures	-68.7	-2.4	-66.3	-2.2
Balance sheet total <sup>1</sup>	5,099.2		5,145.4	
Shareholders' equity <sup>1</sup>	2,947.7		2,972.9	
Equity ratio in % <sup>1,2</sup>	57.8		57.8	
Return on capital employed (ROCE) in % <sup>3</sup>	25.5		28.0	
Earnings per share (EPS) in CHF	95.87		111.54	
Number of employees <sup>1</sup>	17,419		17,637	

1 As of December 31, 2016/June 30, 2017.

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).



## INVESTOR INFORMATION

	6/30/2016	6/30/2017
<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	2,149,085	2,149,880
<b>Number of registered shares with a nominal value of CHF 0.10</b>	<b>2,333,874</b>	<b>2,333,874</b>
Bearer share price as of June 30 (CHF)	4,076	6,160
Market capitalization <sup>1</sup> as of June 30 (CHF mn)	10,354	15,647

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,*

With sales growth of 8.1% in local currency, Sika continues its successful growth trajectory in the first half of 2017 and achieves a new sales record of CHF 2,994.9 million. Targeted investments in new products, national subsidiaries and factories as part of Sika's growth strategy provided growth stimuli. In the first half of the year, the negative currency effect (-1.4%) reduced sales growth in Swiss francs to 6.7%.

## NET PROFIT UP 16.0%

The positive development of the last six years continued unabated in the first half of 2017. Volume growth together with disproportionately low cost development and price adjustments resulted in a further improvement in margins, which helped to offset slightly negative currency effects and rising commodity prices. As a result, operating profit and net profit posted new record values in the first half of the year. Operating profit (EBIT) improved by 13.7% (+ CHF 48.4 million) to CHF 402.1 million (previous year: CHF 353.7 million). Net profit rose significantly by 16.0% (+ CHF 39.4 million) to CHF 285.7 million (previous year: CHF 246.3 million).

Paul Schuler, CEO: "With a clear sales increase of 8.1% and a surge in net profit of 16.0%, we are continuing to consistently and successfully deliver our growth strategy. We posted double-digit growth rates in Eastern Europe, North America, Argentina, the Pacific area and in our automotive business, and we have clearly grown much faster than the market in a number of countries. The positive performance in the first half of 2017, the opening of a further national subsidiary, and the commissioning of three new factories all bring us one step closer to achieving our strategic targets for 2020. Sika's success is based on team effort. Thanks to the commitment of our employees and the strength of our growth model, we can look forward to the further business performance in the second half of 2017."

## GROWTH IN ALL REGIONS

In the first half of the year, sales in the EMEA region (Europe, Middle East, Africa) increased by 7.0% (previous year: 6.6%). The core markets Germany, France, Switzerland, Italy, and the UK achieved solid growth rates. Eastern Europe posted double-digit growth. Bitbau Dörr, a leading manufacturer of waterproofing systems, was acquired in Austria. Furthermore, a new factory for concrete admixtures was opened in Tanzania and a further national subsidiary was founded in Senegal. In Kazakhstan, concrete admixture and mortar production in Almaty was relocated to a larger site.

At 17.4%, it was the North America region that posted the strongest growth (previous year: 12.7%), of which 8.7% was through acquisitions. Sika boosted its business volume significantly in the USA achieving strong double-digit growth of around 20%, thus growing much more quickly than the North American construction market. Targeted investments that have been made in North America over the last few years contributed substantially to this positive business performance. These include the investment in sales force, the acquisition of companies and the expansion of the supply chain with new factories close to fast-growing metropolitan areas.

In the Latin America region sales increased by 2.7% in the first half-year, compared to 5.9% in the corresponding period of the previous year. In particular, the large countries in the region, including Mexico and Argentina, produced above-average performance. In Brazil, the effects of the difficult economic and political situation continued to have a restrictive impact on business. Furthermore, construction activity in the raw material-based countries in the region has been subdued. In the southeast of Mexico, a new factory for mortar products came into operation.

