

SIKA
BUSINESS YEAR
2013

ANNUALREPORT.SIKA.COM

BUILDING TRUST



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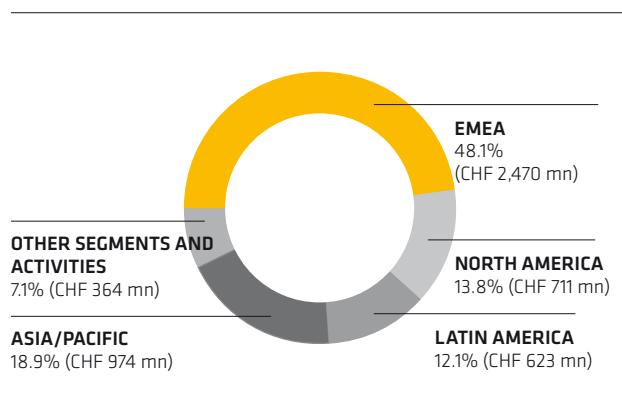
FACTS & FIGURES

RECORD RESULTS IN ALL AREAS

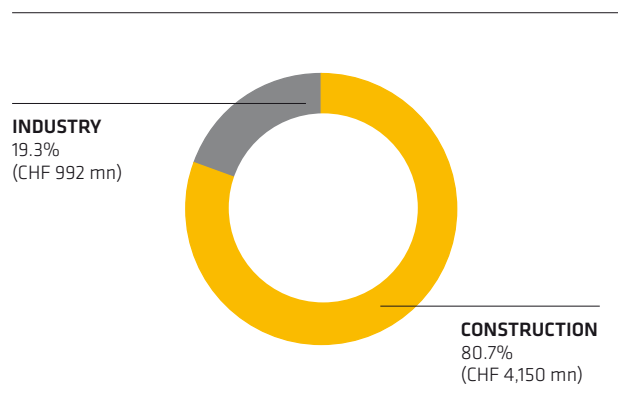
SIKA GROUP

in CHF mn	2012	as % of net sales	2013	as % of net sales
Net sales	4,828.9		5,142.2	
Gross result	2,519.3	52.2	2,695.6	52.4
Operating profit before depreciation (EBITDA)	573.1	11.9	675.9	13.1
Operating profit (EBIT)	433.0	9.0	523.5	10.2
Net profit	278.5	5.8	344.7	6.7
Operating free cash flow	302.5	6.3	432.7	8.4
Capital expenditures	131.3	2.7	153.9	3.0
Balance sheet total	4,280.2		4,732.0	
Shareholders' equity	1,909.8		2,136.2	
Equity ratio in %	44.6		45.1	
ROCE in %	18.5		21.0	
Earnings per share (EPS) in CHF	109.95		135.27	
Number of employees	15,233		16,293	
Waste (total waste per ton sold) in t	0.0188		0.0171	
Water (total water per ton sold) in m ³	0.69		0.55	
Energy (total energy per ton sold) in GJ	0.57		0.54	

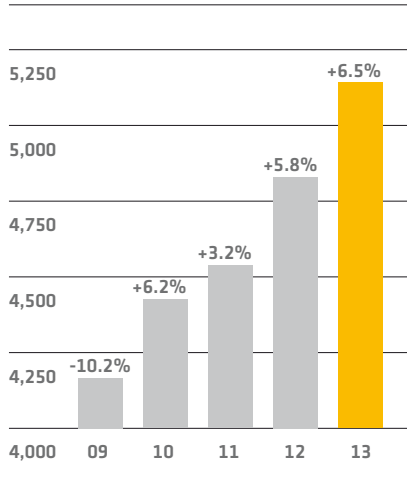
NET SALES BY REGION (consolidated)



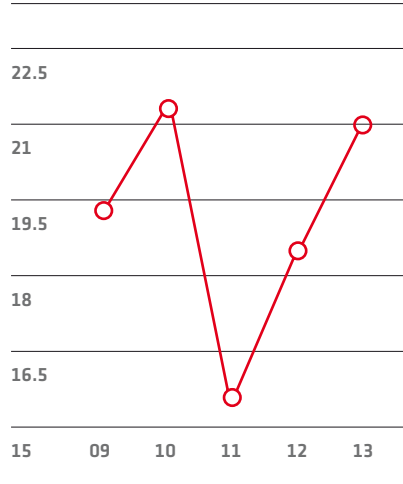
NET SALES BY MARKET (consolidated)



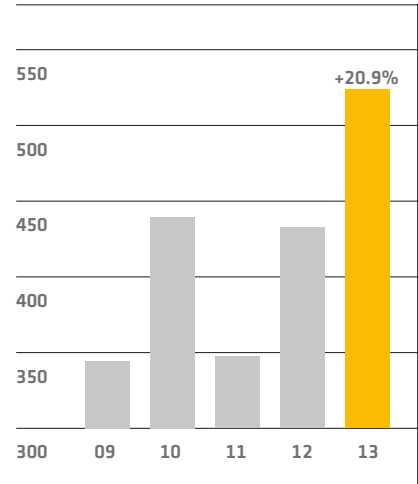
NET SALES (consolidated)
in CHF mn



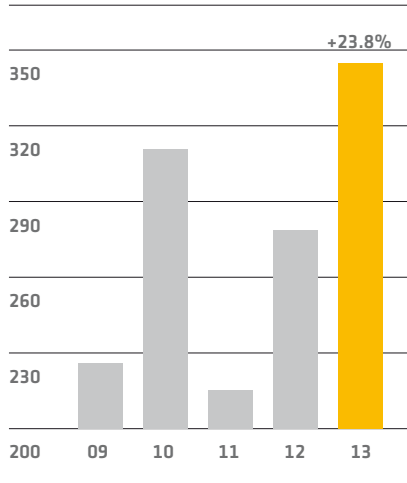
ROCE
in %



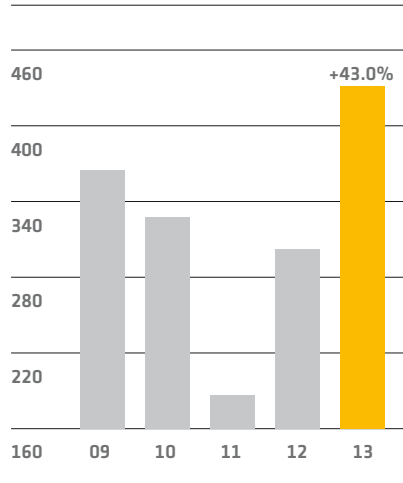
EBIT
in CHF mn



NET PROFIT
in CHF mn



OPERATING FREE CASH FLOW
in CHF mn



LETTER TO SHAREHOLDERS

RECORD YEAR IN 2013 – SALES EXCEED CHF 5 BILLION FOR THE FIRST TIME



Jan Jenisch, Chief Executive Officer

Dr. Paul Hälg, Chairman of the Board

Dear Shareholders

In the 2013 financial year, growth accelerated each quarter and sales rose by 9.4% (6.5% in Swiss francs) to CHF 5.14 billion. High growth momentum and disciplined cost management led to record figures of CHF 523.5 million (+20.9%) for the operating result and CHF 344.7 million (+23.8%) for net profit.

In light of the demanding conditions prevailing in numerous markets, the results achieved bear testimony to the strength and robustness of Sika's growth model. The success formula for Sika's profitable growth is based on the strategic cornerstones of market penetration, technology leadership, faster expansion in the growth markets, market consolidation through acquisitions and an entrepreneurial corporate culture.

GROWTH IN ALL REGIONS

All regions participated in the dynamic growth. Double-digit growth was recorded in Asia/Pacific (+12.7%) and Latin America (+15.1%). The EMEA region (Europe, Middle East and Africa) performed well, posting growth of 8.5%. Market conditions remained difficult in North America, where our sales rose by 2.3%.

Accelerated expansion in the emerging markets produced gratifying sales growth of 17.2% in local currencies (+11.8% in Swiss francs). The proportion of sales generated by the emerging markets increased to 38% (previous year: 37%).

10 NEW FACTORIES AND 73 NEW PATENTS

In the year under review we increased our investment in the emerging markets, opening a record number of ten new factories in Russia, Ukraine, Romania, Colombia, China, Vietnam, Laos, Iraq, Angola and South Africa. Our innovative capacity resulted in 73 new patents and the successful launch of new products in all target markets.

ACQUISITION OF 5 COMPANIES

Last year we acquired five companies with a total of 1,058 employees and annualized sales of CHF 373 million. By acquiring AkzoNobel's Building Adhesives business (Europe), Everbuild (UK), Texsa (India and Mexico), Optiroc (Singapore and Malaysia) and Radmix (Australia) we are strengthening our position as a world market leader and realizing synergies in market access and technology management.

STRATEGY 2018 AND OUTLOOK FOR 2014

In the financial year just ended we developed our Strategy 2018 and launched it worldwide. Sika's growth model is the foundation for long-term success and for profitable, above-average growth.

Through investments in growth markets, the launch of new products, and the acquired companies, Sika is poised to continue its growth strategy in 2014. However, currency movements and framework conditions prevailing in some markets are set to remain challenging in the current financial year.

For 2014, we expect the result to be in line with our new "Strategy 2018", with sales growth of 6 to 8%, at constant exchange rates and stable margin trends.

BOARD OF DIRECTORS' PROPOSALS TO THE ANNUAL GENERAL MEETING

At the Annual General Meeting on April 15, 2014, the Board of Directors will propose to the shareholders an increase in the dividend to CHF 57.00 per bearer share (2012: CHF 51.00, +12%) and CHF 9.50 per registered share (2012: CHF 8.50, +12%).

All members of the Board of Directors are standing for re-election for the one-year term of office until the next Annual General Meeting. The Board of Directors recommends that the Annual General Meeting should elect Jürgen Tinggren to the Board. Jürgen Tinggren is member of the Board of Schenker-Winkler Holding and was CEO of the Schindler Group until the end of 2013.

Our record year 2013 is the result of the expertise and commitment of our 16,293 employees. Their energy and ideas have taken Sika to the next level of performance. We would like to thank all of them for their hard work and loyalty over the past year.

Many thanks also go to our customers, business partners and suppliers for their outstanding cooperation, and we would especially like to thank our shareholders for their loyalty.

Sincerely,



DR. PAUL HÄLG
Chairman of the Board



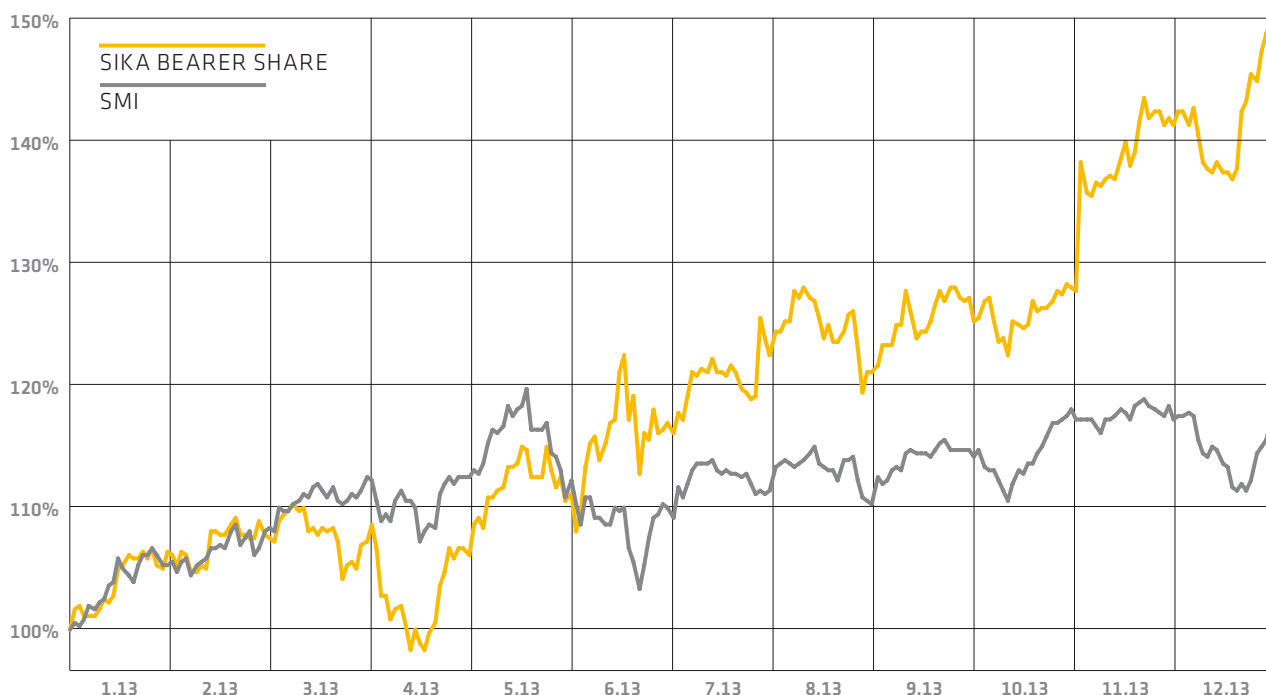
JAN JENISCH
Chief Executive Officer

INVESTMENT IN SIKA

STOCK PRICE DEVELOPMENT

SIKA SHARE REACHES ALL-TIME HIGH

SIKA VERSUS SMI
1/1/2013-12/31/2013



Sika's solid achievements and results were continually reflected in the share prices throughout the year

Equity markets generally developed positively in the year under review. With a stock performance of 50.2%, the Sika share advanced particularly strong.

STOCK MARKET DEVELOPMENTS IN 2013

In 2013, Sika shares increased from CHF 2,110 to 3,171 (+50.2%), clearly outperforming the Swiss Exchange's SMI Index, which gained 19%.

On January 10, 2013, Sika published the sales figures for 2012, which at CHF 4.82 billion were up 5.8% year-on-year. The earnings figures were announced at the beginning of March, showing a 31% increase in consolidated net profit to CHF 281.1 million.

On April 16, the Group reported on business in the first quarter of 2013: At CHF 1.04 billion (-0.2%), Sika was able to hold sales in local currencies at the previous year's level.

STOCK EXCHANGE RATIOS SIKA

2013

Market capitalization in CHF mn	8,055
Yearly high	3,171
Yearly low	2,067
Year-end	3,171
Dividend 2012	51.00
Dividend 2013 ¹	57.00
Earnings per share (EPS)	135.27
Significant shareholder:	Burkard-Schenker family with 52.7% of all share votes

1 Pursuant to proposal to Annual General Meeting

Mid-June, Sika announced the acquisition of Everbuild Building Products Ltd.

In the half-year report published at the end of July, the Group posted a 4% rise in sales to CHF 2.4 billion.

In August, Sika disclosed plans to acquire Dutch company AkzoNobel's Building Adhesives business.

The results reported for the third quarter were also favorable: With cumulative sales up 6.7% to CHF 3.8 billion and 15.3% growth in net profit to CHF 255.9 million, Sika exceeded analysts' expectations. At the end of the year, the share reached an all-time high.

RISK MANAGEMENT

EARLY IDENTIFICATION OF POSSIBLE RISKS

As a global player, Sika is exposed to a variety of risks. Ensuring the Group's freedom of action at all times, safeguarding its image, and protecting the capital invested in Sika necessitate a timely analysis of potential risks and their integration into strategic decision-making processes.

RISKS AND OPPORTUNITIES

Flawed risk assessments may seriously impair a company's reputation, limit its freedom of action or, at worst, lead to insolvency. Well aware of this, Sika reacted years ago by introducing a comprehensive risk management system for the Group and all its subsidiaries. Risks should be identified at an early stage and integrated into strategic decision-making processes. Risk management may sometimes assist in the identification of new opportunities and thereby help to generate added value.

GROUP MANAGEMENT AND BOARD OF DIRECTORS

Whereas Sika's Group Management regularly reviews the processes underlying risk management, the Board of Directors bears ultimate responsibility for risk assessment. Its duties include annual reassessment of the risk situation at Group level. All risks are assessed in terms of a few basic questions:

- Is the risk global or regional in scope?
- How significant is the risk for the Group?
- How high is the probability of losses occurring?
- What measures need to be implemented to prevent the risk or mitigate its consequences?

Suitable measures are then taken to counteract any risks that are rated critical in the overall assessment.

Sika pursues a risk-based management approach along the entire value chain from procurement and production to marketing.

SUPPLIER MANAGEMENT AND RAW MATERIAL PROCUREMENT

The raw materials that Sika processes into superior-grade products are the Group's biggest cost factor. This is why they are high on the risk assessment agenda. Almost 70% of the materials used by Sika in production – e.g. polyols, epoxy resins, acrylic dispersions, or polycarboxylates – are based on crude oil or crude oil derivatives. Purchase prices consequently

vary according to the respective supply and demand situation of each raw material and the volatility in the price of oil. To reduce dependency on crude oil, Sika is increasingly relying on renewable raw materials such as sugar derivatives, bioethanol derivatives, or ricinus oils. Mineral substances, sand and cement make up the remaining raw materials.

Sika purchases its base chemicals following strict quality requirements from certified suppliers offering the best value for money. In the case of key raw materials with limited availability or large purchase volumes, Sika mandates at least two suppliers whenever possible. The Group tries to manufacture the raw materials for unique, highly innovative technologies in-house. In respect of all the materials used, compliance with the relevant statutory registration requirements (e.g. REACH or TSCA) is monitored and ensured by a network of global and local specialists as well as external consultants.

Sika's procurement specialists and technical experts cooperate closely with the suppliers' technical units to be able to fully understand the raw material flows and continually optimize costs, quality, availability and sustainability.

Potential suppliers are closely screened by Sika. Before working with the company, they are required to sign the Supplier Code of Conduct, which covers all principles of sustainability.

All suppliers are regularly evaluated by Sika. The corresponding findings are incorporated into the risk assessment, along with the suppliers' self-appraisals and data available in the public domain. If a relevant risk is identified, Sika will conduct an audit of the supply company in question to ensure the functionality of the latter's internal risk management system. With a particular focus on local suppliers, potential risks will be systematically identified and addressed accordingly.

PRODUCTION AND LOGISTICS

Sika sets defined standards for risk provisions that are binding for its production and logistics operations. These standards form part of the Group-wide "Sika Corporate Management System" and determine, for example, the processes and guidelines in the areas of purchasing, quality, environment, health and safety. They are also displayed together with the statutory regulations in the management systems of the local Sika companies. Additionally, all Sika production companies are certified to DIN EN ISO 14001 (environmental protection) and 9001 (quality), and many also to OHSAS 18001 (safety and health). A growing number of larger facilities are also certified to ISO 50001 (energy management). The current certification status of the various Group companies is shown on page 112 ff. of the download version of this report.

Audits and inspections are core elements of the comprehensive management system. They provide management at Group, regional and local company level with a regular, independent assessment of compliance with official requirements as well as with Sika's internal risk management guidelines and principles. The audits and inspections ensure the effectiveness of the processes and the related controls. Quality, environment, safety and risk factors, technology, legal matters, IT security, suppliers and products are all subject to audit. In 2013, Sika conducted a total of 110 audits.

Sika also regularly audits production and logistics at the local companies. This includes recording the risks that may result in production downtimes, personal injury, property damage or liability claims. The probability and implications of the risks are assessed and measures subsequently defined and implemented to minimize the risk potential at the site and enhance safety. Sika is also insured against production losses.

While Sika has seen a significant reduction in the number of accidents over the past three years, there is still further scope for improvement as regards accident prevention, which is why the company is stepping up efforts in this area.

PRODUCT DEVELOPMENT AND MARKETING

On the products and services side, Sika has a set Product Development Process that factors in potential risks. As well as monitoring ecological and safety aspects during the development, production and product handling stages, Sika also focuses on market opportunities and risks, product sustainability performance, and the protection of intellectual property.

Over a period of many years, Sika has had a global program in place to minimize the risks in advisory and sales activities that could provide grounds for product complaints. Thanks to a host of additional measures, including the regular training of employees, clearly formulated standards, detailed causal analyses, and stricter controls, expenditure for product-related claims is steadily being reduced. To reduce the risk of customers using Sika's products incorrectly, Sika provides systematic instruction, application training and support to customers, as well as extensive documentation and quality control.

CUSTOMERS AND MARKETS

Sika has a policy of strategic diversification to limit market and customer-related risks. Geographical diversification is tremendously important in the locally based construction industry given the sometimes contrary business trends witnessed in this sector in the different regions of the world. Customer diversification – with no single customer accounting for more than 1.5% of Sika's turnover – is another stabilizing factor. As a further safeguard against economic fluctuations, Sika operates both in the new-build sector and in the less cyclical renovation and maintenance market.

FINANCIAL RISKS

The purpose of financial risk management is to optimize funding and achieve a liquidity position geared to payment of obligations. Liquidity is ensured by means of long-term bonds:

Liquidity is optimized by means of a cash-pooling arrangement. For selected activities in the treasury area, Sika relies on additional third-party services. Sika also manages its net working capital with the utmost prudence. For example, the local companies have precisely defined processes for handling accounts receivable. A cost structure dovetailed to the prevailing market conditions ensures adequate cash generation. Sika attaches high priority to open and cost-efficient access to capital markets. Of significance here is the Standard & Poor's rating A-/stable (long-term).

INTERNAL AUDIT

Internal Audit carries out inspections as set out in the annual audit plan. The audits primarily include inspections of Group companies in the areas of product development, purchasing, production, financial and operational reporting, sales, payroll processes, accounts receivable and accounts payable management, and IT management. In addition to the global audit of sales and production companies, regular in-depth audits are carried out in the area of headquarters functions or Group-wide support processes. Internal Audit is an instrument of the Board of Directors and reports to the Audit Committee.

Financial risk management is described in detail on page 102 ff. of the download version of this report.

LEADERSHIP

ORGANIZATION & LEADERSHIP

FOCUSING ON THE CUSTOMER

Sika's organizational structure is decentralized, with the management teams in the regions and national subsidiaries playing a pivotal role. The company is customer-focused and is characterized by its traditional flat leadership structures.

ORGANIZATIONAL STRUCTURE

Since embarking on its international expansion, Sika has conducted its global operations through national subsidiaries. These units were later consolidated into regions with higher-level management functions. The heads of the regions are members of Group Management. The regional and national management teams bear full profit and loss responsibility, and – based on the Group strategy – set country-specific growth and sustainability targets, and allocate resources. A detailed synopsis of the regions for the 2013 financial year can be found on page 35 of the download version of this report.

Sika's regional breakdown is based on unified economic areas and supply chain structures. Overarching leadership responsibility ensures integrated management from production to the customer. Sika's internal sales organization is geared to seven target markets: Concrete, Waterproofing, Roofing, Flooring, Sealing & Bonding, Refurbishment and Industry. This market-oriented distribution enables Sika to sharpen its customer focus, optimize its technical market support activities and concentrate its R&D operations on market needs.

GROUP MANAGEMENT

Sika's Group Management is made up of nine personalities, whose diverse careers led them to Sika companies across the globe. The picture was taken on the occasion of a management meeting in the Düringen plant in Switzerland, one of Sika's ten modern adhesives factories worldwide.



From left to right

José Luis Vázquez
Latin America
With Sika for 30 years in
Spain and Latin America

Silvio Ponti
Building Systems & Industry,
Deputy CEO
With Sika for 30 years in
Switzerland and the Netherlands

Christoph Ganz
North America
With Sika for 18 years in
Switzerland, France and
the USA

Jan Jenisch
CEO
With Sika for 18 years in
Switzerland, Germany and Asia

Thomas Hasler
Technology (CTO)
With Sika for 25 years
in the USA and
Switzerland

Adrian Widmer
CFO
With Sika for 7 years in
Switzerland

Heinz Gisel
Asia/Pacific
With Sika for 23 years
in Switzerland, USA,
Austria and Asia

Ernesto Schümperli
Concrete & Waterproofing
With Sika for 27 years in
Colombia and Switzerland

Paul Schuler
EMEA
With Sika for 26 years in
Switzerland, Germany and
the USA

GROUP MANAGEMENT

JAN JENISCH, lic. rer. pol.
CEO

Nationality: German; Year of birth: 1966
Member of Group Management since 2004; since 2012: CEO; 2007–2011: Regional Manager Asia/Pacific; 2004–2006: Head of Industry Division; 1998–2004: Head Automotive Europe; General Manager Sika Tivoli GmbH, Germany; Managing Director Sika Automotive Belgium SA; Director Hayashi Sika Automotive Ltd., Japan; 1996–1997: Market Development Manager, Industry Division.

SILVIO PONTI, Dipl. Bau-Ing. ETH, MBA
Head Building Systems & Industry, Deputy CEO

Nationality: Swiss; Year of birth: 1953
Member of Group Management since 2002; since 2005: Deputy CEO; since 2013: Head Building Systems & Industry; 2002–2012: Regional Manager Europe North; 1989–2002: Head of Marketing; General Manager Sika Switzerland; Area Manager Central Europe; 1987–1988: Head of Marketing for the Joint Venture Hilti-Ciba-Geigy, Hilti AG, Principality of Liechtenstein; 1984–1987: General Manager Sika Netherlands; 1982–1983: Assistant to the Head of Export, Sika Switzerland; 1978–1980: Project Leader, Dr. Staudacher & Siegenthaler AG, Switzerland.

CHRISTOPH GANZ, lic. oec. HSG
Regional Manager North America

Nationality: Swiss; Year of birth: 1969
Member of Group Management since 2007; since 2013: Regional Manager North America; General Manager Sika USA; 2007–2012: Head of Corporate Business Unit Distribution; 2009–2012: General Manager Sika France; Area Manager France, North Africa, Mauritius; 2003–2006: Head of Business Unit Distribution; 1999–2003: Corporate Market Field Manager Distribution; 1996–1999: Project Manager Distribution, Sika Switzerland.

HEINZ GISEL, Executive MBA
Regional Manager Asia/Pacific

Nationality: Swiss; Year of birth: 1965
Member of Group Management since 2012; since 2012: Regional Manager Asia/Pacific; 2009–2011: General Manager Greater China, Sika China; 2007–2009: General Manager Singapore; Head of Business Unit Industry Region Asia/Pacific; Area Manager Southeast Asia; 2004–2006: Head Appliances & Components; Head Transportation, Industry Division; 1999–2004: Industry Manager Sika Switzerland and Sika Austria; 1996–1998: Industry Sales Manager Sika China and Sika Hong Kong 1995–1996: Area Sales Manager Industry, Sika USA; 1991–1994: Area Sales Manager, Sika Switzerland.

THOMAS HASLER, Dipl. Ing. Chem. HTL, MBA
Technology (CTO)

Nationality: Swiss; Year of birth: 1965
Member of Group Management since 2014; since 2014: CTO; 2011–2013: Head Global Automotive; 2008–2010: Senior Vice President of Industry and Automotive, Sika USA; 2005–2008: Senior Vice President Automotive North America, Sika USA; 2004–2005: Automotive Manager Europe; 2000–2003: Automotive Manager Switzerland; 1995–2000: Business Development Manager; 1992–1995: R&D Head Automotive OEM Adhesives; 1989–1992: Research Chemist Industry Adhesives.

PAUL SCHULER, MBA
Regional Manager EMEA

Nationality: Swiss; Year of birth: 1955
Member of Group Management since 2007; since 2013: Regional Manager EMEA; 2007–2012: Regional Manager North America; General Manager Sika USA; 2003–2006: General Manager Sika Germany; 1988–2002: Product Manager, Head of Sales Industry; Marketing Manager Industry; Business Unit Leader Industry; 1982–1988: International Key Account Sales Manager Switzerland, EMS Chemie AG, Switzerland; 1980–1982: Project Manager Air Condition Plants, Luwa AG, Hong Kong, China; 1976–1980: Production Manager, Hemair AG, Switzerland.

ERNESTO SCHÜMPERLI, Dipl. Bau-Ing. ETH, MBA
Head Concrete & Waterproofing

Nationality: Swiss; Year of birth: 1955
Member of Group Management since 2007; since 2013: Head Concrete & Waterproofing; 2007–2012: Head Corporate Business Unit Concrete; 1991–2006: General Manager Sika Switzerland; Area Manager Central Europe; Head of Sika Tunneling & Mining; Head of Sales Switzerland; Head of Marketing Construction; Market Development Manager Concrete Sika Switzerland; 1987–1990: Head of Marketing Sika Colombia; Key Account Manager Latin America; 1986–1987: Project Manager Structural Engineering, Wenaweser & Wolfensberger AG, Switzerland; 1976–1985: University and post-graduate studies, Research Engineer at ETH Zurich and UAS Basel, Switzerland; 1971–1975: Project Manager Infrastructure, Frey + Gnehm AG, Switzerland.

JOSÉ LUIS VÁZQUEZ, Dr. Ing., MBA
Regional Manager Latin America

Nationality: Spanish; Year of birth: 1947
Member of Group Management since 2002; since 2009: Regional Manager Latin America; 2002–2008: Regional Manager Europe South; 1984–2002: Head of Marketing; General Manager Spain; 1999: Area Manager Southern Europe; 1983–1984: Manager National Sport Insurance Company, Sport Ministry, Cabinet of Ministers, Spain; 1977–1983: Vice President, Oil Business Division, Explosivos Rio Tinto, Spain; 1972–1976: Director of numerous global projects in the area of road construction, harbors, factories; Helma (Cádiz), Boskalis (Cádiz), Laing (Valencia/Bilbao), Caminos y Puertos (Barcelona); 1970–1972: Laboratoire Central des Ponts et Chaussées, France; Instituto Eduardo Torroja, Spain.

ADRIAN WIDMER, lic. oec. publ.
Chief Financial Officer (CFO)

Nationality: Swiss; Year of birth: 1968
Member of Group Management since 2014; since 2014: CFO; 2007–2014: Head Group Controlling and M&A; 2005–2007: General Manager Construction Systems Germany/Austria/Switzerland, BASF (Degussa) Construction Chemicals, Switzerland; 2000–2005: CFO Degussa Construction Chemicals Switzerland; Finance Director Business Line Flooring Europe; Manager Corporate Finance, Degussa Construction Chemicals, Switzerland; 1997–2000: Manager M&A, Textron Industrial Products, United Kingdom/Switzerland; 1995–1997: Market Development Manager, Textron Inc., USA/United Kingdom; 1994–1995: Business Analyst, Nordostschweizer Kraftwerke (NOK), Switzerland.