Sales in the Asia/Pacific region increased by 4.1% (previous year: 4.6%). The markets in Southeast Asia, with the exception of Indonesia and Singapore, achieved high growth rates. In Singapore, investment in state-funded residential construction projects remained at a low level, while in Indonesia investments in infrastructure fell. In China, the construction industry continued to stabilize in the first half of 2017, enabling Sika to achieve high single-digit growth.

## OUTLOOK FOR 2016

The strategic targets 2020 were successfully pursued in the first half of 2017, with new record results achieved. The strong start to the year supports the target for the full year, which aims at a 6 to 8% increase in sales to more than CHF 6 billion for the first time. Volatile and rising commodity prices present a challenge in the current year. EBIT and net profit are once again expected to increase at disproportionately high rates. The successful growth strategy with the new targets for 2020 will continue in 2017. 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



PAUL SCHULER  
Chief Executive Officer

# EXPANSION IN ALL REGIONS

Sales in the first half-year rose by 8.1% (6.7% in CHF) to CHF 2,994.9 million. The implementation of the 2020 strategic targets is delivering strong results. All regions contributed to growth and the significant improvement of margins.

### EMEA

The eurozone economy is continuing to grow, and forecasts are positive. Of the large EU countries, France, the United Kingdom, and Spain are posting the strongest economic growth. Germany can be expected to generate moderate growth. The stabilization phase in Russia is continuing.

The construction sector in Europe posted solid growth in the first half of 2017. Sika's core markets in Germany, France, Switzerland, and Italy performed well. Growth was strong in the United Kingdom, and Eastern Europe posted excellent growth rates.

### NORTH AMERICA

The construction market in North America continued to develop positively in the first half of 2017. Construction activity was at a high level, especially in US urban areas. The number of major infrastructure and construction projects continued to rise year on year.

Sika is growing faster than the construction market in North America and once again significantly increased business volume in the first half of 2017. Double-digit growth rates were posted in the Concrete, Waterproofing, Refurbishment, and Sealing & Bonding target markets. Targeted investments in North America in recent years contributed to this positive business performance. These include the investment in sales force, the acquisition of companies, and the expansion of the supply chain with new factories close to metropolitan areas.

### LATIN AMERICA

Divergent economic trends were evident in the Latin America region in the first half of 2017. Some countries in the region are facing low commodity prices and altered regulatory environments. In Colombia, a tax reform also affecting construction materials is having negative effects. The political and economic situation in Brazil must still be described as difficult.

The prevailing economic circumstances in some parts of the region were difficult, yet Sika managed to generate a slight overall increase in sales in the first half of 2017. Especially its large markets such as Mexico and Argentina can look back on a positive business performance. Mexico's economy and construction sector continued to grow, despite uncertainties in its trade relations with the USA. Argentina is also benefiting from significant state investment in public infrastructure.

Economic performance in Brazil remains weak, leading to subdued business performance.

With investments in the supply chain, the opening of new national subsidiaries and a focus on the refurbishment sector, Sika is opening up further potential for the future.

### ASIA/PACIFIC

Economic growth has weakened slightly in the Asia/Pacific region. In spite of this, the markets in Southeast Asia, with the exception of Indonesia and Singapore, achieved high growth rates. In Singapore, investment in state-funded residential construction projects remained at a low level, while in Indonesia investments in infrastructure fell.

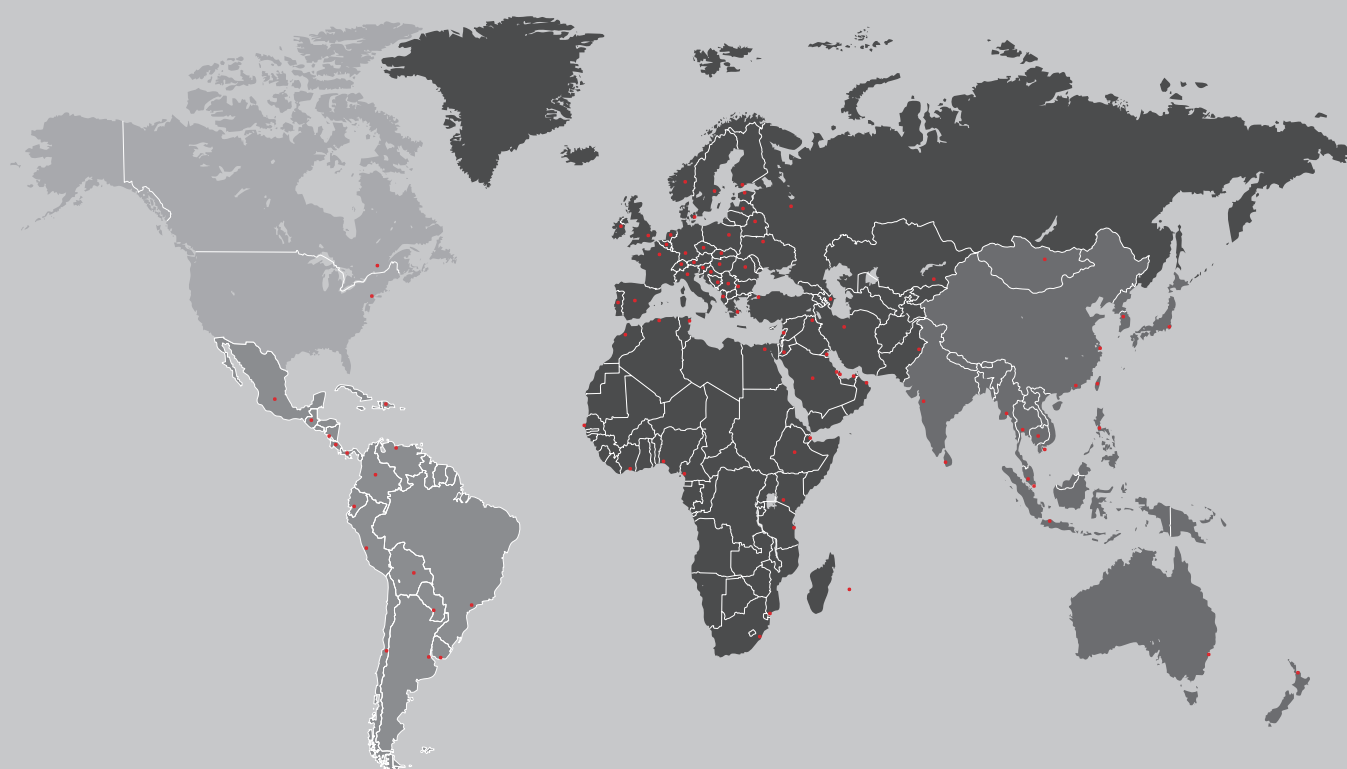
The construction industry in China continued to stabilize in the first half of 2017, enabling Sika to post high single-digit growth rates. Business activities in the Concrete and Roofing target markets were especially encouraging. Business performance in Japan developed well. Sika is particularly expecting growth stimuli from investments in sporting venues and infrastructure projects for the 2020 Olympic Games. In the Pacific area sales rose significantly. Market shares were once more expanded, especially in concrete admixtures.

### OTHER SEGMENTS AND ACTIVITIES

The automotive business, which has been managed centrally on a global basis since 2011, forms a key part of the "Other segments and activities" field. Sika generated an above-average growth rate of almost 12% in its automotive business in the first half, thus growing substantially faster than the global automotive market. With automotive megatrends such as increased safety, lightweight design, reduced emissions, and e-mobility, Sika – with its comprehensive product portfolio of adhesives and sealants, as well as acoustic and reinforcement systems – is well placed for the future.