ORGANIZATIONAL DIAGRAM

Integrated management of the regions and target markets, from development and production to the customer. Sika aims to implement its organizational units in a manner that is as decentralized as possible and to establish flat organizations with broad spans of control.

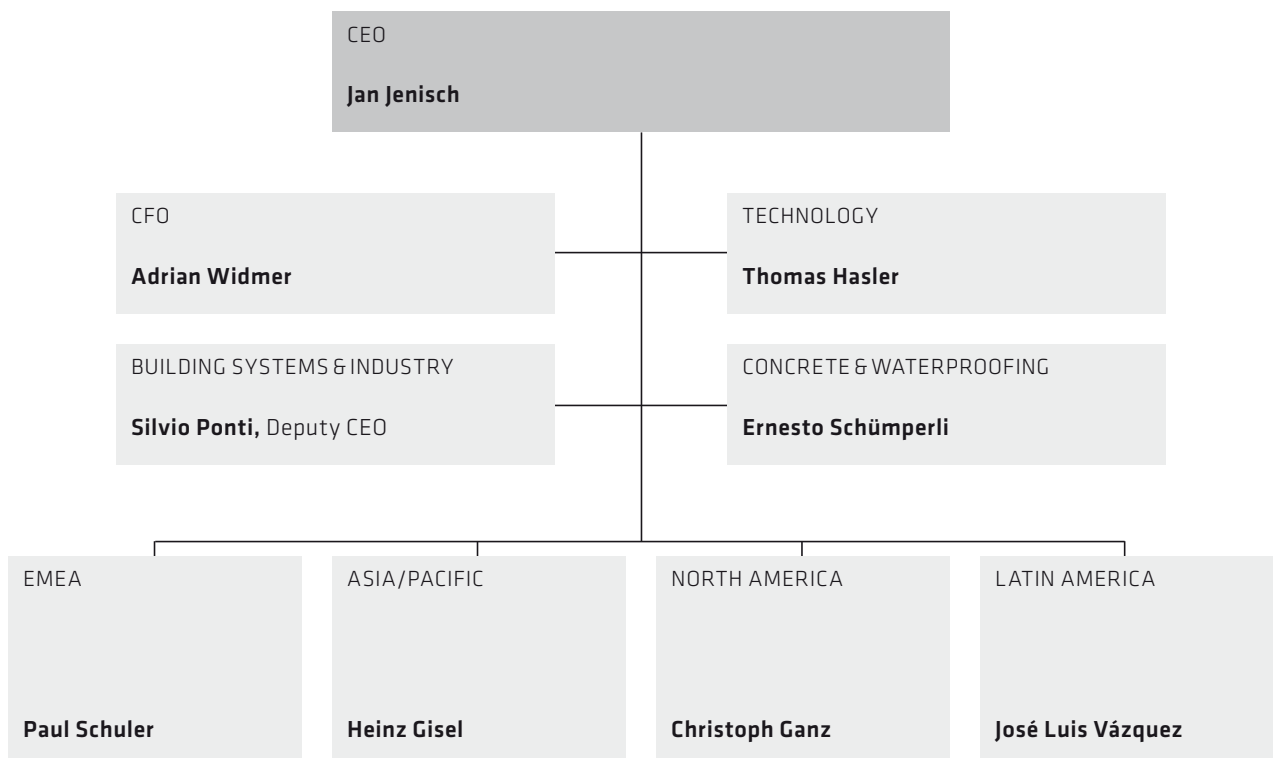
BOARD OF DIRECTORS

Paul Halg, Chairman
Urs F. Burkard

Frits van Dijk
Willi K. Leimer

Monika Ribar
Daniel J. Sauter

Ulrich W. Suter
Christoph Tobler



BOARD OF DIRECTORS

PAUL HÄLG, Dr. sc. techn., ETH Zurich
Chairman

Nationality: Swiss; Year of birth: 1954
Member since: 2009; since 2004: CEO, Dätwyler Group, Altdorf; 2001–2004: Executive Vice President, Forbo International SA, Eglisau; 1987–2001: Product Manager, Commercial Director, CEO, Gurit Essex AG, Freienbach; 1981–1986: Project and Group Leader, Schweizerische Aluminium AG (Alusuisse), Zurich.

URS F. BURKARD, Carpenter/Interior Designer

Nationality: Swiss; Year of birth: 1957
Member since: 1990; Committees: Nomination and Compensation Committee; since 1989: Principal, Burkard Office Design GmbH, Rotkreuz; 1987–1989: Head of planning, Denz Office Furniture, Zurich; Chairman of the Board: Unitrend Burkard AG, Rotkreuz; Vice Chairman of the Board: Schenker-Winkler Holding AG, Baar.

FRITS VAN DIJK, School of Economics (HES), Rotterdam

Nationality: Dutch; Year of birth: 1947
Member since: 2012; Committees: Chairman Nomination and Compensation Committee; 1970–2011: Career within Nestlé (focus region Asia), of which the last 10 years as member of the Nestlé SA Executive Board, responsible for Asia, Oceania, Africa & Middle East; Member of the Board: Nestlé Malaysia Berhad.

WILLI K. LEIMER, Dr. oec. HSG

Nationality: Swiss; Year of birth: 1958
Member since: 2010; Committees: Audit Committee; since 2007 Chairman of the Board: Schenker-Winkler Holding AG, Baar; since 2002 Partner and Member of the Board: WMPartners Wealth Management Ltd., Zurich; since 2003 Partner and Chairman of the Board: ISPartners Investment Solutions AG, Zurich; 1990–2002: Managing Director, Private Wealth Management, Bank Morgan Stanley AG, Zurich; 1988–1990: Goldman Sachs & Co., New York and Zurich.

MONIKA RIBAR, lic. oec. HSG

Nationality: Swiss; Year of birth: 1959
Member since: 2011; Committees: Chairman Audit Committee; 2006–2013: CEO, Panalpina AG, Basel; 2005–2006: CFO, Panalpina AG, Basel; 2000–2005: Chief Information officer (CIO), Panalpina AG, Basel; 1991–2000: Various functions within Controlling, IT and Global Project Management, Panalpina AG, Basel; Member of the Board: Logitech International SA, Romanel-sur-Morges; Swiss International Airlines Ltd., Zurich; Rexel SA, Paris.

DANIEL J. SAUTER, Financial Expert

Nationality: Swiss; Year of birth: 1957
Member since: 2000; Committees: Nomination and Compensation Committee; 1994–2001: CEO and Delegate of Board of Directors, Xstrata AG, Zug; 1983–1998: Senior partner and CFO, Glencore International AG, Baar; 1976–1983: Various banks, incl. Bank Leu, Zurich; Chairman of the Board: Julius Bär Gruppe AG, Zurich.

ULRICH W. SUTER, Dr. sc. techn., Professor

Nationality: Swiss; Year of birth: 1944
Member since: 2003; 2001–2005: Vice President Research, ETH Zurich; 1988–2008: Professor, ETH Zurich, Department of Material Science; 1982–1989: Professor, MIT, Department of Chemical Engineering, Cambridge, USA; Chairman of the Board: WICOR Holding AG, Rapperswil SG; Member of the Board: Global Surface AG, Nussbaumen TG; Rainbow Photonics AG, Zurich; President of the Foundation Council: Werner Oechslin Library Foundation; Member of the Board of Trustees: Pension Fund of the Weidmann Group of Companies; Swisscontact. Consultant to the Head National Research Foundation, Singapore.

CHRISTOPH TOBLER, Dipl. El. Ing. EPFL

Nationality: Swiss; Year of birth: 1957
Member since: 2005; Committees: Audit Committee; since 2004: CEO, Sefar Holding AG, Thal SG; 1998–2004: Head of Industry Division and Member of Group Management, Sika AG, Baar; 1994–1998: Adtranz Schweiz; 1988–1994: McKinsey & Company, Zurich; Chairman of the Board: AG Cilander, Herisau; Member of the Board: Sefar Holding AG, Thal SG; Member of Board Committee: economiesuisse, Zurich; Member of Regional Advisory Board: Swiss National Bank.

STRATEGY & FOCUS

STRATEGY

ACTIVE IN ATTRACTIVE GROWTH MARKETS

The Sika Growth Model ensures the long-term success and the profitable growth of our company.

BUILDING TRUST – SIKA'S STRATEGY 2018.

The **SIKA GROWTH MODEL** ensures the long-term success and the profitable growth of our company.

We aim for global market leadership in our **7 TARGET MARKETS** through cross selling, life-cycle management and the strengthening of our brand. The core of our business is our **INNOVATION MANAGEMENT** and our focus on developing quality products and the best solutions for our customers.

We accelerate the build-up of our organizations in the **EMERGING MARKETS** and further expand our supply chain footprint. Acquisitions will enable us to leverage our market access and to strengthen our economies of scale.

Our Sika Spirit – which is defined in **SIKA'S VALUES & PRINCIPLES** – is the foundation of our future success. We act with respect and responsibility towards our customers, our shareholders and our employees which is reflected in our Sika brand promise “Building Trust”.

TARGETS 2018

ANNUAL SALES GROWTH OF 6–8%

(at constant exchange rates, including acquisitions)

EMERGING MARKETS WITH 42% TO 45% of Group sales by 2018

OPERATING PROFIT (EBIT) ABOVE 10% of net sales

OPERATING FREE CASH FLOW ABOVE 6% of net sales

ROCE ABOVE 20%

MAINTAIN A- RATING

VALUES AND PRINCIPLES

Founded in Switzerland by visionary inventor Kaspar Winkler over 100 years ago, Sika has developed into a successful global company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing and protecting in the building sector and the motor vehicle industry.

The future success of Sika is not only dependent on pursuing the right strategy, but is just as much based on the trust and dedication of all employees. The journey to global leadership is founded on the entrepreneurial philosophy and the Sika Spirit. The Sika Spirit is synonymous with the strong set of values and principles that make up the DNA of the company.

1. CUSTOMER FIRST

2. COURAGE FOR INNOVATION

3. SUSTAINABILITY & INTEGRITY

4. EMPOWERMENT & RESPECT

5. MANAGE FOR RESULTS

THE SIKA BRAND

THE SIKA BRAND STANDS FOR QUALITY,
INNOVATION AND CONSISTENCY.

Sika is a strong brand. It allows the Group to present a uniform identity in all target markets and with all products.

SIKA AS A BRAND

Branding lends products a distinct identity and associates them with a specific set of values. This fact was recognized early in Sika's history by founder Kaspar Winkler, who coined the company's name and designed its logo. The considerable standing acquired by the Sika brand over the years is a tribute to this farsightedness. Having changed only slightly since its creation, the logo epitomizes continuity and solidity. It is recognized across the globe as synonymous with innovation, quality and service. The combined word/picture trademark has proved a valuable asset throughout the world during the Sika Group's decades-long expansion. Both the word "Sika" and the logo, with its familiar red and yellow hues, are readily accepted across all cultural boundaries.

WORLDWIDE TRADEMARK PROTECTION

Given the high awareness of the Sika brand, particularly the graphic trademark, the company attaches high priority to a consistent and standardized use of the logo, and verifies compliance with the associated corporate image guidelines. Customers throughout the world can rest assured that they will receive Sika quality and service wherever they see the Sika logo. The various attempts, in recent years, to copy the logo only serve to underline its enormous intangible value for the company.

The umbrella brand Sika together with some 790 Sika product trademarks, such as Sikaflex®, Sika® ViscoCrete®, SikaBond® or SikaForce®, sharpen the company's competitive edge. Hence the crucial role of trademark protection as a management task, performed both globally, at Group level, and locally, at national level. In total, Sika held 10 410 trademark registrations in 164 countries at the end of 2013. Sika AG continuously monitors its trademarks and takes consistent legal action in cases of infringement.

CORPORATE IDENTITY

The rollout of Sika's revamped corporate identity in spring 2013 gave the company's public face a fresh and modern look. The aim of the lengthy corporate identity process preceding this was to achieve a clear-cut positioning of the brand based on uniform corporate design guidelines. Relunched at the end of 2013, the Sika website at www.sika.com gives stronger emphasis to brand personality and the color yellow. In the reporting year, the company also sharpened the focus of its communications and is concentrating on the themes: "sustainable solutions", "proven quality" and "global but local partnership".

BUILDING TRUST

Since 2013, Sika has successfully integrated the new tagline, "Building Trust", into its communication strategy.

The word "building" expresses both Sika's core business area and the activities of its customers, e.g. as bridge builders or automotive builders. The English word also resonates with German speakers due to its phonetic and semantic affinities with the German word "bilden" (forming). This, in turn, has connotations of shaping, designing, structuring and developing. One single word thus unites all the core competencies of Sika and its customers.

Trust is the foundation of all types of partnership and collaboration. It is fostered by the quality of Sika's work and is the result of the company's innovative power and perseverance. Yet, it is not a static state, but a continuous process that needs to be actively cultivated. Any brand – the Sika brand being no exception – exists and thrives on the trust placed in it by the company's customers.

CUSTOMERS & MARKETS

FOCUS ON THE TOP POSITION



CONCRETE

Sika develops and markets numerous admixtures and additives for use in concrete, cement and mortar production. These products enhance specific properties of the fresh or hardened concrete, such as workability, watertightness, durability, or early and final strength. The demand for admixtures and additives is currently on the rise, particularly due to the increased performance requirements placed on concrete, cement and mortar, especially in urban areas and for infrastructure construction. Furthermore, the growing use of alternative cementitious materials in cement, mortar and thereby also in concrete increases the need for admixtures.



ROOFING

Sika provides a full range of single-ply and built-up flat roofing systems incorporating both flexible sheet and liquid applied membranes. Demand in this segment is driven by the need for eco-friendly, energy-saving solutions such as green roof systems, light-reflective cool roofs and solar roofs, which simultaneously help to cut CO₂ emissions. While refurbishment projects continue to gain significance in the mature markets, the emerging markets are moving towards higher-quality roof solutions.



WATERPROOFING

Sika's solutions cover the full range of technologies used for below-ground waterproofing: flexible membrane systems, liquid applied membranes, waterproofing admixtures for mortars, joint sealants, waterproof ready-to-use mortars, injection grouts and coatings. Key market segments include basements, underground parking garages, tunnels and all types of water-retaining structures (e.g. reservoirs, storage basins, storage tanks). Watertight systems are faced with more stringent requirements regarding durability, easy application and total cost management. Therefore product quality is becoming increasingly important.



FLOORING

Sika's flooring solutions are based on synthetic resin and cementitious systems for industrial and commercial buildings, e.g. pharmaceutical and food-sector production plants, public buildings such as educational and health care facilities, parking decks and private residential properties. Each market segment is subject to its own particular requirements in terms of mechanical properties, safety regulations (e.g. slip resistance), antistatic performance, and chemical or fire resistance. Trends in the flooring market are being dictated by the growing significance of safety and environmental regulations as well as customized technical requirements. The high volume of building alteration and conversion projects nowadays has boosted the importance of efficient solutions for the refurbishment of existing flooring systems.



REFURBISHMENT

This segment features concrete protection and repair solutions, e.g. repair mortars, protective coatings, grouts and structural strengthening systems. It also includes products for interior finishing, specifically cementitious leveling compounds, tile adhesives and tile grouts. Market trends are dictated by the rising quality requirements placed on products and services, with global customers expecting uniform standards worldwide. The present uptrend in demand is attributable to a rising volume of infrastructure rehabilitation projects in the transport, water management and energy sectors. The global urbanization trend and the increasing need for renovation in developed countries also fuel demand in the interior refurbishment sector.



INDUSTRY

The markets served by Sika include automobile construction, the commercial vehicle industry (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (car glass replacement, car body repair), renewable energies (solar and wind), and facade engineering (structural glazing, sealing of insulating glass units). Sika technologies enable crash-resistant bonding for enhanced car safety. The new solutions for bonding together different materials, e.g. aluminum and carbon fiber, pave the way for lighter, more fuel-efficient vehicles. Manufacturers are also seeking solutions that minimize production time and costs.



SEALING & BONDING

Sika's wide-ranging portfolio includes top-class elastic sealing and bonding solutions to meet all job site needs, e.g. joint sealants for facades or resistant sealants for floor and special joints as well as multipurpose bonding solutions for interior finishing or parquet installation. The growing demand in this market is fueled by the sharper focus on energy-efficient building envelopes, the ever-greater variety of materials used in construction, the increasing volume of high-rise projects and the growing significance of health, safety and environmental issues.

PRODUCTS & INNOVATIONS

COURAGE FOR INNOVATION

Sika's success and reputation is based on its long-lasting tradition of innovation. Accordingly, the core of its business is the innovation management and the focus on developing quality products and the best solutions for the customers. Sika has institutionalized a Product Creation Process with a strong focus on consistently developing new products, systems and solutions for bonding, sealing, damping, reinforcing and protecting in its defined target markets.

By investing in the established technology centers and laboratories across the globe, Sika benefits from its worldwide network of partners, suppliers and scientists, while fulfilling the promise to be close to its customers everywhere.

INNOVATION AND GROWTH

Growth results from innovation, and this, in turn, depends on research. Research and development (R&D) thus enjoy an accordingly high priority within the company. The R&D strategy adopted by Sika in recent years has yielded a high innovation rate, with numerous patents plus a wide range of new products.

CORE COMPETENCIES

One key factor for the success of Sika's R&D work is its strategic focus on clearly defined core competencies, namely bonding, sealing, damping, reinforcing and protecting load-bearing structures in building and industry.

Our sealing products are used to install durable wind-, rain- and draft-proof barriers in flat roofs, complex tunnel systems, damage-prone water-retaining structures and sophisticated curtain wall assemblies. Bonding ensures the permanent, elastic or structurally continuous connection of different materials. Innovative products and processes are used to bond vehicle components, window assemblies or even concrete bridge units weighing several tons. Damping reduces vibrations in fixed and moving objects, thereby lowering resonance and noise emission in load-bearing structures and in vehicle interiors. Our reinforcing Carbodur® products are strategically incorporated in structures to improve their resistance to static and dynamic loads, while protective elements serve to increase their durability.

Sika coatings guarantee long-term protection for concrete and steelwork assemblies against climatic conditions, chemical action, pollution and fire.

FOCUS OF DEVELOPMENT IN INDIVIDUAL TARGET MARKETS

CONCRETE

Development activities in the concrete segment are mainly directed towards optimizing locally available raw materials. The work centers both on the basic constituents of concrete (sand, aggregates, cement) and on concrete admixtures – specifically the high-volume plasticizers, cement additives and shotcrete accelerators.

WATERPROOFING

In this segment, Sika is concentrating its efforts on tunnel waterproofing systems. A particular emphasis is on waterproofing systems for installation after concreting.

ROOFING

In the development of its roof membrane products, Sika is focusing on liquid polymers made from low-emission, organic compounds. The Sika i-Cure® technology has paved the way for the development of eco-efficient liquid membranes that also offer maximum safety during on-site application.

FLOORING

To meet the ever-greater demands in terms of trouble-free application and environmental compatibility in the flooring market, Sika has developed the first products in a new line of benzyl alcohol-free epoxy floors: a new primer, a new self-leveling flooring system and an antistatic floor.

SEALING & BONDING

In response to tighter regulations for adhesives and sealants, Sika launched the new SikaHyflex® family of high-performance products for the building envelope, which meet the strictest statutory and technical requirements.

REFURBISHMENT

Sika has capitalized on innovative filler technologies to produce new high-performance mortar products with improved workability and a broader scope of application. By replacing cement constituents with various aggregates, Sika has vastly enhanced the sustainability performance of these products. Selection and proportioning of the filler components take account of the locally available raw materials and customer needs.

INDUSTRY

Current trends in the automotive industry are pointing to lightweight constructions using composite materials. To cater for this market, Sika has developed a new and comprehensive range of high-performance adhesives. Another development focus is on adhesives for the growing renewable (e.g. wind and solar) energy markets.

RESEARCH STRATEGY

Sika carries out its R&D activities at both global level, through the subsidiary Sika Technology AG, and at local level, through nineteen technology centers in America, Europe and Asia. Sika Technology AG is mandated to develop new products in response to global trends such as resource-saving building methods, energy-efficient construction materials or lighter and safer vehicles. The technology centers are geared to local needs. Their task is to address the particularities of the construction industry in different countries – e.g. with regard to raw materials, climate or legal framework – which may sometimes necessitate considerable adaptations to products.

COLLABORATIONS

Sika engages in a lively dialog with numerous distinguished universities worldwide and is closely involved in a range of international research projects, e.g. through its membership of the Nanocem Consortium. This European research network studies nanoscale-to-microscale phenomena that influence the performance of cementitious materials and the products and structures in which they are used. Sika also participates in the Sustainable Construction Partnership Council of ETH Zurich (Swiss Federal Institute of Technology) and in the United Nations Sustainable Buildings and Climate Initiative.

INVESTMENT

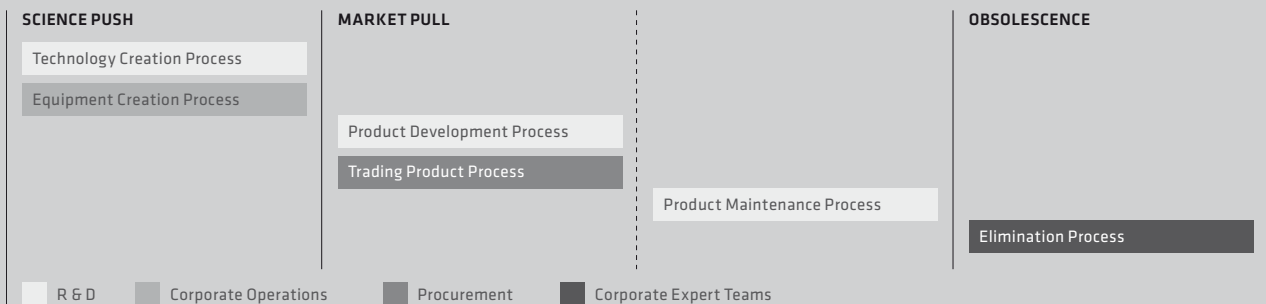
To ensure that new and patented products can be brought to market as quickly as possible, a seven-stage development process for products, the so-called Product Creation Process, is employed worldwide by Sika. The regional technology support functions are, among other things, responsible for compliance with the PCP in their area and perform regular PCP audits to review process quality. The audits ensure that employees always have an up-to-date state of knowledge that meets the high standards specified by Sika and that local chemists are familiar with the latest technologies. At the same time, special workshops are held to collect innovative ideas from the regions and leverage these for the Group.

Total expenditures on research and development for the Group in the year under review totaled CHF 166.1 million (2012: CHF 162.8 million), equivalent to 3.2% of sales (2012: 3.4%).

PATENTS

In 2013, Sika filed for 73 patents (2012: 73) and made 73 invention disclosures (2012: 85).

PRODUCT CREATION PROCESS



NEW PRODUCTS 2013

2013 saw Sika launch onto the market a number of new important products, which include the following:

- Concrete plasticizer technology to ensure less sensitive reaction to fluctuations in sand contamination (clays and fines)
- Innovative SikaRapid® C-100 concrete accelerator for extra-early strength development in both pure and blended cement systems (fly ash, slag, limestone)
- New admixtures to improve concrete watertightness:
- Sika® WT 100 L in liquid form and 200 P in powder form
- Sikaplan® WT 2280 – new tunnel waterproofing membrane
- Sarnafil® TG 76 PS for adhered roofs on polystyrene insulation, with no need for fire-protection layer
- Innovative connection membrane for previously impossible direct connection of PVC and TPO membranes
- Sarnafil® TG 37-12 RAL 7011 – new roof protection membrane
- SikaGrout® 334 and 234 with improved sustainability profile lower cement content thanks to alternative aggregates and accordingly smaller CO₂-footprint
- Sikadur® 2 and 3 with multi purpose properties, optimized for sale through merchant network and fully compliant with latest REACH (EU chemicals regulation) requirements
- Industrial flooring systems based on water-based epoxy resins combining ultra-low VOC emissions with extra-high color consistency
- Two self-leveling, fast-curing silicone systems for automated processes in electronics and facade applications
- New sealant for perimeter joints with good adhesion to different substrates, including plastics, metal and wood
- Impact-modified, two-component epoxy adhesives for car body repair and for bonding rotor blades of wind turbines
- Sikaflex®-250 DB-11 – one-component polyurethane adhesive with elastic and structural properties, used in automobile construction for bonding carbon-fiber-based bodywork to aluminum chassis
- SikaReinforcer®-940 and SikaReinforcer®-960 – stiffeners bonded to car bodies, which add a new dimension to crash resistance
- SikaHydroPrep®-110 – first solvent-free system for windshield glazing
- SikaPower®-477 R – two-component structural adhesive for car body repair, offering similar crash performance to best heat-curing systems used by automotive manufacturers in original assembly

SUSTAINABLE DEVELOPMENT

RESPONSIBILITY FOR THE FUTURE

Sika takes a long-term perspective on the development of its business and acts with respect and responsibility towards customers, stakeholders and employees. Sika operates with a strong focus on safety, quality, environment, fair treatment, social involvement, responsible growth, and value creation.

NEW SUSTAINABILITY INITIATIVES

In 2013, Sika developed a sustainability strategy for the next five years and introduced a new management and reporting system in line with the G4 Guidelines of the Global Reporting Initiative (GRI G4).

REPORTING

Sika's sustainability reporting is now, for the first time, based on the GRI G4 Guidelines. The key results and findings are available on the Internet at www.sika.com/sustainability.

CRITERIA

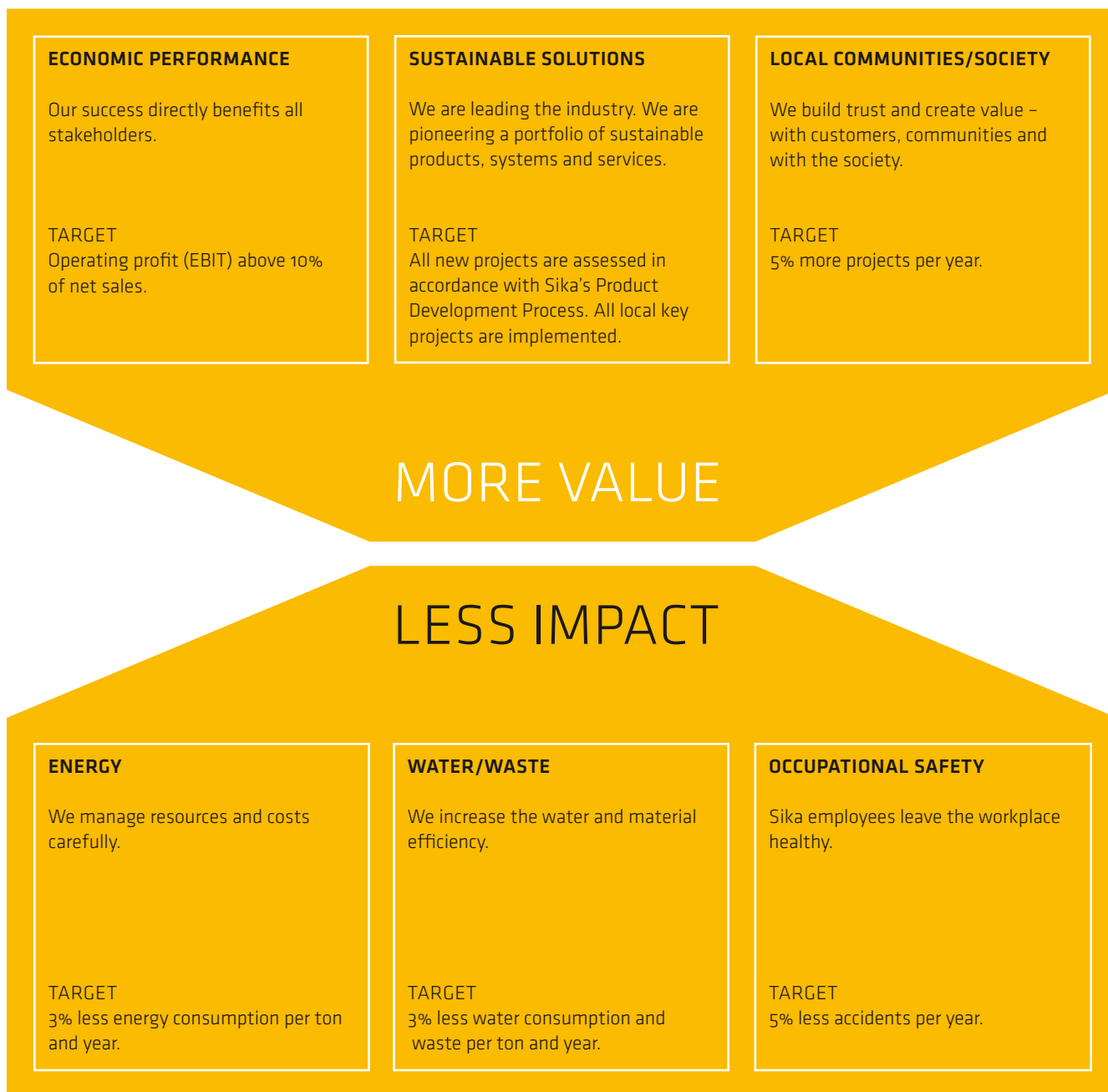
Using the GRI G4 structure, Sika defined the six target indicators with the largest potential effect (see next page).

COMMITMENT

The fact that Sika has a corporate history spanning over 100 years makes it all the more committed to sustainable development. This explains the company's many years of active involvement in the chemical industry's Responsible Care sustainability program. It is also a cosignatory and a member of the UN Global Compact corporate responsibility initiative, the Carbon Disclosure Project and the World Business Council for Sustainable Development.

SIX SUSTAINABILITY TARGETS

In dialog with internal and external stakeholders, Sika defined the six target indicators with the largest potential effect.



ACQUISITIONS & INVESTMENTS

SUPPORTING GROWTH IN THE TARGET MARKETS

Acquisitions are an important element of Sika's growth strategy, enabling the company to enhance its core business with related technologies or improve access to certain markets. Through capacity expansion fine-tuned to market demands and investment in plant efficiency, the Group ensures the consolidation of its global growth potential.