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)	1,371.9 (1,335.1)	525.0 (441.3)	287.4 (273.9)	535.2 (509.5)	275.4 (246.4)
<b>Growth in local currencies</b>	<b>7.0%</b>	<b>17.4%</b>	<b>2.7%</b>	<b>4.1%</b>	<b>11.8%</b>
Currency impact	-4.2%	1.6%	2.2%	0.9%	0.0%
Acquisition effect	1.7%	8.7%	0.0%	1.3%	0.0%

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2016	6/30/2017
Cash and cash equivalents	1	1,155.0	819.1
Accounts receivable	2	1,043.1	1,247.3
Inventories	3	600.8	688.1
Prepaid expenses and accrued income		89.0	95.8
Other current assets		9.1	18.8
<b>Current assets</b>		<b>2,897.0</b>	<b>2,869.1</b>
Property, plant, and equipment		959.2	949.0
Intangible assets	4	1,021.2	1,104.0
Investments in associated companies		6.3	6.1
Deferred tax assets		159.7	158.5
Other non-current assets		55.8	58.7
<b>Non-current assets</b>		<b>2,202.2</b>	<b>2,276.3</b>
<b>ASSETS</b>		<b>5,099.2</b>	<b>5,145.4</b>
Accounts payable	5	587.0	650.9
Accrued expenses and deferred income		223.9	239.9
Income tax liabilities		92.0	61.3
Current provisions	6	20.8	20.6
Other current liabilities		44.3	47.6
<b>Current liabilities</b>		<b>968.0</b>	<b>1,020.3</b>
Bonds		698.7	698.9
Non-current provisions	6	57.5	57.7
Deferred tax liabilities		110.2	112.2
Employee benefit obligation		274.6	246.9
Other non-current liabilities		42.5	36.5
<b>Non-current liabilities</b>		<b>1,183.5</b>	<b>1,152.2</b>
<b>LIABILITIES</b>		<b>2,151.5</b>	<b>2,172.5</b>
Capital stock		1.5	1.5
Treasury shares		-11.0	-7.2
Reserves		2,933.8	2,956.5
<b>Equity attributable to Sika shareholders</b>		<b>2,924.3</b>	<b>2,950.8</b>
Non-controlling interests		23.4	22.1
<b>SHAREHOLDERS' EQUITY</b>		<b>2,947.7</b>	<b>2,972.9</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>5,099.2</b>	<b>5,145.4</b>

## CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30

in CHF mn	Notes	%	2016	%	2017	Change in %
<b>Net sales</b>	7, 10	<b>100.0</b>	<b>2,806.2</b>	<b>100.0</b>	<b>2,994.9</b>	<b>6.7</b>
Material expenses	8	-44.4	-1,246.5	-44.9	-1,343.5	
<b>Gross result</b>		<b>55.6</b>	<b>1,559.7</b>	<b>55.1</b>	<b>1,651.4</b>	<b>5.9</b>
Personnel expenses		-20.8	-584.0	-20.3	-608.7	
Other operating expenses		-19.1	-536.0	-18.5	-554.5	
<b>Operating profit before depreciation</b>	9	<b>15.7</b>	<b>439.7</b>	<b>16.3</b>	<b>488.2</b>	<b>11.0</b>
Depreciation and amortization expenses		-3.1	-86.0	-2.9	-86.1	
<b>Operating profit</b>	10	<b>12.6</b>	<b>353.7</b>	<b>13.4</b>	<b>402.1</b>	<b>13.7</b>
Interest income		0.1	1.3	0.0	0.8	
Interest expenses		-0.3	-10.4	-0.3	-8.8	
Other financial income		0.1	3.3	0.1	3.2	
Other financial expenses		-0.6	-15.7	-0.3	-11.8	
Income from associated companies		0.0	0.5	0.0	0.3	
<b>Profit before taxes</b>		<b>11.9</b>	<b>332.7</b>	<b>12.9</b>	<b>385.8</b>	<b>16.0</b>
Income taxes		-3.1	-86.4	-3.4	-100.1	
<b>Net profit</b>		<b>8.8</b>	<b>246.3</b>	<b>9.5</b>	<b>285.7</b>	<b>16.0</b>
Profit attributable to Sika shareholders		8.7	243.4	9.4	283.1	
Profit attributable to non-controlling interests		0.1	2.9	0.1	2.6	
Undiluted/diluted earnings per bearer share (in CHF)			95.87		111.54	16.3
Undiluted/diluted earnings per registered share (in CHF)			15.98		18.59	16.3



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	%	1/1/2016 - 6/30/2016	%	1/1/2017 - 6/30/2017	Change in %
<b>Net profit</b>	<b>8.8</b>	<b>246.3</b>	<b>9.5</b>	<b>285.7</b>	<b>16.0</b>
Actuarial gains (+)/losses (-) on post employment benefit obligations	-1.4	-39.2	1.3	39.2	
Income tax effect	0.2	7.2	-0.2	-7.3	
<b>Items that will not be reclassified to profit or loss</b>	<b>-1.2</b>	<b>-32.0</b>	<b>1.1</b>	<b>31.9</b>	
Exchange differences taken to equity	0.3	7.3	-1.6	-47.6	
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>0.3</b>	<b>7.3</b>	<b>-1.6</b>	<b>-47.6</b>	
<b>Other comprehensive income</b>	<b>-0.9</b>	<b>-24.7</b>	<b>-0.5</b>	<b>-15.7</b>	
<b>Comprehensive income</b>	<b>7.9</b>	<b>221.6</b>	<b>9.0</b>	<b>270.0</b>	<b>21.8</b>
Attributable to Sika shareholders	7.8	219.1	9.0	268.7	
Attributable to non-controlling interests	0.1	2.5	0.0	1.3	

## 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, 2016</b>	<b>1.5</b>	<b>203.1</b>	<b>-0.9</b>	<b>-543.3</b>	<b>2,870.4</b>	<b>2,530.8</b>	<b>21.3</b>	<b>2,552.1</b>
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
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.7</b>	<b>211.4</b>	<b>219.1</b>	<b>2.5</b>	<b>221.6</b>
Transactions with treasury shares <sup>1</sup>			-6.9		-9.5	-16.4		-16.4
Share-based payments					4.7	4.7		4.7
Dividends <sup>3</sup>					-198.0	-198.0	-1.9	-199.9
Inflation adjustment <sup>2</sup>					0.6	0.6		0.6
<b>June 30, 2016</b>	<b>1.5</b>	<b>203.1</b>	<b>-7.8</b>	<b>-535.6</b>	<b>2,879.6</b>	<b>2,540.8</b>	<b>21.9</b>	<b>2,562.7</b>
<b>January 1, 2017</b>	<b>1.5</b>	<b>203.1</b>	<b>-11.0</b>	<b>-543.7</b>	<b>3,274.4</b>	<b>2,924.3</b>	<b>23.4</b>	<b>2,947.7</b>
Profit for the period					283.1	283.1	2.6	285.7
Other comprehensive income				-46.3	31.9	-14.4	-1.3	-15.7
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-46.3</b>	<b>315.0</b>	<b>268.7</b>	<b>1.3</b>	<b>270.0</b>
Transactions with treasury shares <sup>1</sup>			3.8		-9.2	-5.4		-5.4
Share-based payments					5.4	5.4		5.4
Dividends <sup>4</sup>					-243.7	-243.7	-2.6	-246.3
Inflation adjustment <sup>2</sup>					1.5	1.5		1.5
<b>June 30, 2017</b>	<b>1.5</b>	<b>203.1</b>	<b>-7.2</b>	<b>-590.0</b>	<b>3,343.4</b>	<b>2,950.8</b>	<b>22.1</b>	<b>2,972.9</b>