ACQUISITION STRATEGY

Organic growth, i.e. growth driven by entrepreneurial endeavor, is at the core of Sika's corporate strategy. This organic growth is compounded by carefully targeted external growth which offers a useful way of closing existing gaps in access to the target markets and consolidating fragmented markets. Particularly in North America, Asia and parts of Latin America, Sika pursues this policy as a means of steadily improving its market position. At the same time, however, the company seeks to strengthen or extend its core business through the selective acquisition of related technologies. Sika mainly finds these technologies in small and medium-sized enterprises in Europe, the USA and some Asian countries. The fact that such businesses are usually unable to market their systems worldwide sooner or later proves a barrier to growth. By acquiring such companies, the Sika Group, as a global player, is able to leverage their full potential.

Sika's acquisition strategy typically involves the takeover of small and medium-sized companies. When evaluating a takeover offer, Sika relies on the expertise and experience already gained, as well as on clearly defined processes in place Group-wide. Given that, in most cases, acquired companies are fully incorporated in the Group, Sika is at pains to ensure that this integration runs smoothly. Sika therefore pays particular attention to the corporate culture of all takeover candidates prior to any acquisition.

The regions generally assume responsibility for the particular acquisition procedures. The process is supervised and coordinated at Group level.

2013 ACQUISITIONS

In June 2013, Sika, through its UK subsidiary, acquired Everbuild Building Products Ltd, the UK's largest independent manufacturer of sealants, adhesives and construction chemicals. The acquisition has strengthened Sika's position in the construction chemical market and in the professional distribution and do-it-yourself channels in the UK.

In mid-July, Sika acquired JMTexsa, S.A. de C.V., Mexico, and Texsa India Ltd, two leading manufacturers of bituminous waterproofing membranes for the roofing market. The acquisitions gave Sika market access to the important roofing and waterproofing markets in Mexico and India and provide an ideal base from which to develop and expand the markets in neighboring emerging economies.

Sika announced the acquisition of Radmix Resources Pty Ltd. and its manufacturing partner ASF (Australian Synthetic Fibres) Pty Ltd. in mid-July. Radmix Resources Pty Ltd. is the leading supplier of structural fibers for shotcrete in Australia's mining industry. The structural fibers manufactured by Radmix are used for concrete reinforcement, in particular shotcrete. The technological know-how brought in by Radmix plus Sika's comprehensive range offer major potential for the development of new products and the expansion of an already substantial offering for the mining industry.

Sika took over Dutch company AkzoNobel's Building Adhesives business in October. With the two production sites in Germany and France and a pan-European distribution network, this business arm supplies its customers with high-grade, innovative and successful products. Sika benefits from a complementary product portfolio which is well established within important European countries such as Germany, France, the Netherlands and the Nordics and which has optimum potential to grow in significance both Europe-wide and globally. The acquisition enables Sika to increase its product offering for interior finishing in the key target markets of Flooring, Sealing & Bonding and Refurbishment and to expand its core competences in powder production.

Shortly before the end of the year, Sika announced the acquisition of LCS Optiroc Pte Ltd. in Singapore and LCS Optiroc SDN. BHD in Malaysia. LCS Optiroc, Singapore's market leader for cementitious powder products, offers products for interior and exterior finishing in the refurbishment and flooring target markets. The acquisition will provide Sika with a solid base for expansion into the cementitious powder products market in the Asia/Pacific region. Control was assumed and the transaction completed in January 2014.

2013 INVESTMENTS

Sika's unchanged investment strategy is geared to consolidating its global presence, built up during the last few years, and unlocking new markets or expanding its activities to this end. To encourage focused growth, selected markets, customers, technologies and products are prioritized. Investment rose significantly year-on-year, especially in the growth markets of Asia and Latin America. Sika invests locally in production and logistics capacities, and its decentralized market development policy brings the company very close to its customers.

In the year under review, Sika invested CHF 153.9 million (2012: CHF 131.3 million), equivalent to 3% of net sales. At 47%, the key focus of investment was the expansion of production capacity (2012: 56%). The breakdown of the remaining investment is as follows: 16% (2012: 16%) was used for rationalization, 34% (2012: 24%) was needed to replace existing facilities and 3% (2012: 4%) was spent on environmental protection, health and safety as well as quality control. The share of investment in the emerging markets was 43% (2012: 34%), underscoring Sika's growth strategy.

Sika will continue to invest in those regions where the Group can tap into new markets and generate growth. These include Latin America, Eastern Europe, China, India, the Middle East and Africa.

GROUP REVIEW

GROUP REPORT

RECORD RESULTS IN ALL AREAS

Sika increased currency-adjusted sales by 6.5% to CHF 5,142.2 million in 2013. In local currencies, sales grew 9.4%. The sales trend was assisted by the late onset of winter in the fourth quarter of 2013. Sika made above-average progress in terms of profitability. Operating profit increased by 20.9% to CHF 523.5 million, and net profit by 23.8% to CHF 344.7 million.

GROWTH IN ALL REGIONS

In the 2013 financial year, Sika achieved sales growth of 9.4% in local currencies. Of the total, 5.9 percentage points were attributable to organic growth and 3.5 percentage points to acquisitions. The strength of the Swiss franc caused a currency effect of -2.9%, resulting in currency-adjusted sales growth of 6.5%.

All regions contributed to the sales growth. In the EMEA region (Europe, Middle East and Africa), Sika achieved growth of 8.5% in local currencies in 2013. In addition to the acquisitions, organic growth in Eastern Europe, Africa, the Middle East and the UK contributed particularly well to this positive trend. In the North America region, sales growth in local currencies was 2.3%. While the residential real estate market recovered, any positive impact on the rest of the construction industry remained modest. There was a significant upturn in Sika's business in North America towards the end of the year. Latin America was the region with the strongest growth in 2013. Sales rose by 15.1% in local currencies, with Sika recording an increase in all countries and all target markets in the region. Sika's growth was also above average in the Asia/Pacific region, where sales increased by 12.7% in local currencies. Sales went up by single-digit percentages in the OECD countries of that region. Double-digit growth rates were recorded by Sika in the growth markets of China, India, Indonesia, Thailand, Malaysia and Vietnam.

In "Other segments and activities", Sika significantly exceeded market growth by achieving organic growth of 11.3%. This includes the sales figures for the Automotive division, which Sika operates centrally to cover the whole world. Car production rose by 3.1% globally in 2013. Business grew strongly in China, where Sika gained new customers, and Brazil, where Sika received more orders from existing customers thanks to its extensive product portfolio.

Accelerated expansion in the emerging markets produced gratifying sales growth of 17.2% in local currencies and 11.8% in Swiss francs for Sika. The proportion of sales generated by Sika in the emerging markets rose to 38% (previous year: 37%).

Sika increased sales of products for the construction industry by 10.1% in local currencies, including an acquisition effect of 4.3%. Sales of products for industrial manufacturing increased 6.5% in local currencies, with no acquisition effect.

FIVE ACQUISITIONS

In June 2013, Sika acquired Everbuild Building Products Ltd, the UK's largest independent manufacturer of sealants, adhesives and construction chemicals. In mid-July, Sika announced the takeover of Radmix Resources Pty Ltd. in Australia. The structural fibers manufactured by Radmix are used for concrete reinforcement, in particular shotcrete.

In the third quarter, Sika acquired JMTexsa in Mexico and Texsa India Ltd, two leading manufacturers of bituminous waterproofing membranes for the roofing market. Sika thereby gains access to the important roofing and waterproofing markets in Mexico and India.

In October, Sika purchased the Building Adhesives business of Dutch company AkzoNobel. With two production sites in Germany and France and a pan-European distribution network, this business supplies its customers with high-quality, innovative and successful products.

Just before the end of the year, Sika announced the acquisition of LCS Optiroc Pte Ltd. in Singapore and LCS Optiroc SDN. BHD in Malaysia. LCS Optiroc is Singapore's leading manufacturer of cementitious powder products. The five acquired businesses generated annual sales totaling CHF 372 million in 2012.

ABOVE-AVERAGE PROFIT GROWTH

In the year under review, Sika's gross result improved slightly to 52.4% (previous year: 52.2%). Personnel expenses and other operating expenses rose less strongly than sales. Sika therefore increased the operating result by 20.9% to CHF 523.5 million (previous year: CHF 433.0 million). The EBIT margin was 10.2% (previous year: 9.0%). Sika increased its consolidated net profit by 23.8% to CHF 344.7 million (previous year: CHF 278.5 million).

HIGHER INVESTMENTS, IMPROVED BALANCE SHEET FIGURES

Sika's investment strategy is geared to further strengthening its presence in the emerging markets. In 2013, Sika therefore opened a total of ten new factories, in Russia, Ukraine, Romania, Colombia, China, Vietnam, Laos, Iraq, Angola and South Africa. To support growth in the year under review, Sika increased the investment volume to CHF 153.9 million (previous year: CHF 131.3 million).

Sika improved its net working capital as a percentage of net sales to 17.3% (previous year: 18.7%). This is mainly attributable to better management of the inventory and accounts receivable. Operating free cash flow came to CHF 432.7 million in the year under review (previous year: CHF 302.5 million). Sika's cash and cash equivalents rose to CHF 1,028.3 million (previous year: CHF 994.2 million). Net debt increased to CHF 266.5 million (previous year: CHF 155.5 million).

In October 2013 Sika successfully placed bonds totaling CHF 400 million on the market: a 6-year bond for CHF 200 million with a coupon of 1.125% p.a. and a 10-year bond for CHF 200 million with a coupon of 1.875% p.a. The equity ratio is now 45.1% (previous year: 44.6%).

GROUP REPORT REGIONS

SIKA HAS EXPANDED IN ALL REGIONS

While 2013 saw the overall growth of the Group expanding by 9.4%, the emerging countries recorded growth of 17.2%.

EMEA

The economic trends in most western European countries remained volatile in 2013. Nonetheless, the situation stabilized in some of the southern European markets. Africa's economic performance is steadily improving.

While adverse weather conditions led to a sluggish first quarter with sales down year-on-year, the demand for Sika products in the EMEA region then grew continuously up to the year-end.

In 2013, as in previous years, Sika was involved in a host of major projects in the region EMEA. These included the Toni residential development in Zurich, the Melide-Grancia tunnel in the canton of Ticino, infrastructure facilities for the Olympic Games in Sochi, the Louvre Abu Dhabi museum and various roads, schools and hospitals in Saudi Arabia.

In the reporting year, Sika invested in the expansion of its production facilities and generated synergies through mergers between individual Group companies.

2013 saw Sika acquire UK company Everbuild Building Products Ltd and the building adhesives business of AkzoNobel.

NORTH AMERICA

While the residential real estate market in the USA and Canada recovered, any positive impact on the rest of the construction industry remained modest.

Given that Sika's activities in the region North America were primarily focused on the weakly growing commercial construction market, the overall rise in sales remained in the low single-digit percentage area. Yet, thanks to efficiency gains, changes in the product mix and price increases in selected markets, Sika still managed to improve margins considerably.

In the reporting year, Sika was involved in various major projects, including the Apple headquarters in California, the new San Francisco 49ers stadium and One World Trade Center in New York.

2013 also witnessed the prompt implementation of the target market model in the USA. The company's dynamic development was further boosted by the promotion of several young employees to executive positions. Sika also launched the

construction of a new mortar factory in Atlanta and invested in improvements to existing facilities in Lyndhurst, New Jersey.

LATIN AMERICA

Latin America recorded lower economic growth in 2013 than in the preceding years.

Yet, Sika managed to defy the demanding market environment by increasing sales and gaining further market share in most countries of the region.

Sika opened a new production facility in Colombia in the reporting year. It expanded its existing factories in Chile, Peru, Mexico, Uruguay and Argentina, and established a new company in Panama, thereby centralizing parts of its regional management operations. In 2013, Sika acquired the companies Inatec in Paraguay and Texsa in Mexico.

ASIA/PACIFIC

Despite a fall in domestic demand, economic policy changes, currency depreciation and geopolitical uncertainties in a number of countries, the region Asia/Pacific still experienced overall growth in 2013.

Benefiting from the efficient implementation of its expansion strategy, Sika reported a double-digit increase in sales in the Asia/Pacific market.

Projects featuring Sika products in 2013 included three major infrastructure schemes: the Pahang water transport project in Malaysia and two hydropower stations – the Xayaburi plant in Laos and the Ulu Jelai plant in Malaysia.

To strengthen the regional supply chains, Sika set up new production facilities in China, Vietnam and Laos. The reporting year also saw the start-up of operations in Mongolia, the region's latest national subsidiary.

OTHER SEGMENTS AND ACTIVITIES

The automotive business, which is managed centrally on a global basis, forms a key part of the "Other segments and activities" field.

Worldwide car production rose by 3.1% in 2013. The 11.3% organic growth achieved by Sika far exceeded the market average. A notable surge in business was observed in China, where Sika won new customers, and in Brazil, where the company's wide-ranging product portfolio helped to expand sales to existing customers.

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)	2,470.2 (2,275.3)	711.2 (705.7)	622.8 (586.3)	973.7 (931.3)	364.3 (330.3)
Growth in local currencies	8.5%	2.3%	15.1%	12.7%	11.3%
Currency impact	0.1%	-1.5%	-8.9%	-8.1%	-1.0%
Acquisition effect	6.4%	0 %	3.0%	0.6%	0%
Number of employees	8,658	1,438	2,329	3,868	

OUTLOOK

CONTINUED GROWTH

In the financial year 2013, Sika developed the Strategy 2018 and launched it worldwide. Sika's growth model is the foundation for long-term success and for profitable, above-average growth

Through investments in growth markets, the launch of new products, and the acquired companies, Sika is poised to continue its growth strategy in 2014. However, currency movements and framework conditions prevailing in some markets are set to remain challenging in the current financial year.

For 2014, Sika expects to see a result consistent with the "Strategy 2018" with sales growth of 6 to 8%, at constant exchange rates and stable margin trends.

SUSTAINABILITY REPORT

ENHANCING UTILITY AND REDUCING NEGATIVE IMPACTS AND ASSUMING SOCIAL RESPONSIBILITY

As a globally operating technology-based company, Sika is especially committed to sustainable development. The company honors its responsibilities by offering sustainable solutions for energy-efficient construction and economical vehicles. It implements numerous measures aimed at boosting the Group's sustainability performance and achieving business, social and economical benefits.

SIKA'S SUSTAINABILITY STRATEGY

In 2013, Sika developed a sustainability strategy for the next five years. With the avowed aim of "enhancing utility and reducing negative impacts", the company defined six strategic targets that focus on sustainable solutions, economic performance, local communities/society, energy, waste/water and safety. Through its products, systems and solutions, Sika seeks to generate benefits for stakeholders that far outweigh the negative consequences of the production process and resource consumption (see also "Sustainable Development" on page 27 ff of the download version of this report).

The new sustainability strategy was accompanied by a new management and reporting system meeting the G4 Guidelines of the Global Reporting Initiative (GRI G4). A summary of the key results and findings is presented on the following pages. Full details are available on the Internet at www.sika.com/GRI.

MANAGEMENT AND ORGANIZATION

To ensure that the new sustainability strategy is firmly enshrined in its organizational structure, Sika created a network of sustainability experts for products, systems and solutions, and for production in the individual regions. In 2013, this network started to develop ideas and plans for a raft of company-wide measures. In addition, all internal stakeholders were informed about the new sustainability strategy. In 2014, all employees will participate in the ongoing refinement and implementation of the sustainability measures.

STANDARDS AND COMPLIANCE

The Sika Code of Conduct, by which all employees are bound, underwent revision in 2013 to incorporate the relevant sustainability principles. It states, among other things, that Sika under no circumstances tolerates any form of corruption, bribery or human rights infringements. Absolutely no leeway is allowed in respect of any breaches to the Code. Integrity, ethical and principled conduct, and adherence to the law are the foundation on which Sika's impeccable reputation is built. This is what

our customers and all other stakeholders – most notably, the Sika staff and shareholders – have rightly come to expect. The Code of Conduct is available in the world's major languages and is signed by each employee.

The senior management teams at the individual subsidiaries are mandated to enforce compliance with the Code of Conduct and with all relevant laws and standards. To achieve this, they are required to operate an internal control system and critically assess the results of checks and inspections. Moreover, the management teams are expected to act as role models in respect of ethical conduct.

Sika also assumes responsibilities for the supply chain. Through its amendments to the Supplier Code of Conduct in 2013, the Group ensured that suppliers are fully informed of Sika's ethical, ecological and social guidelines and expectations.

INSPECTIONS AND AUDITS

Inspections and audits are core elements of Sika's comprehensive management system. They provide management at Group, regional and local company level with a regular, independent assessment as to whether all activities comply with official requirements as well as with Sika's own internal guidelines, principles and risk management specifications. The inspections and audits thereby ensure the effectiveness of the relevant processes and controls at Sika. The auditing process is centrally organized. Group Management is regularly informed about the planning of inspections and their results. In all, 110 audits were conducted at Sika in the reporting year and associated improvements implemented wherever necessary. The audits covered all aspects of Sika's business operations, including quality control, environment, safety, health, risk management, technology, compliance, IT security, suppliers and products.

To ensure that suppliers also meet the official requirements and labor standards, Sika calls on them to perform self-assessments and itself conducts supplier audits. As a supplier to major customers – particularly from the automotive and industrial sectors – Sika is itself often subject to external audits. These audits are designed to ensure compliance with international labor standards and prescribed quality, environment, safety and health criteria.

INVOLVEMENT OF STAKEHOLDERS

Sustainable development is not something that any company can pursue in isolation. That is why Sika actively seeks the involvement of stakeholders, such as employees, customers, suppliers, shareholders, authorities, governments and associations. In developing its sustainability strategy, Sika consulted the principal stakeholders on what they considered to be the most important sustainability issues. Selection of the strategic sustainability targets is thus based on both an internal and an external perspective.

PRODUCT SUSTAINABILITY

Practical application of the "We give more than we take" principle necessitates soundly based data on both the impacts of the product-manufacturing process and the utility of the finished products. To this end, Sika in 2013 collected life-cycle data for its products, technologies and applications in accordance with the international life-cycle assessment (LCA) standard ISO 14040. These data were then entered in a newly designed reference database. This allows Sika, when developing new products and solutions, to compare their sustainability profiles with those of the existing range. Sika also launched several product safety databases in the reporting year. These contain information on the regulatory requirements together with details of the application safety of the individual products.

ENVIRONMENT, SAFETY AND SUSTAINABILITY

Unless otherwise stated, the following details relate to all business operations of the Sika Group, including the activities of the newly acquired companies. This is in contrast to previous sustainability reports, which factored out new acquisitions for a three-year period.

INVESTMENTS: Sika constantly improves its environmental protection and safety performance through its routine investment planning and maintenance activities. In 2013, Sika again invested CHF 4.6 million in technical equipment for accident and illness prevention, equivalent to 5% of the total investment in technical equipment. The numerous other measures implemented by Sika in the field of environment, health, safety and sustainability in the reporting year involved investments of CHF 24.4 million (previous year: CHF 20.0 million). Sika employs environment, safety and sustainability specialists at all its major sites. The total worldwide headcount in this field runs to over 100.

HEALTH AND SAFETY: At 12 per 1,000 employees (previous year: 12.9 per 1,000 employees), the number of occupational accidents in 2013 with over one day's lost working time remained more or less unchanged year on year. Over the last three years, Sika has managed to cut the number of occupational accidents by 17%. In 2013, accident victims were absent for an average of 16 days. Group Management is fully committed to further improving occupational safety and accident prevention in future. The target is to reduce the number of occupational accidents by 5% in each of the next five years.

ENERGY EFFICIENCY: At 1,769 TJ, Sika's energy consumption in 2013 was up on the previous year's figure of 1,571 TJ. This rise is attributable to three factors: First, the new reporting system takes account of all new acquisitions (see above). Second, the figure also includes energy use by the Group's own vehicles. Third, the increase also reflected a 10% year-on-year rise in the volume of products sold. At 540 MJ, the energy requirement per ton of product sold in 2013 was on a par with the previous year. In the last three years, Sika has succeeded in cutting energy demand per ton sold by 20%. Production at Sika is less energy-intensive than in the traditional chemical industry. Accordingly, Sika consumed only a quarter as much energy per CHF 1 million sales as the average traditional chemicals company. Sika is nonetheless targeting a 3% annual cut in energy use per ton sold. A number of subsidiaries have launched an energy efficiency program compliant with ISO 50001. Sika Germany is already certified to this standard and has also been awarded a building certificate for energy efficiency. In 2013, 57.5% of Sika's energy requirement was met by electrical power from the local grid. The remaining demand was mainly covered by natural gas and liquid fuels.

CO₂ EMISSIONS (SCOPE 1): In 2013, CO₂ emissions resulting from the use of primary energy sources ran to around 50,000 tons (previous year: 47,000 tons). This increase is also attributable to new acquisitions and the rise in production volumes. Further CO₂ emissions were generated by vehicle leasing (4,300 tons) and business travel (around 15,000 tons). Some of Sika's Chinese companies still rely on locally sourced coal as a fuel. This has a low gross calorific value and entails higher CO₂ emissions than natural gas. Many locations in China, however, offer no alternative to coal. At one Chinese factory, Sika has successfully introduced rice husks – a waste product from rice mills – as a renewable energy source. At other sites, the company implemented efficiency-boosting programs to minimize CO₂ emissions.

CO₂ EMISSIONS (SCOPE 2): At 124,000 tons, the CO₂ equivalent emissions caused by purchased electricity in 2013 were once again over double the emissions resulting from the use of primary energy sources. The stated value was calculated using the emissions factors from the Greenhouse Gas Protocol. Instead of determining the emissions caused by effective power consumption, this involves the application of average values for electricity production in each particular country. Some Sika sites, however, purchased their electricity from providers with below-average CO₂ emissions. The effective emissions were therefore lower than the calculated figures. This sustainability report nonetheless uses the average values prescribed by the Greenhouse Gas Protocol so as to ensure comparability.

WATER USE: Sika's water consumption in 2013 stood at 2 million m³. At the same time, the company's continuing investment in efficient water use in the reporting year helped to cut the water use per ton sold to 0.55 m³. This figure has fallen by 29% in the last three years. Sika aims to cut water consumption per ton sold by a further 3% per annum. Cooling water accounted for some 80% of the water demand. This is mostly drawn from the company's own authority-approved wells and is returned, unpolluted, to the water cycle.

MATERIALS USE: 2013 saw Sika achieve a slight improvement in material efficiency. As production volumes rose, the waste quantity ran to 56,000 tons, equivalent to 17 kg waste per ton sold or a rate of 1.7%. In the last few years, Sika has been able to cut this waste rate by 9%. Over the next five years, Sika will endeavor to achieve further reductions of 3% per annum. Half of the waste – particularly from polymer and mortar production – is recycled by external companies. A further significant proportion, primarily waste from the manufacture of polymeric membranes, mortars and admixtures, is reintroduced into the production process.

SAVING ENERGY AND RAW MATERIALS

Worldwide consumption of fuels such as crude oil, coal or natural gas, and raw materials such as water, iron ore or cement is constantly rising. Yet these resources are limited and their extraction is becoming increasingly expensive or is negatively impacting the climate. The efficient use of resources is one of the greatest challenges facing our generation. Sika offers numerous solutions that make a major contribution to the efficient use of energy and raw materials.

Sika solutions for saving energy and raw materials:

- Sika's concrete admixtures for high-grade concrete incorporating recycled aggregates reduce the demand for gravel
- Special seals for argon-filled insulating glass units and for bonding lighter windows improve the thermal insulation performance of low-energy buildings
- Structural adhesives and polymer-based reinforcing components for lighter automobiles help save fuel

EXAMPLE: Saving energy with grinding aids. Sika grinding aids for energy-efficient cement production save approximately 64 MJ of energy per ton cement (0.035% dosage) compared to grinding performed without these aids. As only around 10 MJ are consumed in the manufacture of grinding aids, the resulting net savings total 54 MJ per ton cement. This is roughly equivalent to the daily electricity consumption of an average Swiss household. Extrapolated to the global cement demand of 3,294 million tons in 2010, Sika grinding aids could theoretically have achieved energy savings equal to the annual power consumption of around 6.5 million households.

EXAMPLE: Saving energy in glass facade construction. The innovative Sikasil® SG-550 adhesive and Sikasil® IG-25 sealant cater for pioneering structural glazing assemblies. The substantial savings achievable through the use of high-strength silicone adhesives are illustrated by the project for a 170 m tall building with 60,000 m² of glazing in central Asia. The Sika solutions adopted here cut the silicone adhesive requirement by a full 39 tons, compared to an assembly using standard products. These savings correspond to CO₂ emissions of over 100 tons and an energy consumption of 3,000 GJ.

CUTTING CO₂ EMISSIONS

The earth's climate is changing with consequences for the whole world. This makes climate protection, in particular the continuous reduction of greenhouse emissions, a crucial task for the future.

Sika solutions for climate protection:

- Adhesives for the solar industry reliably bond very hot surfaces
- Highly reflective polymeric roof membranes boost the efficiency of solar installations and lower the cooling demand in buildings
- A special corrosion protection system for offshore wind farms guarantees a long service life under rough conditions
- Viewed over their entire life cycle, Sika Sarnafil® roof membranes entail 30% lower CO₂ emissions than other less durable roofing sheets

EXAMPLE: CO₂-efficient concrete admixtures. Concrete admixtures can be used to reduce the cement content of concrete without in any way impairing quality. Large quantities of CO₂, which is emitted during the combustion of limestone in cement production, can thus be avoided. The considerable savings potential was demonstrated by one Sika customer who needed 3,600 m³ of concrete for the construction of a gas storage tank. Use of the admixture Sika® ViscoCrete® resulted in a net reduction in CO₂ emissions of 50 tons or 9%. Applied to the annual worldwide concrete consumption of 5 billion m³, this offers potential cuts in the order of 72 million tons of CO₂, a figure roughly equivalent to the annual CO₂ emissions of Austria.

SAVING WATER

The process of global population growth is making clean water an increasingly scarce commodity. The careful management of water consumption, purification and storage as well as wastewater treatment is essential. Already today, one billion people suffer from a lack of drinking water.

Sika solutions for an adequate supply of clean water:

- Concrete produced with Sika® ViscoCrete® admixtures requires up to 15% less water than concrete mixed using standard procedures
- Watertight concrete and interior coatings for drinking water reservoirs reduce water losses
- Spray-applied waterproofing membranes for watertight structures and wastewater treatment plants reduce contamination

EXAMPLE: Drinking water tanks. On the Jungfrauoch saddle, high up in the Bernese Alps, a Sika product was used to reinstate a drinking water tank. The tank had sprung a leak and the water quality was compromised through contact with the concrete. The most straightforward and effective solution consisted in relining the tank with Sikaplan® WT 4300-15C Felt sheet waterproofing membranes.

BUILDING SUSTAINABLY

Astronomic sums are spent worldwide on infrastructure provision and maintenance. The rapid economic ascent of the emerging countries necessitates enormous investments in energy, transportation, water and health care. The existing infrastructure in developed countries also requires modernization.

Sika solutions for sustainable construction:

- Construction chemicals, shotcreting machines and waterproofing membranes allow efficient tunneling
- Composite materials substantially prolong the service life of aging engineering structures such as bridges
- Root-resistant polymeric roof membranes and systems allow the installation of green roofs to improve the urban climate
- Special concrete repair mortars and resins considerably extend the service life of bridges and concrete structures

EXAMPLE: Wood floor adhesives. Natural wood flooring is a popular choice for green buildings due to the material's longevity, low maintenance requirement and visual appeal. Various bonding options are available for laying this type of covering. SikaBond®AT-80, incorporating over 15% renewable raw materials, and the water-based, solvent-free Sika®Primer MR Fast offer the ideal solution for reliable, material- and energy-efficient installation of natural wood flooring. Use of these two Sika products instead of standard, solvent-free, one-component adhesives delivers a 50% cut in energy consumption and CO₂ emissions.

SOCIAL RESPONSIBILITY

In today's world, social, economic and ecological issues are closely intertwined. Social responsibility is the necessary component of success. Mindful of its obligations, Sika actively engages in sustainable and humanitarian development projects, either as a member of international organizations or directly on the spot. Sika's social involvement also embraces the sponsorship of organizations and initiatives in the fields of science, culture and sport.

MEMBERSHIPS

UN GLOBAL COMPACT: Sika has participated in the UN Global Compact network since 2009. The Global Compact principles enshrine a series of universally accepted values in the areas of human rights, labor standards, environmental protection and anticorruption policy. Another United Nations initiative where Sika is engaged is the Sustainable Buildings and Climate Initiative (SBCI), whose aim is to establish sustainable building practices worldwide.

RESPONSIBLE CARE: Sika honors the rules of the Responsible Care program, a voluntary global initiative of the chemical industry. Through their national associations, companies work together to continuously improve their health, safety and environmental performance. The Responsible Care ethic encourages industry to operate with due consideration to future generations.

GREEN BUILDING PROGRAMS: Green building and certification programs such as LEED (Leadership in Energy and Environmental Design) and BREEAM (BRE Environmental Assessment Method) evaluate the sustainability performance of construction materials and buildings. Sika participates in programs and schemes such as the German Seal of Quality for Sustainable Construction (DGNB) and the Green Globes in the USA. Sika cultivates an active partnership with the Green Building Councils in various countries, including the USA, Brazil, the UK, Italy and Serbia. Sika is also a member of numerous other associations and initiatives (see www.sika.com/en/group/sustainability/people/partnerships_andinitiatives.html).