1 Including income tax of CHF 0.4 mn (CHF 0.0 mn).

2 Hyperinflation accounting concerns the subsidiary in Venezuela.

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

4 Dividend per bearer share: CHF 96.00, dividend per registered share: CHF 16.00.

## CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn

	1/1/2016 – 6/30/2016	1/1/2017 – 6/30/2017
<b>Operating activities</b>		
Profit before taxes	332.7	385.8
Depreciation and amortization expenses	86.0	86.1
Increase (+)/decrease (-) in provisions/employee benefit assets and obligations	13.9	4.0
Increase (-)/decrease (+) in net working capital and accruals	-158.7	-224.8
Non-liquidity-related financial expenses (-)/income (+)	8.0	4.4
Other adjustments	3.8	12.1
Income taxes paid	-112.0	-142.3
<b>Cash flow from operating activities</b>	<b>173.7</b>	<b>125.3</b>
<b>Investing activities</b>		
Property, plant, and equipment: capital expenditures	-67.2	-65.3
Property, plant, and equipment: disposals	1.0	4.0
Intangible assets: capital expenditures	-1.5	-1.0
Acquisitions less cash and cash equivalents	0.6	-129.2
Acquisitions (-)/disposals (+) of financial assets	0.0	-1.3
<b>Cash flow from investing activities</b>	<b>-67.1</b>	<b>-192.8</b>
<b>Financing activities</b>		
Increase in financial liabilities	10.0	3.1
Repayment of financial liabilities	-1.7	-14.9
Repayment of a bond	-250.0	0.0
Acquisitions of treasury shares	-39.2	-18.3
Disposals of treasury shares	8.9	12.5
Dividend payment to shareholders of Sika AG	-198.0	-243.7
Dividends related to non-controlling interests	-1.9	-2.6
<b>Cash flow from financing activities</b>	<b>-471.9</b>	<b>-263.9</b>
<b>Exchange differences on cash and cash equivalents</b>	<b>-3.3</b>	<b>-4.5</b>
<b>Net change in cash and cash equivalents</b>	<b>-368.6</b>	<b>-335.9</b>
Cash and cash equivalents at the beginning of the period	1,074.4	1,155.0
Cash and cash equivalents at the end of the period	705.8	819.1
<b>Cash flow from operating activities contains:</b>		
Dividends from associated companies	0.5	0.5
Interest received	1.3	0.8
Interest paid	-8.5	-1.8

# APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

## PRINCIPLES OF CONSOLIDATION AND VALUATION

The unaudited, interim Consolidated Financial Statements for the first half of 2017 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, 2016.

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, 2017, 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, 2017. They have had no significant effect on the Consolidated Financial Statements of the Group:

- Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses
- Amendments to IAS 7 – Disclosure initiative
- Annual improvements (2014 – 2016 Cycle) – Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology

## ACQUISITIONS 2017

In 2017 Sika acquired the following companies:

Company	Type of transaction	Stake in %	Closing date
Rmax Operating LLC, USA	Share deal	100.0	1/31/2017
Bitbau Dörr GmbH, Austria	Share deal	100.0	2/21/2017

On January 31, 2017, Sika acquired Rmax Operating LLC, an US-based market leader in the production of insulation products for complete Building Envelope solutions (roofing and wall systems). The acquisition brings technology and know-how that will accelerate Sika's growth in the North American market.

Since the purchase, Rmax has contributed sales of CHF 30.0 million and net profit of CHF 2.3 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 5.4 million. Consolidated net profit would have been CHF 0.5 million higher. Accounts receivable of Rmax had a gross value of CHF 8.2 million and were adjusted since CHF 0.5 million were classified as non-recoverable.