ACTIVITIES

SOCIAL SPONSORING

Social sponsoring at Sika is mainly organized through the Romuald Burkard Foundation. Its main goals, among others, are to support communities in infrastructure development for social projects, to promote training in construction professions and trades, and to provide emergency aid to disaster-stricken regions. The Sika Board of Directors established the Romuald Burkard Foundation in 2005 in memory of Dr. Romuald Burkard, the third-generation representative of the Winkler family, which founded Sika. Sika seeks to promote on-the-ground self-help. The local Sika companies are thus required to put forward specific aid applications and, working with local partners, supervise the projects on site up to completion. Via the Romuald Burkard Foundation, Sika supported the following major projects in the year under review:

Yayasan Tirta Lestari (YTL) is a nonprofit organization whose mission is to improve health care, water supply, sanitation and drainage facilities in Indonesia. YTL is incorporated in the US umbrella organization WatSan Action. Sika has been the main sponsor since 2008. Every year, YTL helps to improve the living standards of 1 500 people. Aid provided in 2013: CHF 60,000. www.atmicikarang.ac.id

Since 2010, Sika has supported the activities of the nonprofit organization Operation Smile in Vietnam. The aid provided by Sika in 2013 paid for examinations for 440 children at four different hospitals as well as successful operations for 294 of these who suffered from facial deformities. Thanks to the assistance of committed volunteers, the organization has, since 1989, arranged operations for some 200,000 children and youths with cleft lips and palates or similar facial disfigurements. Aid provided in 2013: CHF 100,000. www.operationsmile.org

The Pro Leche Ayacucho development project is a privately organized self-help scheme for over 600 farming families in the Ayacucho region of Peru. Key aims include the achievement of higher milk yields and improved product quality standards by means of improved hygiene conditions, control and training. Sales channels are also being strengthened through the establishment of local cheese dairies. Aid provided in 2013: CHF 100,000. www.prolecheayacucho.org

Since 2007, Sika has supported the Pan de Vida orphanage in Mexico, where disadvantaged children and youths have the chance to live and study. The funds provided in the year under review covered scholarships for five young people, the construction of a sports ground, a dental care program and the building permit costs for a new residential block. Aid provided in 2013: CHF 310,000.
www.pandevidea.org

Sika has supported the Liter of Light organization since 2012, when it was founded by ten master's students from the University of St. Gallen in Switzerland. The organization sets out to provide underprivileged areas of the world with an alternative light source made from recycled plastic bottles. In 2013, Sika sponsored Liter of Light projects in Bangladesh, Colombia, India, Mexico, Nicaragua, the Philippines and East Timor. By supporting the organization's workshop at the World Resources Forum in Davos in fall 2013, Sika helped disseminate the idea of making lamps from recycled plastic bottles to a wider public. Value of products supplied free of charge in 2013: CHF 40,000.
www.literoflightswitzerland.org

In the reporting year, Sika began sponsorship of a youth scheme in the northern English town of Preston. Once completed, the Preston Youth Zone (PYZ) building complex will offer disadvantaged and disabled young people a range of sports facilities together with various other opportunities for personal development and a brighter future. Apart from financial support, Sika is also supplying products for the construction project. The PYZ is scheduled to open in 2014. Value of products supplied free of charge in 2013: CHF 75,000.
www.prestonyz.org

Sika has supported an orphanage in the municipality of Valea Lupului in eastern Romania since 2010. The construction of a guesthouse, which opened in June 2013, created jobs for various young people who had grown up as orphans. Aid provided in 2013: CHF 25,000.
www.valealupului.ch

ECOLOGICAL SPONSORING

The focus of Sika's ecological sponsoring is on water, building, infrastructure and renewable energy projects. The main sponsorship partner in this field is the Global Nature Fund (GNF). Sika has supported the GNF and its international Living Lakes environmental program since 2004. Comprising over 100 partner organizations from various lake regions across the globe, the Living Lakes network sets out to promote sustainable development and the protection of drinking water, lakes and wetlands. The initiative uses successful models and concrete projects to demonstrate how, with the involvement of the local population, positive social and economic developments can be achieved in different regions and societies without any threat to nature and the environment. In the reporting year, Sika sponsored model projects in Burundi, Kenya, Colombia and Mongolia. Aid provided in 2013: CHF 92,500.
www.globalnature.org

SCIENTIFIC SPONSORING

As project sponsor, Sika engages in a lively dialog with the ETH Zurich (Swiss Federal Institute of Technology in Zurich), the EPFL (Swiss Federal Institute of Technology in Lausanne), the ESPCI ParisTec (School of Industrial Physics and Chemistry of the City of Paris), the University of Burgundy, Princeton University, the Beijing University of Chemical Technology and many similar institutions across the globe. Sika's local subsidiaries cooperate with research institutes and provide mutual support. In 2013, as in previous years, Sika attached particular importance to its partnership with the ETH Zurich.

ETH ZURICH: The appointment process for the new Professorship for Soft Materials at the ETH Zurich, founded by Sika in 2010, was successfully concluded with the nomination of Professor Dr. Jan Vermant. 2013 was the fourth year in which the Sika Master Award was presented to the author of an outstanding master's thesis in the field of applied chemistry, based on the recommendation of the ETH's Department of Chemistry and Applied Biosciences. Sika also participates in the Sustainable Construction Partnership Council. This interdisciplinary forum promotes a dialog on current research topics, supports resources and knowledge transfer, and encourages the launch of joint research projects in the field of sustainable construction. Since 2010 Sika has allocated a total of CHF 7 million to support the newly created professorship.

YES COURSES: Sika continued its sponsorship of YES (Youth Encounter on Sustainability) courses worldwide in 2013. The courses, developed by a spin-off from the ETH Zurich, address various aspects of sustainable development and are primarily geared to students. The reporting year saw Sika actively involved in courses in Germany and Japan. Aid provided in 2013: CHF 70,000.
www.actis-education.ch

SPORTS AND CULTURAL SPONSORING

Sika companies support sports and cultural projects throughout the world. The focus of sponsorship in Switzerland is on the Lucerne Symphony Orchestra, the EV Zug ice hockey club and the Swiss Sliding sports association.

LUCERNE SYMPHONY ORCHESTRA: Sika has been a partner of the Foundation for the Lucerne Symphony Orchestra (LSO) for several years now. The foundation sets out to promote the artistic reputation of the LSO at regional, national and international level. It supports outstanding creative projects undertaken by the LSO and fosters the innovative development of the orchestra. As Switzerland's oldest symphony orchestra, the LSO enjoys international acclaim. Sponsorship sum in 2013: CHF 100,000.
www.sinfonieorchester.ch

EV ZUG ICE HOCKEY CLUB: Featuring on the club kit, stadium banners and even the ice rink, the Sika logo is an integral part of EV Zug's public identity. The sponsorship agreement with the top Swiss ice hockey team was concluded in the reporting year and will run until the end of the 2014/2015 season. Sponsorship sum in 2013: CHF 270,000.
www.evz.ch

SWISS SLIDING: Sika is a sponsor of Swiss Sliding, the association for the Winter Olympic disciplines bobsleigh, luge and skeleton. Swiss Sliding is committed to both top-level competitive and grass-roots sport, with the development of young talent as a key priority. As Reto Götschi, Swiss Sliding CEO, points out: "Apart from the financial support, Swiss Sliding also benefits from Sika's know-how and products."
Sponsorship amount in 2013: CHF 130,000.
www.swiss-sliding.ch

EMPLOYEES

COMPETENCE AND COMMITMENT

Sika believes in the competence and the entrepreneurial spirit of its employees and delegates decisions and responsibilities to the level of competence. Training and development of the employees is given high priority. Sika aims to develop its leaders for tomorrow and to focus on internal candidates for promotions.

MANAGEMENT PRINCIPLES

Sika's management nurtures continuity and upholds ethical values. Mutual respect and trust between management and staff, as well as between colleagues, is of central importance and is a key component of the corporate culture. Cultural diversity is striven for and discrimination is not tolerated in any form.

The activities of all employees are clearly focused on strategic and operational targets. Many employees are assisted in this respect by target agreements. The cooperative management style ensures that employees are involved in decision-making processes. Managers are expected to set an example for their employees, and foster their initiative, creativity and development.

Sika gives preference to internal candidates for specialist and management appointments. In the last two years, for example, Sika's Senior Management roles have almost all been filled internally.

In the year under review Sika spent approximately CHF 7.1 million (previous year: CHF 7.9 million) on staff development.

MANAGEMENT DEVELOPMENT

Sika develops its managers at different levels: in the first instance through ongoing training and professional development initiated by the relevant national organization or provided by the Sika Business School. Sika also attaches importance to junior managers familiarizing themselves with different functional areas and, ideally, gaining experience in other countries.

Group-wide guidelines guarantee security, transparency and a fair employment contract for employees on longer-term secondments abroad.

HEADCOUNT

The number of employees rose 7.0% during the year under review to 16,293 (previous year: 15,233). The majority of new staff – a total of 1,058 people – joined Sika in connection with acquisitions. The regional distribution of Sika employees is as follows: EMEA 8,658 (previous year: 7,956), North America 1,438 (previous year: 1,437), Latin America 2,329 (previous year: 2,170), Asia/Pacific 3,868 (previous year: 3,670).

The age structure at Sika is broadly balanced: 17.4% of employees are under 30 years of age and 20.6% over 50. Women account for a total of 21.5% of all staff, and 16.2% at management level.

Sika wants to offer its staff long-term prospects with the company. Over 93% of employees have permanent employment contracts.

Together, all Sika employees generated a net added value of CHF 1,542 million in 2013 (previous year: CHF 1,465 million). This corresponds to net added value per employee of CHF 98,000 (previous year: CHF 96,000). Further information on this topic may be found on page 121 of the pdf download of this report.

SIKA BUSINESS SCHOOL

In order to ensure that Sika always has a sufficient number of competent, well trained managers, the Sika Business School offers programs in the areas of management development and talent development. In the year under review the entire Sika Senior Management – around 160 managers – participated in a management seminar lasting several days at the International Institute for Management Development (IMD) in Lausanne (Switzerland). In addition, the Sika Business School ran global and regional management courses for junior managers.

The Sika Business School lays particular emphasis on the area of sales and marketing, offering numerous courses to develop the sales force. Furthermore, many training courses on Sika products and their applications take place at local and regional level. The company's expertise in advising customers is thus fostered worldwide.

BUILDING TRUST

WE DELIVER QUALITY, AND WE MAKE GOOD ON OUR PROMISES. WE STRIVE TO DO SO EVERY DAY. TOGETHER, TIRELESSLY, DRIVEN BY A PIONEERING SPIRIT.

Trust is result and promise in one. What counts is not only what we say, but above all what we do. So we asked Sika employees the world over from a wide variety of areas and roles what they understand by “Building Trust” and what they do to honor this claim.

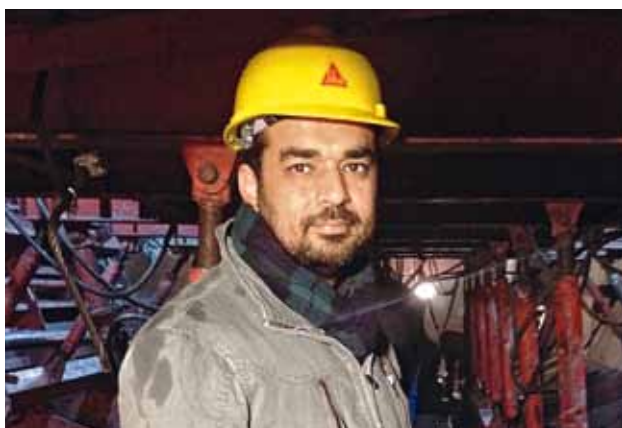
The answers make it clear: Trust and quality do not simply happen. They have to be achieved anew each day.

BUILDING TRUST. OUR EMPLOYEES ARE THE BEST PROOF. THEIR PIONEERING SPIRIT, THEIR PARTNERSHIP AND THEIR ENDURANCE ARE THE CORNERSTONES OF OUR SUCCESS AND COLLABORATION WITH OUR CUSTOMERS.



HANAA ADBEL HAMID
TARGET MARKET MANAGER REFURBISHMENT
EGYPT

My country is going through a difficult change. The support of the Sika family gives me confidence.



HAIDER ALI MALHI
TARGET MARKET MANAGER CONCRETE
PAKISTAN

For me, building trust is about establishing bonds that create synergies and genuine respect.



NGYEN THI YEN
PURCHASING AND CUSTOMER SERVICE SUPERVISOR
VIETNAM

Building trust means success for everyone.



DAVID SVOBODA

SALES TARGET MARKET CONCRETE AND TARGET MARKET WATERPROOFING, CZECH REPUBLIC

We are the customer's partner, friend, colleague and assistant in solving complicated challenges.



GABRIEL CARPENTIER

SALES REPRESENTATIVE RESIDENTIAL CONSTRUCTION SEALING & BONDING, REFURBISHMENT AND WATERPROOFING, CANADA

Sika symbolizes quality. Customers tell us that every time we present our product offering.



ANGELA WEI

RESEARCH & DEVELOPMENT MANAGER CHINA

We innovate reliable products and ensure customers can trust our quality.



CHRISTOPHE BIND

INDUSTRIAL AND EXPORT SALES MANAGER UK

Everbuild is one of the newest members of the Sika family, so trust is very important – for our customers and among colleagues.



HOLLMAN TOGORA

SALES SUPPORT ADMINISTRATOR COLOMBIA

We have succeeded in overcoming economic crises primarily thanks to the commitment of all our employees.



MARTIN KONSTANZER

DEPARTMENT MANAGER SCALE-UP, R & D SEALING & BONDING, SWITZERLAND

We take responsibility from the laboratory through to ultimate use by our customers.



MARIO SILVA
TECHNICAL DEPARTMENT
URUGUAY

17 years as a Sika employee and 24 years as a customer before that. Both perspectives have shown me that trust is at the center of everything Sika does.



ALVIN LIN
SPECIFICATION ENGINEER
SINGAPORE

We give architects and consultants a foundation so that they choose Sika from basement to roof.



NICOLE MEDEL
ACCOUNTING
CHILE

We are always on the look-out for innovative ideas that contribute to Sika's development. That's how we build trust.



JOHANNA GÖBL
OFFICE MANAGER AND HR MANAGER
HUNGARY

Sika's community spirit is vital to success, as it also determines our relationship with our customers.



MILOUDI NAFIL
COURIER
MOROCCO

The people who work at Sika build me up. That drives me to do my best.



DAVE TITO
WAREHOUSE OPERATIONS
NEW ZEALAND

I work hard on building good, honest relationships with contractors, purchasers and reps.



CHRISTINE KALTSIS-MOREY
QUALITY CONTROL LAB MANAGER
USA

Transparency builds trusted partnerships with our customers, suppliers and colleagues.



BENEDICT BLANK
PRODUCTION
GERMANY

Consistently high product quality is a requirement that my team and I are committed to meeting every day.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

COMMITMENT TO OPENNESS AND TRANSPARENCY

Creating transparency is the highest objective of good corporate governance. This provides information on structures and processes, areas of responsibility and decision procedures as well as rights and obligations of various stakeholders. Reporting at Sika follows the SIX Swiss Exchange guidelines.

GROUP STRUCTURE AND SHAREHOLDERS

Sika AG, headquartered in Baar, is the only listed Sika company. The Sika AG bearer shares are listed on SIX Swiss Exchange under Swiss security no. 58797. Information on Sika AG's stock market capitalization can be found on download pdf, page 8. In the year under review, the Sika Group encompassed unlisted subsidiaries in 84 countries. 136 companies are included in the scope of consolidation. Companies of which Sika holds less than 50% of shareholder votes are not consolidated. These are namely Addiment Italia S.r.l., Italy; Condensil SARL, France; Sarna Granol AG, Switzerland; Hayashi-Sika Automotive Ltd., Chemical Sangyo Ltd. and Seven Tech Co. Ltd. in Japan as well as the joint venture Part GmbH in Germany. Detailed information on the Group companies can be found on page 112 ff. of the download pdf of this report.

Sika conducts its worldwide activities according to countries that have been classed into regions with area-wide managerial functions. The heads of the regions are members of Group Management. The regional and national management teams bear full profit and loss responsibility, and – based on the Group strategy – set country-specific growth and sustainability targets, and allocate resources.

Furthermore, Sika has geared its internal organization toward seven target markets from the construction industry or from industrial manufacturing. These target markets are represented by two members of Group Management as well as in the regional management teams and the national subsidiaries. The relevant managers are responsible for the definition and launch of new products, the implementation of demonstrated best practices, and the product-line and pricing policies for Group products, i.e. those offered worldwide rather than only in a particular country.

The heads of the central services Finance and Research and Development are likewise members of Group Management, which consists of nine members. All Group business is consolidated in Sika AG, the holding company, itself in turn under the supervision of the Board of Directors. The organization structures are presented on pages 13 to 18 of the download pdf of this report.

As of the balance sheet date of December 31, 2013, Sika had one significant shareholder with a share of voting rights of over 3%, the Burkard-Schenker family, which according to information provided by the family as at December 31, 2013, holds 52.7% of all share votes, mainly through Schenker-Winkler Holding AG, Baar. A list of changes in significant shareholdings reported to the Disclosure Office of SIX Swiss Exchange Ltd during the year under review can be found at http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html. There are no crossover holdings exceeding 3%, either in terms of capital or votes.

CAPITAL STRUCTURE

As at December 31, 2012, capital stock totaled CHF 1,524,106.80. This was divided into 2,151,199 bearer shares, each with a nominal value of CHF 0.60, and 2,333,874 registered shares, each having a nominal value of CHF 0.10. All shares earn the same dividend, with payout adjusted according to nominal value. One share represents one vote. In addition, there is CHF 155,893.20 in contingent capital, unrestricted in time, comprising 259,822 bearer shares with a per-share nominal value of CHF 0.60. These shares are reserved for the exercise of option or conversion rights. Shareholders are excluded from subscription rights. There are currently no conversion or option rights outstanding. Sika granted no participation certificates, dividend right certificates or stock options.

Option plans do not exist for members of the Board of Directors, Group Management or employees. Changes in capital stock, reserves and retained earnings during the last five years are posted on page 117 ff. of the download pdf of this report.

The purchase of Sika bearer and registered shares is open to all legal persons and individuals. The Board of Directors can deny purchase of registered shares if the purchaser's registered shareholdings exceed 5% of the total number of registered shares entered in the commercial register. In the year under review no shareholder newly exceeded this 5% threshold. Nominees, i.e. shareholders who acquire shares in their own name but on the account of third parties, are registered as shareholders without voting rights.

BOARD OF DIRECTORS

The Board of Directors is Sika's highest governing body and is mainly responsible for the:

- Definition of the corporate mission statement and corporate policies
- Decisions on corporate strategy and organizational structure
- Appointment and dismissal of members of Group Management
- Structuring of finances and accounting
- Establishment of medium-term planning as well as the annual and investment budgets

The members of the Board of Directors are elected by the Annual General Meeting for a term of office of one year. They can be reelected at any time. Upon reaching the age of seventy, directors resign their mandate. Detailed information on individual members of the Board of Directors is listed on page 18 of the download pdf of this report. No directorships are maintained with other listed companies on a reciprocal basis. The Board of Directors constitutes itself, electing the Chairman and Vice Chairman from its ranks.

Presently the Board of Directors of Sika AG consists of eight members. None of the members of the Board of Directors was a member of Group Management or the executive management of a Group company during the three preceding business years. The Board convenes at the Chairman's request as business demands. In business year 2013 the Board met eight times. The Chief Executive Officer (CEO) participates in the Board meetings in an advisory capacity. The other members of Group Management take part as necessary, but at least three times per year, also in an advisory capacity. Company officers report regularly and comprehensively to the Chairman concerning implementation of Board decisions.

The CEO as well as the CFO report to the Board in writing on the development of business at least once per month. Extraordinary occurrences are reported immediately to the Chairman or the Audit Committee, insofar as such events relate to the latter's area of responsibility. The Internal Audit staff report to the Chairman as well as the Audit Committee within the scope of the review schedule.

BOARD COMMITTEES

Sika has two committees of the Board of Directors: the Audit Committee as well as the Nomination and Compensation Committee. The chairpersons of these committees are elected by the Board. Otherwise, the committees organize themselves. Information on the members of the committees can be found on page 18 of the download pdf of this report.

- The Audit Committee mainly reviews the results of internal and external audits as well as risk management. The committee convenes at the request of its chairperson as required. Customarily the Chairman of the Board and the CFO, as well as the CEO if necessary, take part in these meetings in an advisory capacity. In the year under review the Audit Committee met five times.
- The Nomination and Compensation Committee prepares personnel planning at Board and Group Management level and handles matters relating to compensation. One of the central tasks of the Nomination and Compensation Committee is succession planning for the Board of Directors and Group Management. The committee convenes at the request of its chairperson as required. Usually the Chairman of the Board and the CEO participate in these meetings in an advisory capacity, insofar as they are not themselves affected by the items on the agenda. In the year under review the Nomination and Compensation Committee met six times.

GROUP MANAGEMENT

Within the framework of Board resolutions, Sika's operative leadership is incumbent on Group Management. The structure of the Group Management is outlined in the beginning of the Corporate Governance, on page 49 of the download pdf of this report. The members of Group Management and their functions are listed on pages 13 to 17 of the download pdf of this report. Detailed information on their backgrounds and activities can be found on pages 15 to 16 of download pdf of this report. Sika had no management contracts with third parties in the year under review.

SHAREHOLDER PARTICIPATION RIGHTS

Sika upholds no restrictions to voting rights either on the basis of the articles of association or by other means, and thus also no rules for granting exceptions. Accordingly, no exceptions were made in the year under review with respect to voting rights restrictions. Every shareholder can exercise share votes through representation by another shareholder with voting rights or the independent proxy.

Information on what constitutes a statutory quorum can be found in Art. 704 of the Swiss Code of Obligations (CO); information on what constitutes a quorum under Sika's articles of association can be found in § 15 paragraph 3 of the latter document. The orders of business for which a majority is required are defined therein. Sika's articles of association can be found at <http://www.sika.com/en/group/investors/corporategovernance/articlesofassociation.html>. The invitation modalities and deadlines for the Annual General Meeting are conformant with legal requirements. In addition, during a period published by the company, shareholders representing a nominal share value of CHF 10,000 can request in writing to have an item placed on the agenda, indicating the proposals to be put forward.

Notice is published in the Swiss Official Gazette of Commerce. New registered shares will not be registered by the company in the two working days prior to the Annual General Meeting. Therefore registered shares sold between the deadline and the Annual General Meeting are not entitled to vote.

DELINEATION OF POWERS OF AUTHORIZATION

The powers of authorization, duties and responsibilities of the Board of Directors and Group Management are laid down in the organizational rules of Sika AG and Sika Group (http://www.sika.com/en/group/investors/CorporateGovernance/organizational_rules.html).

CHANGE IN CORPORATE CONTROL AND DEFENSE MEASURES

In accordance with § 6 of the Sika articles of association, purchasers of shares are not obligated to make a public offering as generally prescribed by articles 32 and 52 of the Swiss Federal Act on Stock Exchanges and Securities Trading. There are no clauses governing changes in corporate control.

AUDITOR

The auditor of Sika AG is elected by the Annual General Meeting for a term of one year. In the year under review, Ernst & Young AG, listed as an auditor in the commercial register since February 7, 1995, served in this capacity. In accordance with legal requirements, the auditor in charge is replaced after a maximum period of seven years. The auditor in charge has been responsible for the audit mandate since 2010.

The auditor participates regularly in the meetings of the Audit Committee, providing oral and written report of the results of its reviews. The Audit Committee checks and evaluates the auditor and makes recommendations to the Board of Directors. The evaluation of performance and the negotiation of fees are conducted according to internally specified criteria.

In 2013, the present auditor took part in three meetings of the Audit Committee.

Ernst & Young AG billed CHF 3.5 million for its services during the year under review. This figure included the audits of individual closings within Sika AG as well as of practically all subsidiaries and the review of the consolidated financial statements. Ernst & Young AG received additional fees totaling CHF 0.8 million for tax consultancy and CHF 0.6 million for audit-related consulting services.

INFORMATION POLICY

Sika informs extensively on the development of business in annual and quarterly reports, at the annual media and financial analyst conference as well as at the Annual General Meeting. The continually updated website at www.sika.com as well as media releases regarding important developments are also integral components in communications. As a company listed on SIX Swiss Exchange, Sika is also obligated to comply in particular with requirements of ad-hoc disclosure, i.e. the release of news which may affect its stock price. In addition, Sika maintains dialogue with investors and the media through special events and road shows. Information on important dates in 2014 can be found on page 135 of the download pdf of this report.

COMPENSATION REPORT

COMPENSATION REPORT

The Compensation Report describes the compensation principles as well as the governance framework related to the compensation of the Board of Directors and the members of Group Management of Sika. The report also provides details around the compensation programs and the payments made in the 2013 business year.

The Compensation Report is written in accordance to the Articles 663b bis and 663c of the Swiss Code of Obligations, the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse and the standard relating to information on Corporate Governance of the SIX Swiss Exchange. It is structured as follows:

- Introduction by the Chairman of the Nomination and Compensation Committee
- Compensation governance
- Compensation principles
- Compensation of the Board of Directors
- Compensation of the Group Management

INTRODUCTION BY THE CHAIRMAN OF THE NOMINATION AND COMPENSATION COMMITTEE

DEAR SHAREHOLDERS,

The compensation system for our executives have been reviewed and modified in 2012 in order to be closely tied to our strategy of profitable growth and sustainable long-term performance. Those changes have been described in detail in the 2012 compensation report and I would like to provide some highlights here.

The compensation model for Group Management rewards for the company performance with a strong focus on its sustainable success. In the short-term incentive, the company's performance is defined as net sales growth and profitability improvement in comparison to a peer group of companies and therefore includes both top-line and bottom-line contributions. The long-term incentive is now a Performance Share Unit plan with a three-year vesting period and an additional four-year restriction period on the shares granted. This incentive is based on the performance of the Return On Capital Employed and rewards for proper management of the company's assets.

This compensation model ensures a healthy balance between short-term and long-term performance and a strong alignment of executives' interests to those of our shareholders.

With regards to the compensation of the Board of Directors, it is now delivered partly in shares with a four-year restriction period, in order to ensure strong alignment with shareholders' interests.

In the 2013 Compensation Report, you will be able to read a detailed description of the compensation programs for our executives and to see a clear link between the performance achieved under the different plans and the respective payments.

Let me also provide you with some heads up about the changes to be expected over the next two years following the implementation of the Ordinance against Excessive Compensation (VergüV) in 2014.

First of all, the principles of our compensation system for the Board of Directors and Group Management will be part of our Articles of Associations. You will be asked to approve the changes to the Articles of Association during the 2014 Annual General Meeting.

Secondly, we will ask you to approve the compensation payments for the Group Management and the Board of Directors in a binding vote.

Finally, as of business year 2014, the Compensation Report will be written as a stand-alone document and will contain detailed information on the compensation principles, programs and payments made to executives for the reporting year. The report will need to meet various regulatory requirements and will be reviewed by the external auditors. We have already incorporated several changes in the current report to the extent we believe is appropriate while still complying with the current regulations.

We hope that you find this report informative and we are confident that our approach to executive pay aligns well with the strategy and the performance of the company.

Sincerely,

FRITS VAN DIJK
Chairman of the Nomination and Compensation Committee

COMPENSATION GOVERNANCE

NOMINATION AND COMPENSATION COMMITTEE

In accordance with the organizational regulations, the Nomination and Compensation Committee is composed of three members of the Board of Directors. Since the Annual General Meeting of 2013, Mr. Frits van Dijk (Chairman), Mr. Urs Burkard and Mr. Daniel Sauter are members of the Nomination and Compensation Committee.

As defined in its Duties, Accountabilities and Responsibilities, the Nomination and Compensation Committee is responsible to:

- Prepare the succession planning of the CEO and other members of Group Management, and to propose to the Board of Directors the appointment of new members of Group Management
- Review and determine the compensation policy, including the principles for the variable compensation and shareholding programs
- Propose to the Board of Directors the compensation level for the members of the Board of Directors, the CEO and the other members of the Group Management
- Provide the Board of Directors with a performance assessment of the CEO and of the other members of Group Management, together with a recommendation for the short-term and long-term incentives to be awarded to them based on their individual performance and the performance of the company

LEVELS OF AUTHORITY

	CEO	NCC	Board
Compensation of Board of Directors		Proposes	Approves
Compensation of CEO		Proposes	Approves
Compensation of Group Management	Proposes	Reviews	Approves

In 2013, the Nomination and Compensation Committee held six meetings according to the following predetermined annual agenda:

	Feb	Apr	May	Aug	Oct	Dec
Compensation strategy and Governance						
Review of Committee duties, accountabilities and responsibilities	■					
Preparation and approval of compensation report	■				■	■
Preparation of Say-on-Pay vote for next Annual General Meeting	■					
Review of external stakeholders feedback on compensations disclosure		■				
Review of compensation disclosure principles				■		
Review of overall compensation policy				■		
Compensation of Board of Directors						
Determination of compensation for next compensation period		■				
Compensation of Group Management						
Preliminary performance evaluation (previous year)	■					
Final performance evaluation (previous year)		■				
Determination of short-term incentive for previous year		■				
Determination of Long-Term Incentive vesting (previous performance period)		■				
Preliminary compensation review for following year					■	
Determination of compensation target for following year						■
Determination of performance objectives for following year						■
Nomination items						
Review of Board constitution			■			
Succession planning Group Management					■	

The Chairman of the Nomination and Compensation Committee reports to the Board of Directors after each meeting on the activities of the Committee. The minutes of the Committee meetings are available to the members of the Board of Directors. As a general rule, the Chairman of the Board of Directors and the CEO attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

In 2013, two members of the Committee attended all meetings and one member attended four and was excused for two meetings. This corresponds to an overall attendance rate of 89%.

The Nomination and Compensation Committee may decide to consult an external advisor from time to time for specific compensation matters. Towers Watson was mandated to perform a benchmarking analysis of the compensation of Group Management in light of the organizational changes in 2013. In addition, support and expertise are provided by internal compensation experts such as the Head of Human Resources and the Head of Compensation & Benefits.

METHOD OF DETERMINATION OF COMPENSATION

PERIODIC BENCHMARKING

The compensation of the Board of Directors is regularly reviewed against prevalent market practice of other multinational industrial companies. In 2012, a thorough review had been conducted in order to determine the competitiveness of the Board compensation in terms of structure and overall level. For this purpose, a peer group of Swiss multinational companies of the industry sector listed on the SIX Swiss Exchange had been selected for the benchmarking analysis. The peer group consists of Clariant, Geberit, Georg Fischer, Holcim, Lonza, Schindler, Sonova and Sulzer and is well balanced in terms of market capitalization, revenue size and headcount. This compensation review was conducted on the basis of the compensation disclosure of the peer companies and resulted in a fundamental change of the compensation model for the Board of Directors, effective 2012. Consequently, no further analysis and no further adjustments were necessary in 2013.

In light of the organizational changes at Group Management level effective as of January 1, 2013, a thorough review of the compensation was conducted at the end of 2012, with the support of an independent consultant, Towers Watson. The same peer group of companies has been chosen as for the review of compensation of the Board of Directors. Towers Watson gathered the relevant benchmarking data through a so-called "club survey" and summarized them into a report. This customized survey has been conducted in the specific circumstances of the organizational changes in 2013 and will not necessarily be repeated on a yearly basis. The report served as basis for the Nomination and Compensation Committee to analyze the compensation of the CEO and the Group Management, and to set their target compensation levels for the business year 2013.

PERFORMANCE MANAGEMENT

The actual compensation paid to the individual members of Group Management in a given business year depends on the company and on the individual performance. Individual performance is assessed through the annual Performance Management process, which aims to align individual and collective objectives, to stretch performance and to support personal development. The objectives for the CEO and members of Group Management are approved by the Nomination and Compensation Committee at the beginning of the business year and achievement against those objectives is assessed at year-end. The performance assessment of the members of Group Management is conducted by the CEO. The Nomination and Compensation Committee evaluates the performance of the CEO and reviews the performance assessment of the other members of Group Management before submitting them to the Board of Directors for approval. In discussing performance, the Nomination and Compensation Committee deliberates the achievement of the individual objectives of each member of Group Management. The Committee also considers the extent to which the individuals have carried out their duties in line with the company values and expected leadership behaviors. The individual performance assessments, together with the company's performance, form the basis for the determination of incentive levels.

COMPENSATION PRINCIPLES

In order to ensure the company's success in the competitive global business environment, it is critical to attract, develop and retain qualified, talented and engaged executives and employees. Sika's compensation programs are designed to support this fundamental objective and are based on the following principles:

PAY FOR PERFORMANCE AND SUSTAINABLE SUCCESS

Compensation of Group Management is linked to Sika's performance and to individual performance. Through a well-balanced combination of incentive programs, both the annual performance and the long-term success are being rewarded.

ALIGNMENT WITH SHAREHOLDERS' INTEREST

A significant portion of compensation is delivered in the form of restricted shares in order to align the interests of executives to those of the shareholders.

MARKET COMPETITIVENESS

Compensation is regularly benchmarked and is in line with competitive market practice in order to be able to attract and retain talented executives and employees.

TRANSPARENCY

Compensation programs are straightforward and transparent.

COMPENSATION OF THE BOARD OF DIRECTORS

Members of the Board of Directors receive an annual fee, consisting of a basic fee for services to the Board and an additional fee for assignments to committees of the Board.

The fees are paid partially in cash and partially in shares, at the end of the year of mandate. The shares are paid out shortly after the Annual General Meeting and their market value (closing share price on payout date). The shares are blocked from trading for a period of four years, except in case of change of control or liquidation, when they are unblocked immediately. The shares remain blocked in all other instances.

The compensation of the Chairman of the Board of Directors is defined individually, based on the person's skills and experience, and includes the following components: an annual basic fee, paid partially in cash and partially in shares, and a representation allowance. The Chairman of the Board of Directors is not eligible for committee fees.

The members of the Board of Directors receive no additional reimbursements of business expenses beyond actual expenditures for business travel. The members of the Board do not participate in Sika's employee benefit plan.

STRUCTURE OF BOARD COMPENSATION

	CHF	Number of shares
Basic annual fee (gross)		
Chairman of the Board of Directors	Individually determined	Individually determined
Members of the Board of Directors	150,000	26
Committee annual fee (gross)		
Committee Chairman	50,000	
Committee Members	30,000	

In 2013, the members of the Board of Directors received a total compensation of CHF 2.8 million (2012: CHF 3.0 million) in the form of fixed fees of CHF 1.6 million (2012: CHF 1.9 million), committee membership fees and other expenses of CHF 0.3 million (2012: CHF 0.2 million), no cash bonus (2012: CHF 0.1 million), social security contributions of CHF 0.2 million (2012: CHF 0.2 million) and shares of CHF 0.7 million (2012: CHF 0.6 million). The cash bonus payment and pension contributions to the Chairman of the Board of Directors were discontinued since April 2012.

The details on compensation of the Board of Directors are shown in Note 19 in the Appendix to the Consolidated Financial Statements of Sika AG on page 129 of the download pdf of this report.

No member of the Board of Directors was granted a loan during the business year. No loans were outstanding at the end of the year under review.

No compensation was paid to parties closely related to members of the Board of Directors.

Payments to former Directors

In the year under review, no compensation was paid to former members of the Board of Directors.

COMPENSATION OF THE CEO AND OF THE MEMBERS OF GROUP MANAGEMENT

COMPENSATION MODEL AND COMPENSATION ELEMENTS

The compensation for members of Group Management includes the following elements:

- Fixed base salary
- Variable compensation: short-term and long-term incentives
- Benefits & perquisites

	Vehicle	Purpose	Drivers	Performance Measures
Annual Base Salary	Monthly cash salary	Attract & retain	Position, market practice Skills & experience of person	
Performance Bonus (Short-Term Incentive)	Annual bonus Paid in cash and in Sika restricted shares	Pay for performance (short-term)	Achievement of business and individual objectives over a 1-year period	Group EBIT & Net sales Individual objectives
Long-Term Incentive	Performance Share Unit	Reward long-term performance Align to shareholder interests	Achievement of a Group objective over a 3-year period	ROCE
Benefits	Pension & Insurances	Protect against risks	Market practice	
	Perquisites	Attract & retain	Market practice & position	

STRUCTURE OF COMPENSATION OF GROUP MANAGEMENT

FIXED ANNUAL BASE SALARY

Annual base salaries are established on the basis of the following factors:

- Scope, size and responsibilities of the role, and skills required to perform the role
- External market value of the role
- Skills, experience and performance of the individual in the role

To ensure market competitiveness, base salaries of the members of Group Management are reviewed every year taking into consideration company's affordability, benchmark information, market movement, economic environment and individual performance.

PERFORMANCE BONUS (SHORT-TERM INCENTIVE)

The Performance Bonus is a short-term variable incentive designed to reward the collective performance of the company ("Group performance") and the individual performance ("Individual performance") of the incumbent, over a time horizon of one year. This variable compensation allows employees to participate in the company's success while being rewarded for their individual performance.

The Performance Bonus target is expressed as percentage of base salary and amounts to 100% for the CEO and ranges from 54% to 86% for the other members of Group Management. Group performance accounts for 75% of the total bonus for the CEO, while the individual objectives account for 25%. For the other members of Group Management, Group performance represents 60% of the bonus and the individual performance 40%.

GROUP PERFORMANCE

The performance measures for the Group performance are proposed by the Nomination and Compensation Committee and approved by the Board of Directors. For 2013, they were the same as in the previous year:

- EBIT (Earnings Before Interest and Tax) improvement during the year, relative to a peer group of companies
- Net sales growth during the year, relative to the same peer group

EBIT improvement is weighted twice as much as net sales growth.

The EBIT and net sales performance are measured based on an evaluation provided by an independent consulting firm, Obermatt. This benchmark compares and ranks Sika amongst the performance of a selected peer group of 25 companies or company divisions, all industrial firms which were chosen because they have comparable products, technology, customers, suppliers or investors and are thus exposed to similar market cycles.

PEER GROUP (OBERMATT BENCHMARK)

3M – Industrial & Transportations
Armstrong World Industries Inc.
Ashland – Performance Materials
BASF – Functional Solutions
Beacon Roofing Supply, Inc.
Beiersdorf – Tesa
Carlisle – Construction Materials
Cemedine Co., Ltd.
Dow – Coating & Infrastructure
EMS Chemie Holding AG
Forbo – Flooring Systems
Fuller HB Company
Grace – Construction

Henkel – Consumer & Craftsmen Adhesives
Henkel – Industrial Adhesives
Hilti Corporation
Huntsman – Performance Products
Owens Corning
Pidilite Industries Limited
RPM – Consumer Segment
RPM – Industry Segment
Saint Gobain – Construction Products
SK Kaken Co., Ltd.
Sto AG
Uzin Utz AG

The intention is to reward relative performance rather than absolute performance, because absolute performance may be strongly impacted by market factors that are outside the control of senior management.

For both the EBIT and net sales objectives, the objective is to reach at least the median performance of the peer group, which corresponds to a 100% payout factor. There is no payout for any performance below the lower quartile of the peer group. Performance at the upper quartile leads to a 150% payout factor and being the best in the peer group leads to a 200% payout factor. Any payout factor in between is interpolated linearly.

Individual performance

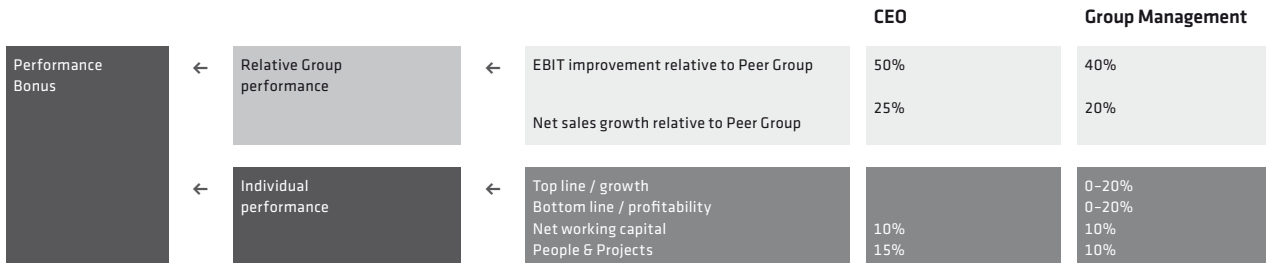
The individual performance includes personal objectives that are set as part of the annual performance management process. For the CEO and for the other members of Group Management, they are reviewed and approved by the Nomination and Compensation Committee. The personal objectives are to be set in four different categories:

- Top-line contribution: growth of the business under responsibility
- Bottom-line contribution: profitability of the business under responsibility
- Return on invested capital: Net working capital of the business under responsibility
- People and projects management

At the end of the business year, the actual achievement is compared with the targets that were set at the beginning of the year. The level of achievement for each objective determines a payout percentage for that target, always between zero and 200%.

The overall bonus payout under the Short-Term Incentive is capped and cannot exceed 150% of the bonus target.

OVERVIEW OF PERFORMANCE OBJECTIVES



SIKA SHARE PURCHASE PLAN

Under the Sika Share Purchase Plan (SSPP), the members of Group Management must convert part of the Performance Bonus into Sika shares with a blocking period of four years. The objective of this program is to encourage members of Group Management to directly participate in the long-term success of the company and to strengthen the link between their compensation and the company performance, as they are exposed to the share value development over the blocking period of four years. In return, Sika provides one matching share for every five shares purchased under the SSPP.

The SSPP requires at least 20% of the performance bonus to be deferred in shares. The participant may voluntarily defer a further 20% of the bonus into shares, therefore 40% in total.

The shares are granted at their fair market value, which is defined as the average closing share during the month of February of the following year. The calculation of the share grant is made as follows:

CALCULATION OF THE NUMBER OF SHARES GRANTED

$$\left(\begin{array}{|c|} \hline \text{Deferred percentage} \\ \text{of bonus} \\ \text{(20\% or 40\%)} \\ \hline \end{array} \right) \times \left(\begin{array}{|c|} \hline \text{Bonus amount} \\ \hline \end{array} \right) \times \left(\begin{array}{|c|} \hline \text{1.2 (matching share one} \\ \text{for five)} \\ \hline \end{array} \right) : \left(\begin{array}{|c|} \hline \text{Average closing share} \\ \text{price of February} \\ \hline \end{array} \right) = \left(\begin{array}{|c|} \hline \text{Number of shares} \\ \text{purchased} \\ \hline \end{array} \right)$$

In case of change of control or liquidation and in case of termination of employment due to retirement, death or disability, the blocking period of the shares is shortened. The shares remain blocked in all other instances.

LONG-TERM INCENTIVE

Sika's compensation policy is to also align a significant portion of compensation of Group Management to the long-term company's performance. Members of Group Management are eligible to a long-term equity incentive.

Based on the compensation analysis performed at the end of 2012, the portion of long-term equity compensation of the members of Group Management is below competitive market practice. Therefore, it has been decided to increase the long-term equity portion of compensation over time.

In 2013, the Long-Term Incentive target amounts to 120% of annual base salary for the CEO and ranges from 49% to 86% for the other members of Group Management.

The Long-Term Incentive plan is a Performance Share Unit Plan. At the beginning of the vesting period, a number of Performance Share Units (PSU) is granted to each member of Group Management. The number of PSU granted is defined based on the average closing price of the share between December 1 and December 10 of the previous year. The PSU vest after a period of three years, under a performance condition, the Return on Capital Employed (ROCE). The ROCE target is determined at the beginning of the vesting period by the Board of Directors and is measured in the last year of vesting period. Acquisitions are excluded of the ROCE calculation in the year of acquisition and for two additional calendar years.

The final share allocation is determined after the three-year performance period, based on the following vesting rules:

- ROCE at or above target: 100% of the PSU vest into shares
- ROCE at threshold level: 50% of the PSU vest into shares and 50% of the PSU forfeit
- ROCE between threshold and target levels: linear interpolation
- ROCE below the threshold level: 0% of PSU vest into shares (100% forfeiture).

There is no overachievement on the long-term incentive, therefore the maximum payout is 100%.

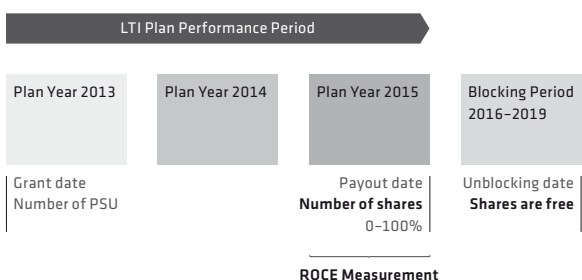
For the grant made in 2013 (performance period 2013-2015), the ROCE target was set at 20%, excluding acquisitions as mentioned above, and the threshold was set as 18%.

The shares are paid out at their market value (closing price at grant date on SIX Swiss Exchange), shortly after the annual shareholder meeting in the month of April following the three-year vesting period. The shares have a blocking period of four years, during which they are excluded from trading.

In case of termination of employment due to retirement, death or disability, the blocking period of the shares is shortened. The granted PSU are subject to an early vesting, pro-rated for the period of the plan that was effectively worked, and based on an achievement payout of 75%. In case of termination for any other cause, such as resignation or involuntary termination, the shares remain blocked and the PSU forfeit. In case of change of control or liquidation, the shares are unblocked immediately and the Board of Directors has the discretion to determine any appropriate measure with regards to the PSU.

In some countries, the award may also be delivered with a different instrument, such as phantom-shares, or settled in cash after the performance period, if so required by local legislation.

LONG-TERM INCENTIVE PLAN PERIOD



PENSIONS

As the Group Management is international in its nature, the members participate in the benefits plans available in their country of contract. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents in respect to the risk of retirement, disability, death and health.

The members of Group Management with a Swiss employment contract participate in Sika's pension plans offered to all employees in Switzerland. These consist of the pension fund of Sika Schweiz AG, in which base salaries up to an amount of CHF 133,380 per annum are insured, as well as a supplementary plan in which base salaries in excess of this limit are insured. Sika's pension funds exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG).

Members of Group Management under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and is, as a minimum, in accordance with the legal requirements of the respective country.

Moreover, an early retirement plan is in place for members of the top management of Sika. The plan, entirely financed by the employer, is administered by a Swiss foundation. Beneficiaries may opt for early retirement from the age of 60, provided that they have been in a top management position for at least five years (vesting). Benefits under the plan are twofold:

- Fixed pension payment until the age of legal retirement. The amount of pension depends on the last fixed salary and the actual age at early retirement
- Partial financing of the reduction in the regular pension due to early-retirement. The amount which may be received as life-long pension payment or as a capital contribution depends on the actual age at early retirement and benefits already accrued in existing pension plans. This portion of the plan is only applicable to beneficiaries being insured under a Swiss pension plan

OTHER COMPENSATION ELEMENTS

Members of Group Management are also provided with certain perquisites such as a company car and other benefits in kind, according to competitive market practice in their country of contract. The monetary value of these other elements of compensation is evaluated at fair value and is disclosed in the compensation statement in Note 20 in the Appendix to the Consolidated Financial Statements of Sika AG on page 130 of the download pdf of this report.

EMPLOYMENT CONTRACTS

The members of Group Management are employed under employment contracts of unlimited duration and are all subject to a notice period of one year. Members of Group Management are not contractually entitled to termination payments. In the year under review no termination payments were made to members of Group Management.

SHAREHOLDINGS AND SHARES

At the end of 2013, members of the Board of Directors held a total of 3,043 registered shares of Sika AG. At the end of 2013, members of the Group Management held a total of 6,395 registered shares of Sika AG. This figure includes both privately acquired shares and those allocated under the Group's compensation schemes. At the end of 2013, members of the Board of Directors and of Group Management do not hold any options.

The details of shareholdings of the members of the Board of Directors and Group Management are shown in Notes 21 in the Appendix to the Consolidated Financial Statements of Sika AG on page 131 of the download pdf of this report.

COMPENSATION PAID TO THE CEO AND TO GROUP MANAGEMENT FOR BUSINESS YEAR 2013

In 2013, the members of the Group Management received a total compensation of CHF 15.6 million (2012: CHF 18.7 million). This amount comprises fixed salaries of CHF 4.7 million (2012: CHF 6.5 million), short-term bonus of CHF 5.2 million (2012: CHF 5.3 million), long-term incentives of CHF 3.0 million (2012: CHF 3.2 million), other expenses of CHF 0.9 million (2012: CHF 0.8 million) and contributions to social security and post-employment benefits of CHF 1.7 million (2012: CHF 3.0 million).

- The overall lower compensation is explained by the fact that the Group Management has been reduced from fourteen to nine members effective January 1, 2013. Compensation for the remaining members of Group Management has been benchmarked and revised in light of the new functions and responsibilities.
- In the Performance Bonus, Sika has outperformed the peer companies both in terms of net sales growth and in terms of EBIT improvement year on year. The group performance achievement is estimated at 151% (best estimate at time of publication) and will be calculated by Obermatt based on the annual report publications of the peer companies before the payout date in April 2014. Individual performance ranges from 93% and 163% for members of Group Management and amounts to 142% for the CEO. Consequently, the overall payout percentage ranges from 128% to 150% (cap) for Group Management and amount to 149% for the CEO.
- In the Long-Term Incentive (vesting of the LTI 2011-2013), the ROCE performance condition of 20% for the LTI period from 2011 to 2013 has been overachieved, leading to a payout of 100% (cap).
- Further, 460 Performance Share Units have been granted to the CEO and 1,191 to the other members of Group Management in 2013 (grant of the LTI 2013-2015). Those PSU have an overall grant value of CHF 3.4 million and will vest on December 31, 2015, based on the ROCE performance.
- Regarding the social security and pension contributions, there is a decrease between 2012 and 2013 due to the fact that the insured salary sum has decreased.

OVERVIEW OF PSU GRANTS

Plan	Grant date (PSU)	Performance period	Vesting date (PSU)	Unblocking date of shares	Number of units granted	Total value at grant	Potential vesting level	Performance criteria	Vesting level in % of grant	Number of PSU vested (= shares)	Total value at vesting (CHF)
LTI 2011*	01.01.2011	2011-2013	31.12.2013	April 2018	1,275	2,454,762	0%-100%	ROCE (20%)	100%	1,275	4,043,025
									To be	To be	To be
LTI 2012	01.01.2012	2012-2014	31.12.2014	April 2019	1,686	2,856,084	0%-100%	ROCE (20%)	determined	determined	determined
									To be	To be	To be
LTI 2013	01.01.2013	2013-2015	31.12.2015	April 2020	1,651	3,449,765	0%-100%	ROCE (20%)	determined	determined	determined

* In 2011, 8 (of the current 9) members of Group Management received a grant, as one person was not member of Group Management. The CEO was member of Group Management but was not yet CEO.

The details on compensation of members of Group Management are shown in Note 20 in the Appendix to the Consolidated Financial Statements of Sika AG on page 130 of the download pdf of this report.

No member of the Group Management was granted a loan during the business year. No loans were outstanding at the end of the year under review.

No compensation was paid to parties closely related to members of Group Management.

In the year under review, compensation in the amount of CHF 2.1 million was paid to two former members of Group Management. This amount includes the regular compensation during the notice period and, for one member, the net present value of the benefit provided under the early retirement plan.

FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	1/1/2012	12/31/2012	12/31/2013
		Restated ¹	Restated ¹	
Cash and cash equivalents	1	536.0	994.2	1,028.3
Accounts receivable	2	875.3	871.5	909.7
Inventories	3	530.6	521.6	539.0
Prepaid expenses and accrued income		75.8	83.9	92.0
Other current assets	4	34.0	26.5	18.9
Current assets		2,051.7	2,497.7	2,587.9
Property, plant, and equipment	5	860.6	873.3	920.2
Intangible assets	6	771.0	742.3	1,066.0
Investments in associated companies	7	21.1	15.3	13.9
Deferred tax assets	8	102.4	109.4	104.7
Other non-current assets	4	30.5	42.2	39.3
Non-current assets		1,785.6	1,782.5	2,144.1
ASSETS		3,837.3	4,280.2	4,732.0
Accounts payable	9	501.0	492.1	560.0
Accrued expenses and deferred income	10	191.4	197.6	204.9
Bond	12	0.0	249.9	299.7
Income tax liabilities		58.0	57.4	72.6
Current provisions	13	11.3	15.5	22.0
Other current liabilities	11	59.1	31.0	29.9
Current liabilities		820.8	1,043.5	1,189.1
Bonds	12	796.0	847.1	946.9
Non-current provisions	13	90.6	81.9	93.0
Deferred tax liabilities	8	98.0	96.2	129.6
Employee benefit obligation	14	251.7	269.7	212.9
Other non-current liabilities	11	40.0	32.0	24.3
Non-current liabilities		1,276.3	1,326.9	1,406.7
LIABILITIES		2,097.1	2,370.4	2,595.8
Capital stock		1.5	1.5	1.5
Treasury shares		-55.7	-27.6	-13.7
Reserves		1,781.4	1,921.0	2,132.3
Equity attributable to Sika shareholders		1,727.2	1,894.9	2,120.1
Non-controlling interests		13.0	14.9	16.1
SHAREHOLDERS' EQUITY	15	1,740.2	1,909.8	2,136.2
LIABILITIES AND SHAREHOLDERS' EQUITY		3,837.3	4,280.2	4,732.0

1 Restated due to application of IAS 19 revised (see principles of consolidation).

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	%	2012	%	2013	Change in %
			Restated ¹			
Net sales	16	100.0	4,828.9	100.0	5,142.2	6.5
Material expenses	17	-47.8	-2,309.6	-47.6	-2,446.6	
Gross result		52.2	2,519.3	52.4	2,695.6	7.0
Personnel expenses	18	-21.5	-1,037.2	-20.1	-1,031.1	
Other operating expenses	18	-18.8	-909.0	-19.2	-988.6	
Operating profit before depreciation	18	11.9	573.1	13.1	675.9	17.9
Depreciation and amortization expenses	19	-2.9	-140.1	-2.9	-152.4	
Operating profit		9.0	433.0	10.2	523.5	20.9
Interest income	21	0.1	6.9	0.1	3.0	
Interest expenses	20	-0.8	-38.0	-0.7	-33.9	
Other financial income	21	0.1	2.8	0.1	5.8	
Other financial expenses	20	-0.3	-16.3	-0.4	-22.8	
Income from associated companies	21	0.0	1.4	0.0	1.1	
Profit before taxes		8.1	389.8	9.3	476.7	22.3
Income taxes	8	-2.3	-111.3	-2.6	-132.0	
Net profit		5.8	278.5	6.7	344.7	23.8
Profit attributable to Sika shareholders		5.8	276.9	6.7	342.2	
Profit attributable to non-controlling interests	22	0.0	1.6	0.0	2.5	
Undiluted/diluted earnings per bearer share (in CHF)	23		109.95		135.27	23.0
Undiluted/diluted earnings per registered share (in CHF)	23		18.33		22.55	23.0

1 Restated due to application of IAS 19 revised (see principles of consolidation).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	Notes	%	2012	%	2013	Change in %
			Restated ¹			
Net profit		5.8	278.5	6.7	344.7	23.8
Actuarial gains/(losses) on employee benefit obligation	14	0.1	2.1	1.2	64.2	
Income tax effect		0.0	1.6	-0.2	-11.3	
Items that will not be reclassified to profit or loss		0.1	3.7	1.0	52.9	
Exchange differences taken to equity		-0.6	-26.0	-1.2	-61.6	
Items that may be reclassified subsequently to profit or loss		-0.6	-26.0	-1.2	-61.6	
Other comprehensive income		-0.5	-22.3	-0.2	-8.7	
Comprehensive income		5.3	256.2	6.5	336.0	31.1
Attributable to Sika shareholders		5.3	254.9	6.5	334.0	
Attributable to non-controlling interests		0.0	1.3	0.0	2.0	

1 Restated due to application of IAS 19 revised (see principles of consolidation).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital stock	Capital surplus	Treasury shares	Currency trans- lation differ- ences	Retained earnings	Equity attributable to Sika share- holders	Non- control- ling interests	Total equity
in CHF mn								
January 1, 2012 (audited)	1.5	256.0	-55.7	-338.6	1,962.9	1,826.1	13.0	1,839.1
Restatement ¹					-98.9	-98.9		-98.9
January 1, 2012 (restated)¹	1.5	256.0	-55.7	-338.6	1,864.0	1,727.2	13.0	1,740.2
Profit of the year ¹					276.9	276.9	1.6	278.5
Other comprehensive income ¹				-25.7	3.7	-22.0	-0.3	-22.3
Comprehensive income¹	-	-	-	-25.7	280.6	254.9	1.3	256.2
Transactions with treasury shares ²			28.1		-9.0	19.1		19.1
Share-based payments					6.5	6.5		6.5
Dividends ³		-52.9			-60.4	-113.3	-0.9	-114.2
Non-controlling interests from acquisitions						0.0	3.8	3.8
Purchase of non-controlling interests					-1.9	-1.9	-2.5	-4.4
Revaluation ⁵					1.4	1.4	0.2	1.6
Inflation adjustment ⁶					1.0	1.0		1.0
December 31, 2012¹	1.5	203.1	-27.6	-364.3	2,082.2	1,894.9	14.9	1,909.8
January 1, 2013	1.5	203.1	-27.6	-364.3	2,082.2	1,894.9	14.9	1,909.8
Profit of the year					342.2	342.2	2.5	344.7
Other comprehensive income				-61.1	52.9	-8.2	-0.5	-8.7
Comprehensive income	-	-	-	-61.1	395.1	334.0	2.0	336.0
Transactions with treasury shares ²			13.9		-3.1	10.8		10.8
Share-based payments					8.1	8.1		8.1
Dividends ⁴					-129.2	-129.2	-0.8	-130.0
Inflation adjustment ⁶					1.5	1.5		1.5
December 31, 2013	1.5	203.1	-13.7	-425.4	2,354.6	2,120.1	16.1	2,136.2

1 Restated due to application of IAS 19 revised (see principles of consolidation).

2 Including income tax of CHF 0.3 million (CHF 1.0 million) in retained earnings.

3 Dividend per bearer share: CHF 45.00, dividend per registered share: CHF 7.50.

4 Dividend per bearer share: CHF 51.00, dividend per registered share: CHF 8.50.

5 Revaluation call-/put-option Hebei Jiuqiang.

6 Hyperinflation accounting has been applied since January 1, 2010, and concerns the subsidiary in Venezuela.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	2012	2013
Operating activities			
Profit before taxes ¹		389.8	476.7
Depreciation/amortization		140.1	152.4
Increase (+)/decrease (-) in provisions/ employee benefit obligation and assets ¹		15.6	7.6
Increase (-)/decrease (+) in net working capital		1.5	60.0
Other adjustments	26	3.6	6.1
Income taxes paid		-123.3	-128.8
Cash flow from operating activities		427.3	574.0
Investing activities			
Property, plant, and equipment: capital expenditures		-125.5	-143.6
Property, plant, and equipment: disposals		5.9	12.6
Intangible assets: capital expenditures		-5.8	-10.3
Intangible assets: disposals		0.6	0.0
Acquisitions less cash and cash equivalents		-8.5	-410.9
Acquisitions (-)/disposals (+) of financial assets		-5.7	-2.8
Cash flow from investing activities		-139.0	-555.0
Financing activities			
Increase in financial liabilities		0.6	5.7
Repayment of financial liabilities		-28.9	-11.8
Repayment of a bond		0.0	-250.0
Issue of bonds		299.3	398.3
Acquisitions in treasury shares		-17.9	-22.1
Disposals in treasury shares		39.4	33.8
Dividend payment to shareholders of Sika AG		-113.3	-129.2
Dividends related to non-controlling interests		-0.9	-0.8
Purchase of non-controlling interests		-4.4	0.0
Cash flow from financing activities		173.9	23.9
Exchange differences on cash and cash equivalents		-4.0	-8.8
Net change in cash and cash equivalents		458.2	34.1
Cash and cash equivalents at the beginning of the year		536.0	994.2
Cash and cash equivalents at the end of the year		994.2	1,028.3
Cash flow from operating activities contains:			
Dividends from associated companies		2.5	1.9
Interest received		7.0	2.5
Interest paid		-28.5	-29.5

1 Restatement of CHF 3.2 million in 2012 due to application of IAS 19 revised (see principles of consolidation).

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

CORPORATE INFORMATION

Sika is a specialty chemicals company active in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and the motor vehicle industry.

ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements of the Sika Group are prepared in conformity with the provisions of the International Accounting Standards Board (IASB). All standards (IAS/IFRS) and interpretations (IFRIC/SIC) applicable as of December 31, 2013, 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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed on page 74 of the download pdf of this report.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting standards applied conform to those standards that were valid in the previous year. Exceptions are the following revised and new standards, which Sika applies since January 1, 2013. Only the application of IAS 19 (revised) has a significant effect.