Sika further acquired Bitbau Dörr GmbH, a leading waterproofing system manufacturer, headquartered in Innsbruck, Austria. The acquisition of Bitbau Dörr will enable Sika to expand its product portfolio. The product portfolio includes complete waterproofing systems for roofs, buildings and civil engineering applications.

Bitbau Dörr has contributed sales of CHF 22.4 million and net profit of CHF 1.0 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 1.9 million. Consolidated net profit would have been CHF 1.4 million lower. For other acquisitions accounts receivable had a gross value of CHF 4.2 million and were adjusted, since CHF 0.2 million were classified as non-recoverable.

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.

The directly attributable transaction costs of the acquisitions amounted to CHF 1.0 million and were charged to other operating expenses.

## ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn

	Rmax	Bitbau Dörr
Cash and cash equivalents	0.0	1.8
Accounts receivable	7.7	4.0
Inventories	5.6	5.3
Other current assets	0.7	0.6
Property, plant, and equipment	5.2	1.3
Intangible assets	45.9	7.3
Other non-current assets	0.0	0.1
<b>Total assets</b>	<b>65.1</b>	<b>20.4</b>
Current bank loans	1.1	4.6
Accounts payable	3.0	3.1
Other current liabilities	0.9	1.6
Provisions	1.1	0.0
Employee benefit obligation	0.0	1.7
Deferred tax liabilities	0.2	1.5
Other non-current liabilities	0.2	0.0
<b>Total liabilities</b>	<b>6.5</b>	<b>12.5</b>
<b>Acquired net assets</b>	<b>58.6</b>	<b>7.9</b>
Goodwill	53.0	11.5
<b>Total purchase price</b>	<b>111.6</b>	<b>19.4</b>
Cash in acquired assets	0.0	-1.8
<b>Net cash outflow</b>	<b>111.6</b>	<b>17.6</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet data as of June 30, 2017 (December 31, 2016).

Income statement from January 1 to June 30, 2017 (January 1 to June 30, 2016).

### **1. CASH AND CASH EQUIVALENTS** CHF 819.1 MN (CHF 1,155.0 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 2016 due to seasonal influences. The change in this position can be seen in detail in the statement of cash flows.

### **2. ACCOUNTS RECEIVABLE** CHF 1,247.3 MN (CHF 1,043.1 MN)

Accounts receivables are higher at mid-year than at the end of 2016 as a result of seasonal influences. At the half-year 2016 accounts receivables amounted to CHF 1,177.3 million.

### **3. INVENTORIES** CHF 688.1 MN (CHF 600.8 MN)

The rise in inventories is due to seasonal distribution of sales. At mid-year 2016 inventories amounted to CHF 650.2 million.

### **4. INTANGIBLE ASSETS** CHF 1,104.0 MN (CHF 1,021.2 MN)

The increase in intangible assets is mainly due to the acquisitions.

### **5. ACCOUNTS PAYABLE** CHF 650.9 MN (CHF 587.0 MN)

Accounts payables are higher at mid-year than at the end of 2016 as a result of seasonal influences. At the half-year 2016 this position amounted to CHF 641.1 million. Accounts payable do not bear interest and will usually become due within 30 to 60 days.

### **6. PROVISIONS** CHF 78.3 MN (CHF 78.3 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 20.6 million (CHF 20.8 million) an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

### **7. NET SALES** CHF 2,994.9 MN (CHF 2,806.2 MN)

Sales of goods account for nearly all net sales. In comparison with the previous year, net sales denominated in Swiss francs increased by 6.7%. Taking currency effects amounting to -1.4% into consideration, sales increased in local currencies by 8.1%, including a growth from acquisitions of 2.4%. Details to segments can be found in note 10.

### **8. MATERIAL EXPENSES** CHF 1,343.5 MN (CHF 1,246.5 MN)

Material expenses increased as a percentage of net sales by 0.5 percentage points mainly due to higher raw material costs and acquisition effects.