IFRS 7 (amended)	Financial assets and financial liabilities: disclosures – offsetting
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1 (amended)	Presentation of items of other comprehensive income
IAS 19 (revised)	Employee Benefits
IAS 27 (amended)	Separate Financial Statements
IAS 28 (amended)	Investments in Associates and Joint Ventures
IAS 36 (amended)	Impairment of assets
Annual improvements to IFRS	Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology

The revised standard IAS 19 – Employee Benefits has faced two key changes. First, the discount rate is applied for the net pension liability. Prior to the application of the revised standard the expected return rate was applied for the plan assets and the discount rate was only used for the plan liabilities. Second, the deficit/surplus is recognized immediately in other comprehensive income and therefore recognized in the balance sheet. Using the corridor method and defer the recognition of actuarial gains and losses is no longer applicable. The standard has to be applied retrospectively for 2012. The impact of the Group (restatement) is shown in the following table.

The table below shows the effect on the financial positions due to the application of the revised standard IAS 19 – Employee Benefits.

IMPACT OF IAS 19 (REVISED) ON PREVIOUS YEAR FIGURES

in CHF mn	1/1/2012	12/31/2012
BALANCE SHEET		
Other non-current assets (before IAS 19R)	43.5	48.0
Restatement due to IAS 19R	-13.0	-5.8
Other non-current assets (restated)	30.5	42.2
Deferred tax assets (before IAS 19R)	82.4	85.7
Restatement due to IAS 19R	20.0	23.7
Deferred tax assets (restated)	102.4	109.4
Employee benefit obligation (before IAS 19R)	-142.9	-152.9
Restatement due to IAS 19R	-108.8	-116.8
Employee benefit obligation (restated)	-251.7	-269.7
Deferred tax liabilities (before IAS 19R)	-100.9	-97.5
Restatement due to IAS 19R	2.9	1.3
Deferred tax liabilities (restated)	-98.0	-96.2
Impact on retained earnings/Equity attributable to Sika shareholders	-98.9	-97.6
		1/1 - 12/31/2012
INCOME STATEMENT		
Personnel expenses (before IAS 19R)		-1,041.4
Restatement due to IAS 19R		4.2
Personnel expense (restated)		-1,037.2
Interest expenses (before IAS 19R)		-30.6
Restatement due to IAS 19R		-7.4
Interest expenses (restated)		-38.0
Income taxes (before IAS 19R)		-111.9
Restatement due to IAS 19R		0.6
Income taxes (restated)		-111.3
Impact on net profit		-2.6
STATEMENT OF COMPREHENSIVE INCOME		
Other comprehensive income (before IAS19R)		-26.1
Restatement due to IAS 19R		3.8
Other comprehensive income (restated)		-22.3
Earnings per bearer share/CHF		110.98
Restatement due to IAS 19R		-1.03
Earnings per bearer share (restated)/CHF		109.95

A number of new standards and amendments to standards and interpretations are effective for the financial year 2014 and later, and have not been applied in preparing these Consolidated Financial Statements. If they had been applied in 2013 they would have had no significant effect on the Consolidated Financial Statements of the Group:

- Amendments to IAS 19 – Employee benefits entitled defined benefit plans: Employee contributions (applicable as of January 1, 2014)
- Amendments to IAS 32 – Offsetting financial assets and financial liabilities (applicable as of January 1, 2014)
- Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting (applicable as of January 1, 2014)
- Amendments to IFRS 7, IFRS 9 and IAS 39 – Hedge accounting (effective date not yet set)
- IFRS 9 – Financial instruments (effective date not yet set)
- Amendments to IFRS 10, IFRS 12, and IAS 27 – Investment entities (applicable as of January 1, 2014)
- IFRS 21 – levies (applicable as of January 1, 2014)
- Annual improvements to IFRS – Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology

New standards and interpretations are usually applied at the applicable date. However, the options for early adoption are considered individually by Sika.

CONSOLIDATION METHOD

BASIS

The Consolidated Financial Statements are based on the balance sheets and income statements of Sika AG, Baar, Switzerland, and its subsidiaries as of December 31, 2013, prepared in accordance with uniform standards.

SUBSIDIARIES

Companies which are controlled by Sika are fully consolidated. The consolidation includes 100% of their assets and liabilities as well as expenses and income; non-controlling interests in shareholders' equity and net income for the year are excluded and shown separately as part of non-controlling interests.

ASSOCIATED COMPANIES

The equity method is applied to account for investments ranging from 20% to 50%, provided that Sika exercises significant influence. The investments are included in the balance sheet under "Investments in associated companies" in terms of the Group's percentage share in net assets; in the income statement the Group's share in the net income for the year is reflected in "Income from associated companies".

OTHER NON-CONTROLLING INTERESTS

Other non-controlling interests are carried at fair value.

INTRA-GROUP TRANSACTIONS

Transactions within the Group are eliminated as follows:

- Intra-Group receivables and liabilities are eliminated in full.
- Intra-Group income and expenses and the unrealized profit margin from intragroup transactions are eliminated in full.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquired company. For each business combination, the acquirer measures the non-controlling interests in the acquired company either at fair value or at the proportionate share of the acquired company's identifiable net assets. Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in the income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit and loss.

Goodwill is subject to an annual impairment test. Impairments are recognized in the income statement. The impairment is not reversed at a later date.

When subsidiaries are sold, the difference between the selling price and the net assets including goodwill plus cumulative translation differences is recognized in the Consolidated Financial Statements as an operating result. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition of control or up to the effective date of loss of control.

SEGMENT REPORTING

Sika carries out its worldwide activities according to regions. Heads of regions are members of Group Management. Group Management is the highest operative executive body measuring the profit and loss of segments and allocating resources.

SIGNIFICANT ACCOUNTING ESTIMATES

The key assumptions concerning the future as well as details of other key sources of estimation uncertainty on the balance sheet date that entail a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

IMPAIRMENT OF GOODWILL

The Group tests at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates such as expected future cash flows and discount rates. The carrying value of goodwill as of December 31, 2013, was CHF 626.2 million (CHF 417.3 million). Further details are presented in note 6.

FAIR VALUE OF ACQUISITION

In connection with acquisitions, all assets, liabilities, and contingent liabilities are valued at fair value. Newly identified assets and liabilities are also included in the increase balance sheet. Fair value is determined in part based on assumptions regarding factors that are subject to a degree of uncertainty, such as interest rates and sales.

TRADEMARKS

Trademarks with an indefinite lifetime are tested annually for impairment in which the discounted future relief from royalties is calculated and compared with the book value. Future cash inflows must be estimated. Actual cash inflows can thereby deviate significantly from estimations. Discounting is in addition based on assumptions and estimations concerning business-specific capital costs, which are themselves dependent on country risks, credit risks, and additional risks resulting from the volatility of the respective business.

CUSTOMER RELATIONS

Customer relations are amortized over their estimated useful life. The estimated useful life is based on estimates of the time period during which this intangible asset generates cash flows, as well as historic empirical data concerning customer loyalty. Calculation of the present value of estimated future cash flows includes significant assumptions, especially of future sales. Discounting is in addition also based on assumptions and estimations concerning business-specific capital costs, which are themselves dependent on country risks, credit risks, and additional risks resulting from the volatility of the respective business.

DEFERRED TAX ASSETS

Deferred tax assets resulting from unrealized tax loss carry forwards or timing differences are recognized to the extent that a realization of the corresponding tax advantage is probable. The assessment of the probability of the realization of a tax advantage requires assumptions based on the history of the respective company and on target figures for the future.

EMPLOYEE BENEFIT PLANS

The Group maintains various employee benefit plans. Several statistical and other variables are used in the calculation of expenses and liabilities to estimate future developments. These variables include estimations and assumptions concerning the discount rate established by the management within certain guidelines. In addition, actuaries employ statistical information for actuarial calculation of benefit liabilities such as withdrawal or death probabilities, which can deviate significantly from actual results due to changes in market conditions, the economic situation as well as fluctuating rates of withdrawal and shorter or longer life expectancy of benefit plan participants.

PROVISIONS

The calculation of provisions requires assumptions about the probability, size, and timely occurrence of an outflow of resources that represent economic value. As far as an outflow of resources is probable and a reliable estimation is possible, a provision is recognized.

VALUATION PRINCIPLES

CONVERSION OF FOREIGN CURRENCIES

Foreign currency transactions are translated into the functional (local) currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in a foreign currency are translated into the functional currency on every balance sheet date by applying exchange rates valid on the balance sheet date. The resulting exchange rate differences are recognized in the income statement.

The financial statements of subsidiaries outside Switzerland are converted into Swiss francs as follows:

- Balance sheet at year-end rates
- Income statements at annual average rates

The effects from the translation of the functional currency into Swiss francs are recognized in other comprehensive income. The rates listed below were applied.

Country	Currency	Quantity	2012 Balance sheet ¹ CHF	2012 Income statement ² CHF	2013 Balance sheet ¹ CHF	2013 Income statement ² CHF
Egypt	EGP	100	14.41	15.48	12.80	13.49
Australia	AUD	1	0.94	0.97	0.80	0.90
Brazil	BRL	100	44.65	48.29	37.68	43.13
Chile	CLP	10,000	19.11	19.28	16.94	18.80
China	CNY	100	14.68	14.87	14.70	15.11
Euro zone	EUR	1	1.21	1.21	1.23	1.23
Great Britain	GBP	1	1.48	1.49	1.47	1.45
India	INR	100	1.66	1.76	1.44	1.59
Japan	JPY	100	1.06	1.18	0.85	0.95
Canada	CAD	1	0.92	0.94	0.84	0.90
Colombia	COP	10,000	5.18	5.22	4.61	4.97
Mexico	MXN	100	7.02	7.13	6.79	7.28
Poland	PLZ	100	29.63	28.77	29.55	29.32
Russia	RUB	1,000	29.90	30.20	27.10	29.10
Sweden	SEK	100	14.07	13.84	13.86	14.26
Turkey	TRY	100	51.26	52.13	41.47	48.84
USA	USD	1	0.92	0.94	0.89	0.93

1 Year-end rates.

2 Annual average rates.

CONSOLIDATED BALANCE SHEET

CASH AND CASH EQUIVALENTS

This position includes cash and cash equivalents.

RECEIVABLES

Accounts receivable are recorded following deduction of an allowance for doubtful debts necessary for management reason. A specific provision for impairment is carried out on accounts receivable for which payment is considered at risk.

INVENTORIES

Raw materials and merchandise are stated at acquisition cost (weighted average); finished and semi-finished products are stated at manufacturing cost, however at the highest at their realizable sales value. Acquisition or production costs are determined using a standard cost approach.

PREPAID EXPENSES AND ACCRUED INCOME

This item includes accrued income unrelated to accounts receivable.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are carried at acquisition cost, less accumulated depreciation required for business purposes. The capitalization is made based on components. Value-enhancing expenses are capitalized and depreciated over their useful life. Repair, maintenance, and replacement costs are charged directly to the income statement. Depreciation under the straight-line method is based on the anticipated useful life of the asset, including its operational usefulness and age-related technical viability. The acquisition costs include borrowing costs for long-term construction projects if the recognition criteria are met.

DEPRECIATION SCHEDULE

Buildings	25 years
Infrastructure	15 years
Plants and machinery	5 - 15 years
Furnishings	6 years
Vehicles	4 years
Laboratory equipment and tools	4 years
IT hardware	4 years

INTANGIBLE ASSETS

In-house developed patents, trademarks, and other rights are not capitalized. Research and development expenditures for new products are recognized in the income statement, since these do not fulfill the recognition criteria. Acquired intangible assets are usually capitalized and amortized using the straight-line method.

Development costs for software are capitalized as intangible assets, provided that the software will generate a future economic benefit through sale or through use within the Group and that its cost can be reliably estimated. Conditions for capitalization are the technical feasibility of the asset and the intention and ability to complete its development, as well as the availability of adequate resources. Sika has created a new SAP platform with standard processes that an initial number of companies have been using since 2010. The rollout will take several years. The capitalized costs are transferred to the companies in the year of first use.

AMORTIZATION SCHEDULE

Software	2 - 10 years ¹
Patents	5 - 10 years
Customer relations	2 - 20 years
Trademarks	3 - 10 years

¹ With the exception of the SAP platform, which has a useful life of ten years, software is usually written off over two to five years.

Acquired trademarks are amortized insofar as a useful life can be determined. Otherwise trademarks are not amortized but are tested for impairment annually.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The impairment of property, plant, and equipment as well as intangible assets is reviewed if events or changed circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. If the carrying amount exceeds the recoverable amount, a special depreciation allowance is recorded on the higher of fair value less cost to sell and the value in use of an asset which corresponds to the discounted, anticipated future cash flows. For the purpose of impairment tests, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

LEASING

Fixed assets acquired under finance leasing contracts and therefore owned by the Group in respect to risks and rewards of ownership, are classified under finance leasing. Such assets are carried at fair value of the lease property or, if lower, present value of the minimum lease payments and are reported as non-current assets and financial liabilities. Assets classified as finance leasing are depreciated over their estimated useful life or depreciated over a shorter leasing contract. Unrealized earnings from sale and leaseback transactions that fall under the definition of finance leasing are shown as a liability and are realized over the lease term. Payments for operating leases are recorded as operating expense and accordingly charged to the income statement.

DEFERRED TAXES (ASSETS/LIABILITIES)

Deferred taxes are considered using the liability method. According to this method the effects on income taxes resulting from temporary differences between Group-internal and taxable balance sheet values are recorded as non-current assets or respectively as non-current liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recognized or the liability is settled based on the rates (and tax laws) that have been substantively enacted. Changes in deferred taxes are reflected in the income tax expense, the statement of comprehensive income, or directly in equity. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets including those that can be applied to tax loss carry forwards are recognized to the extent that their realization is probable. Deferred tax liabilities are recognized for all taxable temporary differences insofar as the accounting regulations foresee no exceptions.

LIABILITIES

Current liabilities consist of liabilities with maturities of less than twelve months. Tax liabilities include taxes due and accrued. Non-current liabilities include loans and provisions with a term of more than one year.

PROVISIONS

Provisions required for liabilities from guarantees, warranties, and environmental risks as well as restructuring are recognized as liabilities. Provisions are only recognized if Sika has a third-party liability that is based on a past event and can be reliably assessed. Potential losses due to future incidents are not recognized in the balance sheet.

EMPLOYEE BENEFIT PLANS

The Group maintains various employee benefit plans that differ in accordance with local practices. Group contributions to defined contribution plans are recognized in the income statement. Defined benefit plans are administered either through self-governed pension funds (funded) or recognized directly in the balance sheet (unfunded). The amount of the liabilities resulting from defined benefit plans is regularly determined by independent experts under application of the projected unit credit method. Actuarial gains and losses are recognized directly in other comprehensive income and are not reclassified subsequently to profit and loss. Asset surpluses of employee pension funds are considered under application of IFRIC 14 only to the extent of possible future reimbursement or reduction of contributions.

CAPITAL STOCK

The capital stock is equal to the par value of all issued bearer and registered shares.

CAPITAL SURPLUS

This entry consists of the value of paid-in capital in excess of par value (less transaction costs).

TREASURY SHARES

Treasury shares are valued at acquisition cost and deducted from shareholders' equity. Differences between purchase price and sales proceeds of treasury shares are shown as a change in retained earnings.

CURRENCY TRANSLATION DIFFERENCES

This item consists of the differential amount that arises from the translation into Swiss francs of assets, liabilities, income, and expenses of Group companies that do not use Swiss francs as functional currency.

HYPERINFLATION

In countries experiencing hyperinflation, prior to conversion into the presentation currency the annual financial statements are adjusted for local inflation in order to eliminate changes in purchasing power. Adjustment for inflation is based on the relevant price indices at the end of the period under review.

RETAINED EARNINGS

Retained earnings mainly comprise accumulated retained earnings of the Group companies that are not distributed to shareholders as well as profit/loss of treasury shares. Profit distribution is subject to local legal restrictions.

FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are classified in the following categories:

- Financial assets and financial liabilities held for trading as well as designated by the Group and derivatives, "at fair value through profit and loss": these are initially recognized at fair value. Gains and losses arising from changes in the fair value are presented in the financial result. The designation as at fair value through profit and loss is consistent with the entity's risk management and investment strategy.
- Loans and receivables: this category includes loans granted and credit balances. The valuation occurs at nominal value insofar as repayment within one year is foreseen. Otherwise they are classified as assets carried at amortized cost using the effective interest method.
- All other financial assets are classified as available-for-sale. The assets are carried at fair value and gains and losses arising from changes in the fair value are presented in other comprehensive income. Upon sale, permanent depreciation in value or other divestiture, the cumulative gains and losses that had been recognized in other comprehensive income are reclassified from equity to the income statement.
- Non-current financial liabilities are carried at amortized cost. Once they have been settled, financial liabilities are derecognized.

All purchases and sales of financial assets and liabilities are recognized on the settlement date. Financial assets are derecognized when Sika loses the rights to receive cash flows for the investment. Normally this occurs through the sale of assets or the repayment of granted loans or accounts receivable. The financial liabilities include financing debts that are carried at amortized cost using the effective interest method.

On each balance sheet date the Group assesses whether a financial asset is impaired. If objective evidence exists that an impairment of financial assets carried at amortized cost has incurred, then the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If in the case of accounts receivable there is objective evidence that not all due amounts will be rendered according to originally agreed invoicing conditions (as for example in high probability of insolvency or significant financial difficulties of a debtor), an impairment is recognized through use of an allowance account. The derecognition of receivables occurs when they are assessed as uncollectible. If an available-for-sale asset is impaired in its value, the cumulative loss - measured as the difference between the acquisition cost and the current fair value - is removed from equity and recognized in the income statement.

INCOME STATEMENT

NET SALES

Proceeds from the sale of goods and services are only reported in the income statement if risks and rewards of ownership have been substantially transferred to the purchaser, revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. Net sales include all revenues from the sale of goods and services less discounts granted.

CONSTRUCTION CONTRACTS

Contract revenue and contract costs are recognized in accordance with the stage of completion. An expected loss is recognized as an expense immediately.

PERSONNEL EXPENSES

Personnel expenses include all payments to persons standing in an employment relationship with Sika. This item also encompasses such expenditures as pension fund contributions, health insurance contributions, and taxes and levies directly associated with personnel compensation.

EMPLOYEE PARTICIPATION PLAN – SHARE-BASED PAYMENTS

The Group operates a number of share-based compensation plans. The total amount to be recognized in profit and loss is determined by reference to the grant date fair value of the equity instrument. The expenses are recognized in personnel expenses over the vesting period.

RESEARCH AND DEVELOPMENT

Research expenses are recognized in the income statement. Development expenses are not capitalized if the recognition criteria have not been met.

DEPRECIATION

Property, plant, and equipment are depreciated using the straight-line method based on the expected useful life of the asset.

INTEREST EXPENSE/OTHER FINANCIAL EXPENSES

In general, all interest and other expenses paid for the procurement of loans are recognized in the income statement. Any borrowing cost accruing in the course of development projects, e. g. the construction of new production facilities or software development, are capitalized together with the assets created.

INTEREST INCOME/OTHER FINANCIAL INCOME

Interest income is recognized pro rata temporis using the effective interest method. Dividend income is recognized when the right to receive payment is established.

INCOME TAXES

Income tax expenses include income taxes based on current taxable income and deferred taxes.

SCOPE OF CONSOLIDATION AND ACQUISITIONS

The Consolidated Financial Statements of the Sika Group encompass the financial statements of Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland, as well as its subsidiaries (see list starting on page 112 of the download pdf of this report) and associated companies (see note 7). In the year under review the scope of consolidation was expanded to include the newly acquired companies (see the next pages) and the following companies:

- Sika Oman LLC, Muscat, Oman
- S I K A Bel LLC, Minsk, Belarus

The scope of consolidation was reduced to exclude the following companies:

- Technokolla S.P.A., Sassuolo (Modena), Italy, was merged with Sika Italia S.p.A, Milan, Italy.
- Axim Concrete Technologies (Canada) Inc., Cambridge/ON, Canada, was merged with Sika Canada Inc., Pointe Claire/QC, Canada.
- U-Plex Co. Ltd., Tokyo, Japan, was merged with Dyflex Co. Ltd., Tokyo, Japan.
- Axim Maroc SA, Casablanca, Morocco, was merged with Sika Maroc SA, Casablanca, Morocco.
- Sika Sarnafil AG, Sarnen, Switzerland, was merged with Sika Schweiz AG, Zurich, Switzerland.
- JMTexsa SA de CV, Altamira, Mexico, was merged with Sika Mexicana SA de CV, Querétaro, Mexico.

ACQUISITIONS 2012

In 2012 Sika has acquired various companies or parts of companies. The purchase prices and their allocations (PPA) did not change and are now final.

ACQUIRED NET ASSETS AT FAIR VALUE

in CHF mn	Acquisitions 2012 ¹
Cash and cash equivalents	2.4
Accounts receivable	9.2
Inventories	3.8
Property, plant, and equipment	8.1
Intangible assets	8.2
Other assets	0.6
Total assets	32.3
Accounts payable	13.9
Other liabilities	2.4
Deferred tax liabilities	0.3
Total liabilities	16.6
Net assets	15.7
Non-controlling interest	-3.8
Acquired net assets	11.9
Goodwill	9.6
Fair value of initial investment in Sika Saudi Arabia	-5.0
Total purchase consideration	16.5
Cash in acquired assets (per December 31, 2012)	-2.4
Settlement of debt claim against vendor	-3.1
Payments still due (per December 31, 2012)	-2.5
Net cash outflow	8.5

1. Yean-II, fire protection coating business from Rütgers, Sika Saudi Arabia.

If the acquisitions had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 31.5 million. The impact on consolidated net profit cannot be quantified as no numbers are available for asset deals. The impact of the acquisition of Sika Saudi Arabia is not material.

Since the respective purchases, the acquisitions have contributed sales of CHF 12.9 million and net profit of CHF 1.7 million. Because Sika Saudi Arabia was acquired only at the end of the year, it has not contributed any sales or net profit.

ACQUISITIONS 2013

In 2013, Sika acquired various companies or parts of companies.

Company	Type of Transaction	Stake in %	Closing Date
Inatec SRL, Paraguay	Share deal	100.0	01/31/2013
Everbuild Building Products Ltd, UK	Share deal	100.0	06/14/2013
JMTexsa S.A. de C.V., Mexico	Share deal	100.0	07/23/2013
Radmix Resources Pty Ltd and ASF (Australian Synthetic Fibres) Pty Ltd, Australia	Asset deal	100.0	08/01/2013
Texsa India Ltd, India	Share deal	100.0	09/11/2013
Building Adhesives segment from AkzoNobel (Germany/France/Estonia/Sweden/Norway/Finland/ Denmark/Czech Republic)	Share deal	100.0	10/01/2013

In December 2012, Sika agreed to acquire Inatec SRL, Paraguay, the market leader in Paraguay in the area of construction chemicals. The transaction was completed on January 31, 2013. The purchase price of the shareholding acquired amounts to CHF 8.2 million and includes a component contingent which depends on the course of business, for which a market value of CHF 1.3 million has been estimated.

Since the purchase, Inatec has contributed sales of CHF 8.5 million and net profit of CHF 1.1 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 0.7 million. Consolidated net profit had remained unchanged.

In June, Sika has acquired Everbuild Building Products Ltd, UK, the largest independent manufacturer of sealants, adhesives, and construction chemicals in the UK. Everbuild is a highly reputed brand in the UK construction market and the leader in professional distribution channels. Based in Leeds, the company runs a manufacturing facility for the full range of construction chemical products with laboratories and a logistic hub. The acquisition will strengthen Sika's position in the construction chemical market and in the professional distribution and do-it-yourself channels.

Since the purchase, Everbuild has contributed sales of CHF 55.1 million and net profit of CHF 3.2 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 46.2 million. Consolidated net profit would have been CHF 3.5 million higher.

In July, Sika agreed to acquire JMTexsa S.A. de C.V., Mexico, and Texsa India Ltd, India. Sika has signed an agreement to this effect with the French industrial group Soprema. The companies being acquired produce bituminous waterproofing membranes for the roofing market. As the world market leader in thermoplastic membranes, Sika thereby gains market access to the important roofing and waterproofing markets in Mexico and India.

Since the purchase, Texsa Mexico/India has contributed sales of CHF 9.8 million and net profit of CHF 0.2 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 11.2 million. Consolidated net profit would have been CHF 0.1 million higher.

In July, Sika acquired the Australian company Radmix Resources Pty Ltd and its manufacturing partner ASF (Australian Synthetic Fibres) Pty Ltd. Radmix is the leading supplier of structural fibres for shotcrete in Australia's mining industry. The purchase price of the shareholding acquired amounts to CHF 8.5 million and includes a component contingent which depends on the course of business, for which a market value of CHF 2.7 million has been estimated.

Since the purchase, Radmix and ASF have contributed sales of CHF 2.6 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 4.7 million. Consolidated net profit would have been CHF 0.9 million higher.

As of October 1, 2013, Sika acquired AkzoNobel's Building Adhesives business. By acquiring the Building Adhesives business of AkzoNobel Sika increases its product offering for interior finishing. With two production sites in Germany and France as well as sales organizations in Denmark, Finland, Norway, Sweden, Estonia, Germany, France, and the Czech Republic the Building Adhesives business of AkzoNobel is well established in Europe. The purchase price of the shareholding acquired amounts to CHF 305.4 million.

Since the purchase, the Building Adhesives business has contributed sales of CHF 64.0 million and net loss of CHF 2.6 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 163.8 million. Consolidated net profit would have been CHF 13.0 million higher.

Since the purchase prices and the purchase price allocations for all acquisitions still entail some uncertainty, all positions with the exception of "Cash and cash equivalents" are provisional. Production synergies and combined distribution channels and product portfolios justify the goodwill posted. Goodwill is not tax deductible. Accounts receivable of Everbuild have a gross value of CHF 19.7 million and were adjusted since CHF 0.2 million were classified as non-recoverable. For the Building Adhesives business a gross value of CHF 31.3 million and an impairment of CHF 1.7 million result and for all other acquisitions accounts receivable have a gross value of CHF 4.7 million and were adjusted since CHF 1.2 million were classified as non-recoverable.

The directly attributable transaction costs of all acquisitions amounted to CHF 3.3 million and were charged to other operating expenses.

ACQUIRED NET ASSETS AT FAIR VALUE

in CHF mn	Other acquisitions ¹	Everbuild	Building Adhesives
Cash and cash equivalents	1.4	2.6	2.0
Accounts receivable	3.5	19.5	29.6
Inventories	4.8	8.5	23.3
Other current assets	1.7	0.5	2.8
Property, plant, and equipment	10.7	16.4	34.2
Intangible assets	5.0	13.4	136.8
Other non-current assets	0.4	0.0	0.0
Total assets	27.5	60.9	228.7
Short-term loans and bank overdrafts	0.7	1.6	0.0
Accounts payable	2.2	10.8	18.3
Other current liabilities	1.0	6.2	10.1
Long-term loans and financial liabilities	0.0	0.3	0.2
Provisions	0.9	1.0	7.4
Employee benefit liabilities	0.4	0.0	8.4
Deferred tax liabilities	0.7	3.7	39.5
Total liabilities	5.9	23.6	83.9
Acquired net assets	21.6	37.3	144.8
Goodwill	10.8	46.7	160.6
Total purchase consideration	32.4	84.0	305.4
Cash in acquired assets	-1.4	-2.6	-2.0
Payments still due (per December 31, 2013)	-4.2	0.0	-0.7
Net cash outflow	26.8	81.4	302.7

1 Inatec, JM Texsa, Texsa India, Radmix/ASF, individually not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CASH AND CASH EQUIVALENTS CHF1,028.3 MN (CHF 994.2 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. Cash and cash equivalents increased despite acquisitions due to net borrowings in the amount of CHF 151.0 million and the high operating free cash flow.

2. ACCOUNTS RECEIVABLE CHF 909.7 MN (CHF 871.5 MN)

The following tables show accounts receivable, the development of the allowance for doubtful accounts as well as the portion of not overdue and overdue receivables including their age structure. Accounts receivable are non-interest-bearing and are generally due within 30 to 90 days.

ACCOUNTS RECEIVABLE

in CHF mn	2012	2013
Receivables	939.4	978.6
Allowance for doubtful accounts	-67.9	-68.9
Net accounts receivable	871.5	909.7

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

in CHF mn	2012	2013
January 1	64.5	67.9
Allowance for acquired businesses	2.7	3.1
Additions to or increase in allowances	46.9	33.6
Reversal or utilization of allowances	-45.1	-33.4
Exchange differences	-1.1	-2.3
December 31	67.9	68.9

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

in CHF mn	2012	2013
Net accounts receivable	871.5	909.7
Of which		
Not overdue	658.2	691.0
Past due < 31 days	142.4	150.8
Past due 31 - 60 days	43.5	42.2
Past due 61 - 180 days	38.1	37.6
Past due > 181 days	57.2	57.0
Allowance for doubtful accounts	-67.9	-68.9

The creation and release of allowances for doubtful accounts are recognized in other operating expenses. Amounts entered as allowances are usually derecognized when payment is no longer expected.

3. INVENTORIES CHF 539.0 MN (CHF 521.6 MN)

Inventory write-offs amount to CHF 15.1 million (CHF 16.8 million) and are charged to material expenses.

in CHF mn	2012	2013
Raw materials and supplies	151.7	164.8
Semi-finished goods	41.3	37.2
Finished goods	275.9	276.9
Merchandise	52.7	60.1
Total	521.6	539.0

4. OTHER ASSETS CHF 58.2 MN (CHF 68.7 MN)

The assets contained in this category and any changes in them can be seen in the following table.

OTHER CURRENT ASSETS

in CHF mn	2012	2013
Derivatives (at fair value through profit and loss)	10.3	10.9
Loans (loans and receivables)	1.3	3.1
Securities (at fair value through profit and loss)	2.2	4.9
Other financial assets	13.8	18.9
Other non-financial assets¹	12.7	0.0
Other current assets	26.5	18.9

1 Other non-financial assets decreased significantly, therefore the category has been dissolved. The remaining balances have been reclassified to other categories.

OTHER NON-CURRENT ASSETS

in CHF mn	2012 Restated ¹	2013
Securities (at fair value through profit and loss)	21.7	21.5
Loans (loans and receivables)	3.7	3.7
Other financial assets	25.4	25.2
Employee benefit assets	13.1	14.1
Other ²	3.7	0.0
Other non-financial assets	16.8	14.1
Other non-current assets	42.2	39.3

1 Restated due to application of IAS 19 revised (see principles of consolidation).

2 Other non-financial assets decreased significantly, therefore the category has been dissolved. The remaining balances have been reclassified to other categories.

5. PROPERTY, PLANT, AND EQUIPMENT CHF 920.2 MN (CHF 873.3 MN)

	Property	Plant	Equipment	Plants and buildings under construction	Total
in CHF mn					
At January 1, 2012					
Acquisition cost	108.1	608.0	1,263.1	62.6	2,041.8
Cumulative depreciation and impairment	-0.7	-346.8	-833.2	-0.5	-1,181.2
Net values at January 1, 2012	107.4	261.2	429.9	62.1	860.6
Additions	1.9	8.7	67.5	47.4	125.5
Acquired on acquisition	0.0	4.0	4.1	0.0	8.1
Exchange differences	-2.0	-1.3	-7.4	-1.1	-11.8
Disposals	-1.1	-0.9	-1.8	0.0	-3.8
Reclassifications ¹	-0.2	6.4	45.0	-52.6	-1.4
Depreciation charge for the year	0.0	-20.6	-83.3	0.0	-103.9
At December 31, 2012	106.0	257.5	454.0	55.8	873.3
As January 1, 2013					
Acquisition cost	106.8	617.4	1,326.9	55.9	2,107.0
Cumulative depreciation and impairment	-0.8	-359.9	-872.9	-0.1	-1,233.7
Net values at January 1, 2013	106.0	257.5	454.0	55.8	873.3
Additions	3.0	8.5	68.1	64.0	143.6
Acquired on acquisition	10.2	21.6	28.9	0.6	61.3
Exchange differences	-5.3	-8.8	-14.3	-4.7	-33.1
Disposals	-5.4	-2.6	-5.8	0.0	-13.8
Reclassifications ¹	1.8	7.8	36.5	-47.2	-1.1
Depreciation charge for the year	0.0	-21.2	-88.8	0.0	-110.0
At December 31, 2013	110.3	262.8	478.6	68.5	920.2
Acquisition cost	111.2	631.6	1,379.5	68.7	2,191.0
Cumulative depreciation and impairment	-0.9	-368.8	-900.9	-0.2	-1,270.8
Net values at December 31, 2013	110.3	262.8	478.6	68.5	920.2

1 Plants and buildings under construction are reclassified after completion within property, plant, and equipment as well as intangible assets.

In principle all plants are owned by subsidiaries. Some smaller plants as well as the adhesive plant, the R&D center and the logistics center of Sika Schweiz AG are financed by means of operating lease. Operating leases relate also to data processing equipment and copiers as well as vehicles used by the sales force. Leasehold contracts are insignificant. Plant and equipment includes machinery, vehicles, equipment, furnishings, and hardware.

in CHF mn	Operating leases		2012			Finance leases		
	2012 Minimum payments	2013 Minimum payments	Minimum payments	Interest	2012 Present value of payments	Minimum payments	Interest	2013 Present value of payments
Within 1 year	40.9	45.9	1.5	0.2	1.3	1.1	0.2	0.9
1 - 5 years	89.6	97.4	2.3	0.3	2.0	1.3	0.2	1.1
Over 5 years	62.2	49.5	0.4	0.0	0.4	0.4	0.1	0.3
Total	192.7	192.8	4.2	0.5	3.7	2.8	0.5	2.3

6. INTANGIBLE ASSETS CHF 1,066.0 MN (CHF 742.3 MN)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangibles	Total
At January 1, 2012						
Acquisition costs	426.4	146.9	96.2	222.6	96.3	988.4
Cumulative amortization and impairment	-9.5	-82.6	-7.2	-55.3	-62.8	-217.4
Net values at January 1, 2012	416.9	64.3	89.0	167.3	33.5	771.0
Additions	0.0	5.5	0.0	0.0	0.3	5.8
Acquired on acquisition	9.6	0.0	0.6	5.9	1.7	17.8
Exchange differences	-9.2	-0.3	-0.5	-5.4	-1.1	-16.5
Disposals	0.0	-0.8	0.0	0.0	0.0	-0.8
Reclassifications (net)	0.0	1.2	0.0	-0.4	0.6	1.4
Amortization for the year	0.0	-10.3	-3.2	-16.5	-6.4	-36.4
At December 31, 2012	417.3	59.6	85.9	150.9	28.6	742.3
At January 1, 2013						
Acquisition costs	426.9	147.9	93.3	221.5	63.6	953.2
Cumulative amortization and impairment	-9.6	-88.3	-7.4	-70.6	-35.0	-210.9
Net values at January 1, 2013	417.3	59.6	85.9	150.9	28.6	742.3
Additions	0.0	9.1	0.0	0.0	1.2	10.3
Acquired on acquisition	218.1	0.5	21.4	103.7	29.6	373.3
Exchange differences	-9.2	-0.5	-0.8	-6.4	-1.8	-18.7
Reclassifications (net)	0.0	0.3	0.0	0.0	0.8	1.1
Amortization for the year	0.0	-12.4	-3.9	-19.2	-6.8	-42.3
At December 31, 2013	626.2	56.6	102.6	229.0	51.6	1,066.0
Acquisition costs	635.0	147.1	113.5	316.5	92.9	1,305.0
Cumulative amortization and impairment	-8.8	-90.5	-10.9	-87.5	-41.3	-239.0
Net values at December 31, 2013	626.2	56.6	102.6	229.0	51.6	1,066.0

The intangible assets (except goodwill and trademarks) have a finite useful life over which the assets are amortized. The newly developed SAP platform used since 2010 will be amortized on the basis of its effective use within the Group. Amortization charges will increase over the next few years as SAP is introduced in stages at the individual subsidiaries. The carrying amount was CHF 41.2 million (CHF 46.6 million) as of December 31, 2013. The remaining useful life is estimated to be seven years (eight years).

Trademarks usually have an indefinite useful life because they are influenced by internal and external factors such as strategic decisions, competitive and customer behavior, technical development, and altered market requirements. The carrying value of trademarks with an indefinite useful life amounts to CHF 72.4 million (CHF 72.4 million). The impairment test is based on estimated sales attributable to the trademark. The basis for the calculation of the asset's value in use is the Board of Director's target figures and cash flow forecasts. The forecasting horizon is five years. Assumed thereby is a growth rate of 1.9% (2.2%) for the planning period. Afterwards a growth rate of 2.0% (2.0%) is assumed. The discount rate amounts to 11.9% (11.2%). The sensitivity analysis carried out shows that a realistic change in the key assumptions (5% of the royalty rate) would not result in the realizable amount falling below the carrying amount.

GOODWILL ITEMS TESTED FOR IMPAIRMENT. For all goodwill items an impairment test was carried out on the basis of the discounted cash flow method. The calculation of the value in use is based on the target figures and cash flow forecasts approved by the Board of Directors. The forecast horizon encompasses five years. The growth rates upon which the forecast is set correspond to the market expectations of the cash-generating units and range between 3.5% and 11.4% (1.3% and 11.9%) per year. The sensitivity analysis carried out shows that a realistic change in the key assumptions (-1% in growth rates or +0.5% of the discount rate) would not result in the realizable amount falling below the book value. The cash flow forecast beyond the planning period is extrapolated with a growth rate of 1.5% to 3.0% (2.0% to 3.0%), which in no case exceeds the long-term average growth rate in the corresponding market in which the cash-generating unit operates. The discount rates are determined on the basis of the weighted average cost of capital of the Group, with country- and currency-specific risks within the context of cash flows taken into consideration. The business segments within the regions constitute the cash-generating units.

GOODWILL ASSIGNED TO CASH-GENERATING UNITS

in CHF mn	Growth rates (%) ²	Discount rates (%) ³	Goodwill
December 31, 2012			
Construction business Europe North	2.0	9.3	82.9
Construction business Europe South	2.0	12.5	117.7
Construction business North America	2.0	11.0	85.3
Construction business Asia/Pacific	3.0	10.0	59.7
Automotive	2.0	10.1	58.0
Various	2.0 - 3.0	9.3 - 15.9	13.7
Total			417.3
December 31, 2013¹			
Construction business EMEA	1.5	11.4	424.2
Construction business North America	1.5	13.3	82.6
Construction business Latin America	3.0	18.6	5.2
Construction business Asia/Pacific	3.0	11.3	58.0
Automotive	2.0	13.4	56.2
Total			626.2

1 Disclosure according to amendments in segment structure, refer to the explanations in the segment reporting.

2 Growth rate beyond the planning period.

3 Pre-tax discount rates (%).

7. INVESTMENTS IN ASSOCIATED COMPANIES CHF 13.9 MN (CHF 15.3 MN)

The following associated companies are included in the Consolidated Financial Statements as of December 31, 2013: Condensil SARL, France (stake Sika 40%), Part GmbH, Deutschland (50%), Addiment Italia S.r.l., Italy (50%), Sarna Granol AG, Switzerland (50%), Hayashi-Sika Automotive Ltd., Japan (50%), Chemical Sangyo Ltd., Japan (50%), und Seven tech Co. Ltd., Japan (50%). In 2012, Sika Saudi Arabia Co. Ltd., Saudi Arabia, was included in the scope of consolidation and excluded from the investments in associated companies.

The following amounts represent the Group's stake in net sales, and net income of associates.

ASSOCIATED COMPANIES (PARTICIPATIONS BETWEEN 20% AND 50%)

in CHF mn	2012	2013
Sales	34.6	31.4
Profit	1.4	1.1

8. INCOME TAXES

TAX LOSS CARRYFORWARDS, FOR WHICH NO DEFERRED TAX ASSETS HAVE BEEN RECOGNIZED

in CHF mn	2012	2013
1 year or less	0.5	0.0
1 – 5 years	5.4	8.8
Over 5 years or non-expiring	39.1	41.3
Total	45.0	50.1

RECONCILIATION

in CHF mn	2012			2013		
	Assets	Liabilities	Restated ¹ Net	Assets	Liabilities	Net
January 1	102.4	-98.0	4.4	109.4	-96.2	13.2
Credited (+)/debited (-) to income statement	-0.2	8.1	7.9	12.6	6.5	19.1
Credited (+)/debited (-) to other comprehensive income	3.7	-2.1	1.6	-10.9	-0.4	-11.3
Exchange differences	3.5	-3.9	-0.4	-6.7	4.3	-2.4
Acquisitions/divestments	0.0	-0.3	-0.3	0.3	-43.8	-43.5
December 31	109.4	-96.2	13.2	104.7	-129.6	-24.9

ORIGIN

in CHF mn	2012			2013		
	Assets	Liabilities	Restated ¹ Net	Assets	Liabilities	Net
Tax losses brought forward	10.7	-	10.7	9.8	-	9.8
Current assets	19.7	-6.4	13.3	23.1	-11.7	11.4
Property, plant, and equipment	10.2	-31.6	-21.4	9.4	-31.5	-22.1
Other non-current assets	1.7	-49.8	-48.1	2.2	-73.5	-71.3
Liabilities	67.1	-5.4	61.7	60.2	-8.4	51.8
Withholding taxes on dividends	-	-3.0	-3.0	-	-4.5	-4.5
Total	109.4	-96.2	13.2	104.7	-129.6	-24.9

1 Restated due to application of IAS 19 revised (see principles of consolidation).

In the year under review deferred tax assets from tax loss carryforwards of CHF 4.3 million (CHF 7.3 million) were offset and deferred tax loss carryforwards of CHF 1.0 million (CHF 4.3 million) were generated.

The tax rate decreased significantly to 27.7% (28.6%). Income taxes of CHF 132.0 million (CHF 111.3 million) consist of:

INCOME TAXES

in CHF mn	2012		2013
	Restated ¹		
Income tax during the year under review	117.5		150.1
Deferred income tax	-8.0		-19.1
Income tax from prior years	1.8		1.0
Total	111.3		132.0

RECONCILIATION BETWEEN ANTICIPATED AND EFFECTIVE TAX EXPENSE

in CHF mn	2012		2013	
	%	Restated ¹	%	2013
Profit before taxes		389.8		476.7
Anticipated tax expense	25.3	98.8	25.9	123.6
Non-tax-deductible expenses	1.9	7.3	0.6	2.8
Change in anticipated tax rate	-0.1	-0.5	-0.3	-1.2
Adjusted tax expense from earlier periods	0.5	1.8	0.2	1.0
Valuation adjustment on deferred tax assets	-0.3	-1.0	0.2	0.9
Withholding tax on dividends	1.5	5.8	1.2	5.6
Other	-0.2	-0.9	-0.1	-0.7
Tax expense as per consolidated income statement	28.6	111.3	27.7	132.0

1 Restated due to application of IAS 19 revised (see principles of consolidation).

The anticipated average Group income tax rate of 25.9% (25.3%) corresponds with the average tax on profits of the individual Group companies in their respective fiscal jurisdictions. The change in the anticipated tax rate is attributable to changed profits of the Group companies in the respective fiscal jurisdictions and to changes in their tax rates in some cases.

9. ACCOUNTS PAYABLE CHF 560.0 MN (CHF 492.1 MN)

Accounts payable do not bear interest and will usually become due within 30 to 60 days.

10. ACCRUED EXPENSES AND DEFERRED INCOME CHF 204.9 MN (CHF 197.6 MN)

Deferred income and accrued expenses relate to outstanding invoices and liabilities of the current year, including performance-based compensation payable to employees in the following year and social security expenses.

11. OTHER LIABILITIES CHF 54.2 MN (CHF 63.0 MN)

OTHER CURRENT LIABILITIES

in CHF mn	2012	2013
Derivatives (at fair value through profit and loss)	2.2	1.1
Bank loans	10.9	11.1
Other	12.8	17.7
Other financial liabilities	25.9	29.9
Other non-financial obligations¹	5.1	0.0
Other current liabilities	31.0	29.9

¹ Other non-financial obligations decreased significantly, therefore the category has been dissolved. The remaining balances have been reclassified to other categories.

A number of Group companies have their own credit lines. The total amount is insignificant in scale. The credit lines are used in individual cases when intra-Group financing is not permitted or there are benefits from local financing.

OTHER NON-CURRENT LIABILITIES

in CHF mn	2012	2013
Bank loans	2.2	0.2
Other	29.0	24.1
Other financial liabilities	31.2	24.3
Other non-financial obligations¹	0.8	0.0
Other non-current liabilities	32.0	24.3

¹ Other non-financial obligations decreased significantly, therefore the category has been dissolved. The remaining balances have been reclassified to other categories.

12. BONDS CHF 299.7 MN SHORT-TERM/CHF 946.9 MN LONG-TERM (CHF 249.9 MN/CHF 847.1 MN)

Sika AG has the following bonds outstanding:

in CHF mn	2012		2013	
	Book value	Nominal	Book value	Nominal
2.375% 2006 - 2013	249.9	250.0		
3.500% 2009 - 2014	299.1	300.0	299.7	300.0
2.875% 2006 - 2016	248.6	250.0	249.0	250.0
1.000% 2012 - 2018	149.5	150.0	149.6	150.0
1.125% 2013 - 2019			199.5	200.0
1.750% 2012 - 2022	149.9	150.0	149.9	150.0
1.875% 2013 - 2023			198.9	200.0
Total	1,097.0	1,100.0	1,246.6	1,250.0

13. PROVISIONS CHF 115.0 MN (CHF 97.4 MN)

Provisions for guarantees reflect all known claims anticipated in the near future. The provision amounts are determined on the basis of experience and are therefore subject to a degree of uncertainty. The outflow of funds depends on the timing of the filing and conclusion of warranty claims. Provisions for sundry risks include loan guarantees as well as open and anticipated legal and tax cases with a probability of occurrence above 50%.

From the sum of provisions, CHF 93.0 million (CHF 81.9 million) are shown as non-current liabilities, since an outflow of funds is not expected within the next twelve months.

For provisions of CHF 22.0 million (CHF 15.5 million), an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

in CHF mn	Warranties	Sundry risks	Provisions Total
Current provisions	15.7	6.3	22.0
Non-current provisions	70.3	22.7	93.0
Provisions	86.0	29.0	115.0
Reconciliation			
At January 1, 2013	67.4	30.0	97.4
Additions	36.0	9.2	45.2
Assumed on acquisition	6.6	2.7	9.3
Exchange differences	-1.3	-1.2	-2.5
Utilization	-15.9	-8.7	-24.6
Reversal	-6.8	-3.0	-9.8
At December 31, 2013	86.0	29.0	115.0

14. EMPLOYEE BENEFIT OBLIGATION

To complement the benefits provided by state-regulated pension schemes, Sika maintains additional employee pension plans for a number of subsidiaries. In principle these fall into the following categories:

DEFINED CONTRIBUTION PENSION FUNDS. The majority of Sika subsidiaries operate defined contribution pension plans. In these, employees and employer regularly contribute to funds administered by third parties. This does not give rise to any assets or liabilities in the consolidated balance sheet.

DEFINED BENEFIT PENSION FUNDS. Defined benefit pension plans for staff exist at 39 Group companies. The biggest plans are in Switzerland, accounting for 80.1% (83.0%) of Sika's entire defined benefit pension obligations and 96.5% (97.5%) of plan assets.

SWISS PENSION PLANS. Sika companies in Switzerland have legally independent foundations for this purpose, thereby segregating their pension obligation liabilities. In accordance with local statutory requirements, Sika has no obligations to these pension plans beyond the regulatory contributions and any recapitalization contributions that may become necessary. According to IAS 19, the Swiss pension plans qualify as defined benefit plans, so the actuarially calculated surplus or deficit is recognized in the consolidated balance sheet.

The supreme governing body of the pension fund is composed of equal numbers of employee and employer representatives. There is also a management pension scheme and a welfare foundation, which provide statutory benefits, and a scheme that enables employees to take early retirement.

Both the Sika pension fund and the welfare foundation bear the investment risks and the age risk themselves. As the supreme governing body of the pension fund, the Board of Trustees is responsible for investment. The investment strategy is defined so as to ensure that the benefits can be provided when they become due. The pension fund has concluded a contract for matching reinsurance for the risks of death and invalidity. The insurance-related and investment risks of the management pension scheme are fully reinsured. The retirement pension is calculated using the retirement assets available at the time of retirement multiplied by the conversion rates specified in the regulations. The employee has the opportunity to withdraw pension benefits in the form of a lump sum.

The Federal Law on Occupational Retirement, Survivors', and Disability Pensions (BVG) governs the way in which employees and employer must jointly participate in any restructuring measures in the event of a significant deficit, such as by making additional contributions. In the current year, as in the previous year, the Swiss pension plans are showing a surplus under BVG and it is not expected that additional contributions will be necessary for the next year.

This year the benefits of the insurance plan were adjusted by reducing the conversion rate and increasing the savings contributions. This led to an adjustment in the pension plan and is therefore recognized in the income statement as a gain on a plan curtailment (CHF 18.9 million).

in CHF mn	2012			2013		
	Assets	Liabilities	Restated ¹ Net	Assets	Liabilities	Net
Employee benefit plans with defined benefits	13.1	225.8	212.7	14.1	162.1	148.0
Other employee commitments	0.0	43.9	43.9	0.0	50.8	50.8
Total	13.1	269.7	256.6	14.1	212.9	198.8

1 Restated due to application of IAS 19 revised (see principles of consolidation).

Other long-term liabilities arise from long-service bonuses and similar benefits that Sika grants to its employees.

Due to the application of IAS 19 revised – Employee Benefits the disclosure of employee benefit obligation has changed fundamentally (see principles of consolidation).

MOVEMENT IN THE NET DEFINED BENEFIT OBLIGATION

in CHF mn	Present value of obligation	Fair value of plan assets	Impact of asset ceiling	Total
At January 1, 2012 (restated)	-701.7	502.8	-3.0	-201.9
Current service cost	-32.1			-32.1
Interest expense/interest income	-19.8	12.4		-7.4
Past service cost and gains and losses on settlements and curtailments	0.2			0.2
Total pension expense recognized in income statement	-51.7	12.4		-39.3
thereof Switzerland	-43.2	11.9		-31.3
thereof Others	-8.5	0.5		-8.0
Return on plan assets, excluding amounts included in interest income		39.9		39.9
Loss from change in financial assumptions	-56.1			-56.1
Gain from change in demographic assumptions	5.3			5.3
Experience gain	12.6			12.6
Change in asset ceiling			0.4	0.4
Total remeasurements recognized in other comprehensive income	-38.2	39.9	0.4	2.1
thereof Switzerland	-20.8	39.2	0.4	18.8
thereof Others	-17.4	0.7	-	-16.7
Exchange differences	2.9	-		2.9
Contributions by employers		19.7		19.7
Contributions by plan participants	-11.6	11.6		-
Benefits paid	51.4	-46.4		5.0
Acquired in a business combination and others	-1.3	0.1		-1.2
At December 31, 2012 (restated)	-750.2	540.1	-2.6	-212.7
thereof Switzerland	-622.5	526.9	-2.6	-98.2
thereof Others	-127.7	13.2	-	-114.5

in CHF mn	Present value of obligation	Fair value of plan assets	Impact of asset ceiling	Total
At January 1, 2013	-750.2	540.1	-2.6	-212.7
Current service cost	-28.6			-28.6
Interest expense/interest income	-17.8	11.6		-6.2
Past service cost and gains and losses on settlements and curtailments	19.2			19.2
Total pension expense recognized in income statement	-27.2	11.6		-15.6
thereof Switzerland	-18.7	11.1		-7.6
thereof Others	-8.5	0.5		-8.0
Return on plan assets, excluding amounts included in interest income		37.5		37.5
Gain from change in financial assumptions	14.1			14.1
Gain from change in demographic assumptions	2.6			2.6
Experience gain	8.3			8.3
Change in asset ceiling			1.7	1.7
Total remeasurements recognized in other comprehensive income	25.0	37.5	1.7	64.2
thereof Switzerland	30.1	37.6	1.7	69.4
thereof Others	-5.1	-0.1	-	-5.2
Exchange differences	1.6	-0.3		1.3
Contributions by employers		17.5		17.5
Contributions by plan participants	-11.1	11.1		-
Benefits paid	35.9	-29.6		6.3
Acquired in a business combination and others	-16.3	7.3		-9.0
At December 31, 2013	-742.3	595.2	-0.9	-148.0
thereof Switzerland	-594.7	574.3	-0.9	-21.3
thereof Others	-147.6	20.9	-	-126.7

The contributions that are expected to be paid into the defined benefit pension plans for 2014 amount to CHF 17.5 million.

The Group's total expenses for employee benefits are included in the consolidated financial statements under "Personnel expenses".

The stated deficit results partly from the defined benefit obligation of the unfunded benefit plans of CHF 105.9 million (CHF 102.5 million). The schemes in Germany, in particular, do not have segregated assets.

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in CHF mn	2012			2013		
	Switzerland	Others	Total	Switzerland	Others	Total
Cash and cash equivalents	43.5	5.4	48.9	38.2	13.4	51.6
Equity instruments	170.7	0.1	170.8	194.9	1.5	196.4
Debt instruments	214.5	0.5	215.0	242.1	1.5	243.6
Real estate investments	86.0	0.0	86.0	96.6	0.0	96.6
Other assets	12.2	7.2	19.4	2.5	4.5	7.0
Total	526.9	13.2	540.1	574.3	20.9	595.2

Most of the plan assets of the pension schemes are invested in assets with quoted market prices. In the year under review, 16.7% of the investments in real estate and 25.7% of the other assets did not have a quoted market price.

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2012	2013
Shares Sika AG	10.4	14.6
Own property occupied by Sika	7.5	7.7
Total	17.9	22.3

ACTUARIAL ASSUMPTIONS (WEIGHTED AVERAGE)

	2012		2013	
	Switzerland	Others	Switzerland	Others
Discount rate	2.1	3.8	2.3	3.4

SENSITIVITY OF THE DEFINED BENEFIT OBLIGATION TO CHANGES IN THE PRINCIPAL ASSUMPTIONS

in CHF mn	Change in assumption	Impact on defined benefit obligation	
		Switzerland	Others
Discount rate	+0.25%	-24.5	-3.9
Discount rate	-0.25%	+26.3	+4.3

NUMBER OF PLANS AND INSURED PERSONS

	2012		2013	
	Switzerland	Others	Switzerland	Others
Number of insured employees	2,072	3,387	1,943	3,775
Number of insured retired persons	412	1,117	445	1,208
Total number of defined benefit plans	5	31	5	36
thereof number of defined benefit plans funded	4	9	4	11
thereof number of defined benefit plans unfunded	1	22	1	25
Average weighted duration in years	17.3	15.0	17.0	15.1

15. SHAREHOLDERS' EQUITY CHF 2,136.2 MN (CHF 1,909.8 MN)
Equity accounts for 45.1% (44.6%) of the balance sheet total.

CAPITAL STOCK

in CHF mn	Number	2012	2013
Registered shares, nominal value CHF 0.10	2,333,874	0.2	0.2
Bearer shares, nominal value CHF 0.60	2,151,199	1.3	1.3
Capital stock		1.5	1.5

The Board of Directors proposes to the Annual General Meeting payment of a dividend of CHF 9.50 per registered share and of CHF 57.00 per bearer share, in the total amount of CHF 144.4 million, to the shareholders of Sika AG.

The capital stock is divided into the following categories:

	Bearer shares ¹ nominal value CHF 0.60	Registered shares nominal value CHF 0.10	Total ¹
12/31/2012 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107
12/31/2013 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107

¹ Includes treasury shares 6,519 units (14,497 units) which do not carry voting and dividend rights.

16. NET SALES CHF 5,142.2 MN (CHF 4,828.9 MN)

Sales of goods account for practically all net sales. In comparison with the previous year, net sales denominated in Swiss francs increased by 6.5%. Taking currency effects amounting to -2.9% into consideration, sales increased in local currencies by 9.4%, including a growth from acquisitions of 3.5%.

Revenue from construction contracts in the year under review amounted to CHF 4.1 million (CHF 7.1 million). On the balance sheet date accrued construction costs and recognized profits (less recognized losses) were CHF 122.9 million (CHF 118.7 million). On the balance sheet date, as in the previous year, there were insignificant receivables and no liabilities from construction contracts. Contract revenues and contract costs are recognized as income and expenses by reference to the stage of completion.

17. MATERIAL EXPENSES CHF 2,446.6 MN (CHF 2,309.6 MN)

Material expenses decreased as a percentage of net sales by 0.2 percentage points.

18. OPERATING PROFIT BEFORE DEPRECIATION CHF 675.9 MN (CHF 573.1 MN)

In the year under review the moderate material price increases and the good price and product management led to an improvement in gross result from 52.2% to 52.4%.

Operational costs were at a slightly lower level. Selective adjustments of structures to take into account the current economic environment in individual countries and a targeted development in the growth markets led to a minor increase in personnel costs. Furthermore, the amendment in the pension plan in Switzerland had a positive one-off effect. Other operating expenses developed disproportionately faster due to increased acquisition costs.

Expenditures on research and development in the Group in the year under review totaled CHF 166.1 million (CHF 162.8 million), roughly equivalent to 3.2% (3.4%) of sales. Research and development expenses are included in operating costs.

in CHF mn	2012 Restated ¹	2013
Gross result	2,519.3	2,695.6
Personnel expenses	-1,037.2	-1,031.1
Other operating expenses	-909.0	-988.6
Operating profit before depreciation	573.1	675.9

PERSONNEL EXPENSES

in CHF mn	2012 Restated ¹	2013
Wages and salaries	837.5	849.1
Social charges	199.7	182.0
Personnel expenses	1,037.2	1,031.1

1 Restated due to application of IAS 19 revised (see principles of consolidation).

EMPLOYEE BENEFIT COSTS

in CHF mn	2012 Restated ¹	2013
Employee benefit plans with defined benefits ²	31.9	9.4
Other employee benefit plans	33.7	35.7
Total	65.6	45.1

1 Restated due to application of IAS 19 revised (see principles of consolidation).

2 Includes pension expense recognized in income statement (according to note 14) without interest income/interest expenses.

EMPLOYEE PARTICIPATION PLAN – SHARE-BASED PAYMENTS

Sika operates the following share-based compensation plans:

PERFORMANCE BONUS (SHORT-TERM INCENTIVE). Senior managers and Group Management receive shares of Sika AG as a component of their salary. The shares are granted at the average market price of February of the subsequent business year. The allocated shares are subject to a blocking period of four years. The following different share plans are in place:

Senior managers may draw 20% of the performance-based short-term variable remunerations in the form of shares of Sika AG. As remuneration for the services rendered by them in 2012, in 2013 they drew 815 shares at a fair value of CHF 1.9 million (CHF 2,308 per share). In 2012, the fair value of the compensation for 2011 amounted to CHF 0.6 million.

The performance-based portion of the short-term variable remunerations for Group Management is paid out 20% in the form of shares of Sika AG. Moreover, members of Group Management have an option to draw a further 20% of the variable remunerations in the form of shares of Sika AG. As compensation for the services rendered by them in 2012, in 2013 they drew 765 shares at a fair value of CHF 1.8 million (CHF 2,308 per share). In 2012, the fair value of the compensation for 2011 amounted to CHF 1.2 million.

LONG-TERM INCENTIVE (LTI-PLAN). The performance-based portion of the long-term variable remuneration for Group Management is paid out in full in shares of Sika AG and is conditional upon a three-year vesting period and an additional four-year blocking period. In 2013, 899 shares at a fair value of CHF 2.1 million (CHF 2,308 per share) were allocated to the members of Group Management as part of the long-term compensation program. In 2012, the fair value of the compensation for 2011 amounted to CHF 5.9 million.

SHARES FOR BOARD OF DIRECTORS. The members of the Board of Directors receive shares of Sika AG as a component of their compensation. The shares are subject to a blocking period of four years. Since this term of office from April 2012 to April 2013 458 shares at a fair value of CHF 1.0 million (CHF 2,133 per share) were allocated to the members of the Board of Directors for the first time. In the prior year period no shares were received.