### **9. OPERATING PROFIT BEFORE DEPRECIATION (EBITDA)** CHF 488.2 MN (CHF 439.7 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 20.8% to 20.3%, mainly due to further increase in efficiency and selective adjustments of structures in some countries. Other operating expenses developed below average due to disciplined cost management. The expense ratio improved from 19.1% to 18.5%. As a result, operating profit before depreciation (EBITDA) rose by 11.0% to CHF 488.2 million, yielding an EBITDA margin of 16.3% (15.7%).

Personnel expenses include a portion of salaries paid to senior managers and Group Management in the form of Sika AG stock. The allocated shares are subject to a blocking period of four years. Related personnel expenses in the first half of 2017 amounted to CHF 13.3 million (CHF 14.2 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 global automotive business, expenditures for Group headquarters, 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	2016			2017		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	1,335.1	61.1	1,396.2	1,371.9	61.9	1,433.8
North America	441.3	11.4	452.7	525.0	8.7	533.7
Latin America	273.9	0.1	274.0	287.4	0.2	287.6
Asia/Pacific	509.5	6.6	516.1	535.2	6.9	542.1
Other segments and activities	246.4		246.4	275.4		275.4
Eliminations	-	-79.2	-79.2	-	-77.7	-77.7
<b>Net sales</b>	<b>2,806.2</b>	<b>-</b>	<b>2,806.2</b>	<b>2,994.9</b>	<b>-</b>	<b>2,994.9</b>
Products for construction industry	2,177.8			2,327.0		
Products for industrial manufacturing	628.4			667.9		



## CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	1/1/2016 – 6/30/2016	1/1/2017 – 6/30/2017	Change compared to prior period (+/- in %)		
			In Swiss francs	In local currencies	Currency impact
<b>By region</b>					
EMEA	1,335.1	1,371.9	2.8	7.0	-4.2
North America	441.3	525.0	19.0	17.4	1.6
Latin America	273.9	287.4	4.9	2.7	2.2
Asia/Pacific	509.5	535.2	5.0	4.1	0.9
Other segments and activities	246.4	275.4	11.8	11.8	0.0
<b>Net sales</b>	<b>2,806.2</b>	<b>2,994.9</b>	<b>6.7</b>	<b>8.1</b>	<b>-1.4</b>
Products for construction industry	2,177.8	2,327.0	6.9	8.4	-1.5
Products for industrial manufacturing	628.4	667.9	6.3	7.0	-0.7

## OPERATING PROFIT

in CHF mn	1/1/2016 – 6/30/2016	1/1/2017 – 6/30/2017	Change compared to prior period	
			(+/-)	(+/- in %)
<b>By region</b>				
EMEA	189.3	199.0	9.7	5.1
North America	78.2	93.4	15.2	19.4
Latin America	53.4	57.7	4.3	8.1
Asia/Pacific	87.3	94.7	7.4	8.5
Other segments and activities	-54.5	-42.7	11.8	n.a.
<b>Operating profit</b>	<b>353.7</b>	<b>402.1</b>	<b>48.4</b>	<b>13.7</b>

## 11. EVENTS AFTER THE BALANCE SHEET DATE

No relevant events occurred between June 30, 2017, and the release of these Consolidated Financial Statements.



# FINANCIAL CALENDAR

<b>RESULTS FIRST NINE MONTHS 2017</b>	Thursday, October 26, 2017
<b>NET SALES 2017</b>	Tuesday, January 9, 2018
<b>MEDIA CONFERENCE / ANALYST PRESENTATION ON FULL-YEAR RESULTS 2017</b>	Friday, February 23, 2018
<b>NET SALES FIRST QUARTER 2018</b>	Tuesday, April 17, 2018
<b>50<sup>TH</sup> ANNUAL GENERAL MEETING</b>	Tuesday, April 17, 2018
<b>HALF-YEAR REPORT 2018</b>	Thursday, July 26, 2018

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