Share-based remunerations are made by means of the transfer of treasury shares of Sika AG. The personnel expenses recognized for services received in the 2013 business year totaled CHF 24.3 million (CHF 21.5 million) of which the amount of CHF 6.4 million (CHF 5.9 million) was taken to equity and the amount of CHF 17.9 million (CHF 15.6 million) was recognized under liabilities. Provided employees are entitled to the option of drawing shares of Sika AG, this portion will be recognized under liabilities as at the balance sheet date, and in the event that shares are drawn, this portion will be taken to equity in the subsequent year. In the year under review the fair value of the allocated shares taken to shareholders' equity amounted to CHF 1.7 million (CHF 0.7 million).

No dilution effect results because no additional shares have been issued.

19. DEPRECIATION AND AMORTIZATION EXPENSES CHF 152.4 MN (CHF 140.1 MN)

The amount includes the regular depreciations and amortizations, which increased as a result of acquisitions.

20. INTEREST EXPENSES/OTHER FINANCIAL EXPENSES CHF 56.7 MN (CHF 54.3 MN)

This item consists mainly of interest expenses for bond issues outstanding in the amount of CHF 24.5 million (CHF 27.2 million) as well as gains and losses from foreign currency transactions and the hedging of loans.

21. INTEREST INCOME/OTHER FINANCIAL INCOME/INCOME FROM ASSOCIATED COMPANIES CHF 9.9 MN (CHF 11.1 MN)

Short-term surpluses in liquidity in various countries led to interest income of CHF 3.0 million (CHF 6.9 million). Income from associated companies amounted to CHF 1.1 million (CHF 1.4 million). Other financial income increased to CHF 5.8 million (CHF 2.8 million).

22. NON-CONTROLLING INTERESTS CHF 2.5 MN (CHF 1.6 MN)

Most important companies with non-controlling interests:

- Jiangsu TMS Admixture Co. Ltd., China (30%)
- Hebei Jiuqiang Construction Material Co. Ltd., China (33%)
- Sika Arabia Holding Co. WLL, Bahrain (49%)
- Sika UAE LLC, UAE (49%)
- Sika Saudi Arabia Co. Ltd., Saudi Arabia (49%)
- Sika Gulf B.S.C., Bahrain (49%)
- Consorzio IGS, Switzerland (35%)

23. EARNINGS PER SHARE CHF 135.27 (CHF 109.95)

	2012 Restated ¹	2013
Undiluted ("basic EPS")		
Net profit (in CHF mn)	276.9	342.2
Weighted average number of shares²		
Bearer shares ³ /units	2,129,387	2,140,691
Registered shares ⁴ /units	2,333,874	2,333,874
Earnings per share		
Bearer share ³ /CHF	109.95	135.27
Registered share ⁴ /CHF	18.33	22.55

1 Restated due to application of IAS 19 revised (see principles of consolidation).

2 Excluding treasury shares held in the Group.

3 Nominal value: CHF 0.60.

4 Nominal value: CHF 0.10.

Earnings per share (EPS) amount to CHF 135.27 (CHF 109.95). The EPS calculated on the basis of net profit after non-controlling interests and the number of shares entitled to dividend, weighted over the course of the year. No dilution effect results because no options or convertible bonds are outstanding. For the business year 2012 the dividend amounted to CHF 51.00 per bearer share and to CHF 8.50 per registered share.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments and the related risk management of the Sika Group are presented in this note.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

in CHF mn	Level	2012		2013	
		Book value	Fair value	Book value	Fair value
Financial assets					
Cash and cash equivalents		994.2		1,028.3	
Loans and receivables		876.5		916.5	
Financial assets at fair value through profit and loss	1	23.9	23.9	26.4	26.4
Financial assets at fair value through profit and loss (derivatives)	2	10.3	10.3	10.9	10.9
Total		1,904.9		1,982.1	
Financial liabilities					
Bank overdrafts		13.1		11.3	
Bonds	1	1,097.0	1,144.9	1,246.6	1,269.1
Accounts payable		492.1		560.0	
Other financial liabilities		41.8		41.8	
Financial liabilities measured at amortized cost		1,644.0		1,859.7	
Financial liabilities at fair value through profit and loss (derivatives)	2	2.2	2.2	1.1	1.1
Total		1,646.2		1,860.8	

The book value of cash and cash equivalents, loans and receivables, bank overdrafts, accounts payable, and other financial liabilities almost equals the fair value.

The hierarchy below classifies financial instruments, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: procedures in which all input parameters having an essential effect on the registered market value are either directly or indirectly observable.
- Level 3: procedures applying input parameters having an essential effect on the registered market value but are not based on observable market data.

Sika does not own any financial instruments requiring evaluation according to level 3 procedures.

A net loss of CHF 6.7 million (net loss of CHF 17.6 million) on financial assets and liabilities held at fair value through profit or loss was recognized in the income statement under other financial expenses.

MANAGEMENT OF FINANCIAL RISKS

BASIC PRINCIPLES. The Group's activities expose it to a variety of financial risks: market risks (primarily foreign exchange risks, price risks, and interest rate risks), credit risks, and liquidity risks. The Group's financial risk management program focuses on hedging volatility risks.

The Corporate Finance Department identifies, evaluates, and hedges financial risks in close cooperation with the Group's operating units.

TO SECURE OWN OBLIGATIONS, PLEDGED OR CEDED ASSETS (ENCUMBERED ASSETS)

in CHF mn	2012	2013
Receivables	2.0	1.8
Property, plant, and equipment	1.3	0.7
Total book value of encumbered assets	3.3	2.5

OPEN DERIVATIVES

in CHF mn	Replacement value		Contractual value upon maturity		
			Contract value	Up to 3 months	3 to 12 months
	(+)	(-)			
Open derivatives 2012					
Swaps (foreign exchange)	10.3	-2.2	795.0	236.5	558.5
Total derivatives	10.3	-2.2	795.0	236.5	558.5
Open derivatives 2013					
Forward contracts (foreign exchange)	0.1	-0.2	27.5	14.8	12.7
Swaps (foreign exchange)	10.8	-0.9	1,093.8	292.1	801.7
Total derivatives	10.9	-1.1	1,121.3	306.9	814.4

FOREIGN EXCHANGE RISKS. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro and the US dollar. Foreign exchange risk arises when commercial transactions as well as recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group makes every effort to offset the impact of exchange rate movements as far as possible by utilizing natural hedges. Foreign exchange forward contracts/swaps are used to hedge foreign exchange risks. Gains and losses on foreign exchange hedges and assets or liabilities carried at fair value are recognized through profit or loss. The Group does not apply hedge accounting.

Sika carries out a sensitivity analysis for the dominant foreign currencies euro and US dollar. The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments, Group-internal financing, and foreign currency hedge transactions in the corresponding currencies. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. All other variables are held constant. The impact on shareholders' equity is insignificant.

CURRENCY AND ASSUMED RATE OF CHANGE AGAINST CHF

Impact on profit before tax in CHF mn	2012	2013
EUR: +10%	-1.2	-0.5
EUR: -10%	1.2	0.5
USD: +10%	-13.0	-14.0
USD: -10%	13.0	14.0

PRICE RISKS. The Group is exposed to purchasing price risks because cost of materials represents one of the Group's largest cost factors. Purchasing prices are influenced far more by the interplay between supply and demand, the general economic environment, and intermittent disruptions of processing and logistics chains, ranging from crude oil to purchased merchandise, than by crude oil prices themselves. Short-term crude oil price increases only have limited impact on raw material prices. Sika limits market price risks for important products by means of maintaining corresponding inventories and Group contracts (lead buying). The most important raw materials are polymers such as polyurethane, epoxy resins, polyvinyl chloride and cementitious basic materials. Other measures such as hedging are not practical because there is no corresponding market for these semi-finished products.

INTEREST RATE RISK. Interest rate risks result from changes in interest rates, which could have a negative impact on the Group's financial position, cash flow and earnings situation. Interest rate risk is limited through emission of fixed interest long-term bonds (nominal CHF 1,250 million). A change in the rate of interest would therefore alter neither annual financial expenses nor shareholders' equity materially. Local bank loans and mortgages are insignificant. Interest rate development is closely monitored by management.

CREDIT RISK. Credit risks arise from the possibility that the counterparty to a transaction may not be able or willing to discharge its obligations, thereby causing the Group to suffer a financial loss. Counterparty risks are minimized by only concluding contracts with reputable business partners and banks. In addition, receivable balances are monitored on an ongoing basis via internal reporting procedures. Potential concentrations of risks are reduced by the large number of customers and their geographic dispersion. No customer represents more than 1.5% of the Group's net sales. The Group held no securities for loans and accounts receivable at year-end 2012 nor at year-end 2013. The largest possible risk represented by these items is the carrying amount of the accounts receivable and any warranties granted.

LIQUIDITY RISK. Liquidity risk refers to the risk of Sika no longer being able to meet its financial obligations in full. Prudent liquidity management includes maintaining sufficient cash and cash equivalents and securing the availability of liquidity reserves which can be called up at short notice. Group Management monitors the Group's liquidity reserve on the basis of expected cash flows.

The table below summarizes the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments.

MATURITY PROFILE OF FINANCIAL LIABILITIES

in CHF mn	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
December 31, 2012				
Bank loans	10.9	2.2	0.0	13.1
Bonds	277.8	598.6	314.6	1,191.0
Accounts payable	492.1	0.0	0.0	492.1
Other financial liabilities	12.8	26.8	2.2	41.8
Financial liabilities measured at amortized cost	793.6	627.6	316.8	1,738.0
Financial liabilities at fair value through profit and loss	2.2	0.0	0.0	2.2
Total	795.8	627.6	316.8	1,740.2
December 31, 2013				
Bank loans	11.1	0.2	0.0	11.3
Bonds	327.8	454.9	581.5	1,364.2
Accounts payable	560.0	0.0	0.0	560.0
Other financial liabilities	17.7	23.8	0.3	41.8
Financial liabilities measured at amortized cost	916.6	478.9	581.8	1,977.3
Financial liabilities at fair value through profit and loss	1.1	0.0	0.0	1.1
Total	917.7	478.9	581.8	1,978.4

CAPITAL MANAGEMENT. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and December 31, 2012. The Group monitors its equity using the equity ratio, which is shareholder's equity divided by total capital.

25. FUTURE OBLIGATIONS

RAW MATERIAL SUPPLY CONTRACTS. Sika concludes collective lead-buying purchase contracts at Group level for important raw materials.

DELIVERY CONTRACTS FOR FINISHED GOODS. Supply contracts are in place with major customers. No other future obligations in excess of normal business activities existed as of the date of this report.

in CHF mn	2012	2013
Raw material supply contracts ¹	174	158
Delivery contracts for finished goods ¹	391	324

1 Contracts run until 2023, maximum.

CONTINGENT LIABILITIES. Given the Group's international operations, there are inherent tax risks which cannot be conclusively estimated. In ongoing business activity the Group may be involved in legal proceedings such as lawsuits, claims, investigations, and negotiations due to product liability, mercantile law, environmental protection, health, and safety, etc. There are no current proceedings of this nature pending which could have significant influence on business operations, on the Group's financial position or income. The Group is active in countries in which political, economic, social, and legal developments could impair business activity. The effects of such risks which can occur in the normal course of business is unforeseeable. In addition, their probability of occurrence lies below 50%.

in CHF mn	2012	2013
Guarantees and letters of comfort	28	20

If guarantees were claimed at the earliest possible date, then all would be due within one year.

26. CASH FLOW STATEMENT

DETAILS TO THE CASH FLOW STATEMENT. Compared with the previous year, cash flow was influenced by:

- higher consolidated net profit before tax (CHF 86.9 million)
- the change in net working capital (CHF 58.5 million)
- higher acquisition activity (CHF -402.4 million)
- lower net borrowing due to bonds (CHF -151.0 million)

in CHF mn	2012	2013
Operating activities	427.3	574.0
Investment activities	-139.0	-555.0
Financing activities	173.9	23.9
Exchange differences	-4.0	-8.8
Net change in cash and cash equivalents	458.2	34.1

FREE CASH FLOW AND OPERATING FREE CASH FLOW

in CHF mn	2012	2013
Cash flow from operating activities	427.3	574.0
Net investment in		
Property, plant, and equipment	-119.6	-131.0
Intangible assets	-5.2	-10.3
Acquisitions less cash and cash equivalents	-8.5	-410.9
Acquisitions (-)/disposals (+) of financial assets	-5.7	-2.8
Free cash flow	288.3	19.0
Acquisitions/disposals less cash and cash equivalents	8.5	410.9
Acquisitions (+)/disposals (-) of financial assets	5.7	2.8
Operating free cash flow	302.5	432.7

OTHER ADJUSTMENTS. Included in "Other adjustments" are:

in CHF mn	2012	2013
Non-liquidity-related interest expenses/income	1.5	-4.0
Non-liquidity-related financial expenses/income	-4.5	2.4
Profit/loss from disposals of PPE	-1.1	1.2
Personnel expenses settled through treasury shares	7.7	6.8
Others	0.0	-0.3
Total	3.6	6.1

27. SEGMENT REPORTING

Sika conducts its worldwide activities according to regions. Heads of regions are members of Group Management. Group Management is the highest operative executive body measuring the profit and loss of segments and allocating resources. The key figure of profit by which the segments are directed is that of operating profit, which stands in correlation with the Consolidated Financial 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 composition of the regions is shown on page 35 of the download pdf of this report.

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 accepted principles.

In 2013 the regions were adjusted. The previous six geographical regions have been reduced to four. The new regional breakdown is based on unified economic areas and supply chain structures. The new region EMEA covers the previous regions Europe North and Europe South together with the Middle East and Africa. With the former region IMEA dissolved, India has been reallocated to the region Asia/Pacific due to its close association with this economic area. North America and Latin America remain independent regions on account of their differing market structures.

"Other segments and activities" include the automotive segment, expenditures for Group head quarter, and its proceeds from services. In addition they contain expenses and income that cannot be allocated to an individual region. These are mainly expenses for research and development. The supply chain activities previously included in "Other segments and activities" are now included in the region EMEA.

The acquired Inatec SRL, Paraguay, as well as JMTexsa S.A. de C.V., Mexico, were assigned to region Latin America. Radmix Resources Pty Ltd and ASF (Australian Synthetic Fibres) Pty Ltd, Australia, as well as Texsa India Ltd, India, were assigned to region Asia/Pacific. The acquired Everbuild Building Products Ltd., United Kingdom, and the Building Adhesives business of AkzoNobel were assigned to region EMEA.

NET SALES

in CHF mn			2012 ¹			2013
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	2,275.3	97.1	2,372.4	2,470.2	102.6	2,572.8
North America	705.7	24.6	730.3	711.2	18.3	729.5
Latin America	586.3	0.1	586.4	622.8	0.2	623.0
Asia/Pacific	931.3	6.3	937.6	973.7	5.0	978.7
Other segments and activities	330.3	-	330.3	364.3	-	364.3
Eliminations	-	-128.1	-128.1	-	-126.1	-126.1
Net sales	4,828.9	-	4,828.9	5,142.2	-	5,142.2
Products for construction industry			3,883.7			4,150.1
Products for industrial manufacturing			945.2			992.1

1 Restated due to amendments in segment structure.

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	2012 ¹	2013	Change compared to prior year (+/- in %)		
			In Swiss francs	In local currencies	Currency impact
By region					
EMEA	2,275.3	2,470.2	8.6	8.5	0.1
North America	705.7	711.2	0.8	2.3	-1.5
Latin America	586.3	622.8	6.2	15.1	-8.9
Asia/Pacific	931.3	973.7	4.6	12.7	-8.1
Other segments and activities	330.3	364.3	10.3	11.3	-1.0
Net sales	4,828.9	5,142.2	6.5	9.4	-2.9
Products for construction industry	3,883.7	4,150.1	6.9	10.1	-3.2
Products for industrial manufacturing	945.2	992.1	5.0	6.5	-1.5

1 Restated due to amendments in segment structure.

OPERATING PROFIT

in CHF mn	2012 ¹	2013	Change compared to prior year	
			(+/-)	(+/- in %)
By region				
EMEA	222.7	267.2	44.5	20.0
North America	68.7	80.6	11.9	17.3
Latin America	106.6	110.1	3.5	3.3
Asia/Pacific	116.4	134.4	18.0	15.5
Other segments and activities	-81.4	-68.8	12.6	n.a.
Operating profit	433.0	523.5	90.5	20.9

1 Restated due to amendments in segment structure and due to application of IAS 19 revised (see principles of consolidation).

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	2012 ¹	2013
Operating profit	433.0	523.5
Interest income	6.9	3.0
Interest expenses	-38.0	-33.9
Other financial income	2.8	5.8
Other financial expenses	-16.3	-22.8
Income from associated companies	1.4	1.1
Profit before taxes	389.8	476.7
Income taxes	-111.3	-132.0
Net profit	278.5	344.7

1 Restated due to application of IAS 19 revised (see principles of consolidation).

in CHF mn	2012 ¹			2013		
	Depreciation	Impairment	Capital expenditures	Depreciation	Impairment	Capital expenditures
EMEA	69.3	0.0	58.3	79.0	0.0	75.0
North America	24.2	0.0	14.0	23.0	0.0	10.8
Latin America	6.5	0.0	24.3	9.4	0.0	27.2
Asia/Pacific	21.2	0.0	23.8	20.9	0.0	24.9
Other segments and activities	18.9	0.0	10.9	20.1	0.0	16.0
Total	140.1	0.0	131.3	152.4	0.0	153.9

1 Restated due to amendments in segment structure.

The following countries had a share of greater than 10% of at least one of corresponding Group key figures:

in CHF mn	Net sales				Non-current assets ¹			
	2012	%	2013	%	2012	%	2013	%
Switzerland	302.0	6.3	306.3	6.0	502.9	30.8	483.1	24.1
USA	673.2	13.9	679.0	13.2	222.8	13.6	206.1	10.3
Germany	562.4	11.6	603.8	11.7	141.7	8.7	303.3	15.2
All other	3,291.3	68.2	3,553.1	69.1	767.2	46.9	1,007.6	50.4
Total	4,828.9	100.0	5,142.2	100.0	1,634.6	100.0	2,000.1	100.0

1 Non-current assets less financial assets, deferred tax assets and employee benefit assets.

28. RELATED PARTIES

At the end of the year under review Sika had one significant shareholder with a share of voting rights of over 3.0%: this is the Burkard-Schenker family, which according to information provided by the family as of December 31, 2013, holds 52.7% of all share votes, in part through the Schenker-Winkler Holding AG, Baar.

ASSOCIATED COMPANIES. In the year under review goods and services totaling CHF 17.2 million (CHF 18.9 million) were delivered to associated companies. These transactions occurred on the usual conditions between wholesale partners. Further, Sika sold a property to an associated company in 2013. The sales price amounted to CHF 3.8 million.

EMPLOYEE BENEFIT PLANS. In Switzerland, employee benefit plans are handled through independent foundations, to which a total of CHF 20.5 million (CHF 21.6 million) was paid in the year under review. As of the balance sheet date no material receivables or payables were due from these foundations. Sika offices are located in a building leased from the pension fund foundation. Rent for 2013 amounted to CHF 0.5 million (CHF 0.5 million). Furthermore, revenue from renovation of this building amounted to CHF 0.3 million (CHF 0.0 million).

MEMBERS OF THE BOARD OF DIRECTORS. In the year under review property, plant, and equipment in the amount of CHF 0.1 million (CHF 0.2 million) and services in the amount of CHF 0.6 million (CHF 0.7 million) were acquired from companies of two members of the Board of Directors.

All transactions were conducted at market conditions.

29. REMUNERATION OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

For the business year 2013 (2012), the Board of Directors and Group Management are entitled to the following remuneration:

in CHF mn	2012	2013
Current benefits ¹	16.1	14.4
Non-current benefits ²	2.4	2.1
Social security contributions	3.2	1.9
Total	21.7	18.4

1 Members of Group Management draw 20% or 40% of their variable short-term bonus in the form of Sika shares. The allocation occurs at fair value.

2 The long-term variable salary portion is based on a target to be met within a period of three years. This portion is paid out entirely in Sika shares. The allocation occurs at fair value. The amounts disclosed are the annual accruals and refer to Group Management.

Detailed information regarding remuneration of the Board of Directors and Group Management as well as participations in Sika AG can be found in notes 19 to 21 of the Sika AG Financial Statements (as of page 129 of the download pdf of this report).

30. RELEASE OF FINANCIAL STATEMENTS FOR PUBLICATION

The Board of Directors of Sika AG approved the Consolidated Financial Statements for publication on February 28, 2014. The financial statements will be submitted for approval to the Annual General Meeting on April 15, 2014.

31. EVENTS AFTER THE BALANCE SHEET DATE

The following events occurred between December 31, 2013, and the release of these Consolidated Financial Statements:

At the end of 2013, Sika agreed to acquire LCS Optiroc Pte Ltd. in Singapore and LCS Optiroc SDN. BHD in Malaysia. The transactions will close only after publication of the Consolidated Financial Statements and the precise details of the size and breakdown of the assets is still not known. From a Group's perspective the amounts are immaterial. For this reason, Sika has decided against a provisional purchase price allocation. Optiroc has annual sales of about CHF 24 million.

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

In February 2014 Sika has agreed to acquire Lwart Quimica Ltda., a renowned supplier of waterproofing products in Brazil. The transaction will close only after publication of the Consolidated Financial Statements and the precise details of the size and breakdown of the assets is still not known. For this reason, Sika has decided against a provisional purchase price allocation. Lwart Quimica Ltda. has annual sales of about CHF 33 million.

32. INFORMATION ON EXECUTION OF RISK ASSESSMENT

Risk management is carried out by the Board of Directors of Sika AG and by Group Management. The Board of Directors is the highest authority for risk assessment. The Board assesses risks annually at the level of the Group and Sika AG. Group Management regularly reviews the processes which form the basis for risk management. The risk management process comprises four steps: risk identification, risk assessment, risk monitoring, and risk controlling.

Details regarding the assessment of risk management can be found in note 24 to the Consolidated Financial Statements.

LIST OF GROUP COMPANIES

Country	Company ¹		Capital stock in thousands	% holding	Certifi- cation
EMEA (Europe, Middle East Africa)					
Austria	○ Sika Österreich GmbH, Bludenz	EUR	2,500	100	◆ ★
Algeria	□ Sika El Djazair SpA, Eucalyptus, Algiers	DZD	313,400	100	◆
Azerbaijan	○ Sika Limited Liability Comp., Baku	CHF	250	100	
Bahrain	○ Sika Gulf B.S.C., Adliya	BHD	1,000	51	◆ ★ *
	▲ Sika Arabia Holding Company WLL, Adliya	BHD	6,000	51	
Belarus	❖ S I K A Bel LLC, Minsk	BYR mn	1,846	100	
Belgium	❖ Sika SA, Brussels	EUR	2,500	100	◆ ★
	○ Sika Automotive Belgium SA, Saintes	EUR	1,649	100	◆ ★ *
	○ Sika Viscocrete Belgium NV, Brussels	EUR	7,000	100	◆ ★
Bulgaria	❖ Sika Bulgaria EOOD, Sofia	BGL	340	100	◆ ★
Croatia	❖ Sika Croatia d.o.o., Zagreb	HRK	4,000	100	◆ ★
Czech Republic	○ Sika CZ, s.r.o., Brno	CZK	30,983	100	◆ ★
	❖ Schönox s.r.o., Brno	CZK	3,722	100	
Denmark	○ Sika Danmark A/S, Fredensborg	DKK	5,000	100	◆ ★ *
	❖ Casco Schönox Denmark A/S, Ballerup	DKK	500	100	
Egypt	○ Sika Egypt for Construction Chemicals S.A.E., Cairo	EGP	10,000	100	◆ ★ *
	○ Sika Manufacturing for Construction, S.A.E., Cairo	EGP	2,000	100	◆ ★
Estonia	❖ Casco Schönox Baltics Oü, Tallinn	EUR	3	100	
Finland	○ Oy Sika Finland Ab, Espoo	EUR	850	100	◆ ★
	❖ Casco Schönox Finland Oy, Vantaa	EUR	1,504	100	
France	○ Sika France SAS, Paris	EUR	14,794	100	◆ ★
	○ Axim SAS, Guerville	EUR	496	100	◆ ★
	○ Cégécol snc, Antony Cedex	EUR	5,095	100	
Germany	▲ Sika Holding GmbH, Stuttgart	EUR	26,000	100	◆ ★
	○ Sika Deutschland GmbH, Stuttgart	EUR	75	100	◆ ★
	○ Sika Automotive GmbH, Hamburg	EUR	5,300	100	◆ ★
	○ Sika Trocal GmbH, Troisdorf	EUR	4,000	100	◆ ★
	○ Schönox GmbH, Rosendahl	EUR	21,158	100	◆ ★
	■ Tricosal Bauabdichtungs GmbH, Stuttgart	EUR	50	100	
Greece	○ Sika Hellas ABEE, Athens	EUR	3,000	100	◆ ★ *
Hungary	❖ Sika Hungária Kft., Budapest	HUF	483,000	100	◆ ★
Iraq	○ Sika for General Trading LLC, Erbil	IQD	1,000	100	
Iran	❖ Sika Parsian P.J.S. Co., Tehran	IRR mn	3,000	100	
Ireland	○ Sika Ireland Ltd., Ballymun, Dublin	EUR	635	100	◆
	▲ AKIS Ireland Ltd., Dublin	CHF	10	100	
Italy	○ Sika Italia S.p.A., Milan	EUR	5,000	100	◆ ★
	○ Sika Engineering Silicones S.r.l., Milan	EUR	1,600	100	◆ ★
	○ Sika Polyurethane Manufacturing S.r.l., Cerano	EUR	1,600	100	◆ ★
Jordan	❖ The Swiss Construction Chemicals Co Ltd., Aqaba	JOD	50	100	
Kazakhstan	○ Sika Kazakhstan LLP, Almaty	KZT	22,384	100	◆
Kenya	○ Sika East Africa Ltd., Nairobi	KES	50,000	100	
Latvia	○ Sika Baltic SIA, Riga	LVL	870	100	
Lebanon	○ Sika Near East SAL, Beirut	LBP	400	100	◆

Country	Company ¹		Capital stock in thousands	% holding	Certifi- cation
Mauritius	○ Sika Mauritius Ltd., Plaine Lauzun	MUR	2,600	100	
Morocco	○ Sika Maroc SA, Casablanca	MAD	55,000	100	◆★★
Netherlands	❖ Sika Nederland B.V., Utrecht	EUR	1,589	100	◆★
	○ BV Descol Kunststof Chemie, Deventer	EUR	1,588	100	◆★
	▲ Casco Schönox Holding BV, Molenbeke	EUR	18	100	
	▲ AKIS Netherlands B.V., Utrecht	CHF	10	100	
Norway	○ Sika Norge A/S, Skytta	NOK	42,900	100	◆★
	❖ Casco Schönox Norway AS, Sofiemyr	NOK	16,800	100	
Oman	❖ Sika LLC, Muscat	OMR	150	51	
Pakistan	○ Sika Pakistan Ltd., Lahore	PKR	82,959	100	
Poland	○ Sika Poland Sp.z.o.o., Warsaw	PLZ	12,188	100	◆★★
Portugal	○ Sika Portugal – Productos Construção Indústria SA, Vila Nova de Gaia	EUR	1,500	100	◆★
Qatar	❖ Sika Qatar LLC, Doha	QAR	200	51	
Romania	○ Sika Romania s.r.l., Brasov	RON	1,285	100	◆★★
Russia	○ Sika LLC, Lobnya	RUB	285,394	100	◆
Saudi Arabia	○ Sika Saudi Arabia Co Ltd., Riyadh	SAR	41,750	51	◆★
Serbia	○ Sika d.o.o. Beograd, Belgrade-Batajnica	EUR	373	100	
Slovakia	❖ Sika Slovensko spol. s.r.o., Bratislava	EUR	1,131	100	◆★
Slovenia	❖ Sika Slovenija d.o.o., Trzin	EUR	1,029	100	◆★
South Africa	○ Sika South Africa (Pty) Ltd., Pinetown	ZAR	25,000	100	◆★★
Spain	○ Sika SA, Alcobendas	EUR	19,867	100	◆★
Sweden	○ Sika Sverige AB, Spånga	SEK	10,000	100	◆★
	❖ Casco Schönox Sweden AB, Stockholm	SEK	50	100	
Switzerland	○ Sika Schweiz AG, Zurich	CHF	1,000	100	◆★★
	■ Consorzio IGS, Zurich	CHF	0	65	
	▲ Sika Services AG, Zurich	CHF	300	100	◆★
	▲ Sika Technology AG, Baar	CHF	300	100	◆★
	▲ Sika Informationssysteme AG, Urdorf	CHF	400	100	
	■ SikaBau AG, Zurich	CHF	5,300	100	◆
	▲ Sika Finanz AG, Baar	CHF	2,400	100	
	○ Sika Manufacturing AG, Sarnen	CHF	14,000	100	◆★★
	▲ Sika Supply Center AG, Sarnen	CHF	1,000	100	◆★
	❖ Sucoflex AG, Pfäffikon	CHF	1,000	100	◆★
	○ Sika Automotive AG, Romanshorn	CHF	3,000	100	◆★
Tunisia	□ Sika Tunisienne Sàrl, Douar Hicher	TND	150	100	◆★
Turkey	○ Sika Yapi Kimyasallari A.S., Istanbul	TRY	6,700	100	◆★★
UAE	○ Sika UAE LLC, Dubai	AED	1,000	51	◆★★
	❖ Sika FZCO, Dubai	AED	500	100	
Ukraine	○ LLC "Sika Ukraina", Kiev	UAH	2,933	100	
United Kingdom	○ Sika Ltd., Welwyn Garden City	GBP	10,000	100	◆★★
	○ Everbuild Building Products Ltd., Leeds	GBP	21	100	◆★
	○ Incorez Ltd., Lancashire	GBP	1	100	◆★★

Country	Company ¹	Capital stock in thousands	% holding	Certifi- cation	
North America					
Canada	○ Sika Canada Inc., Pointe Claire/QC	CAD	5,600	100	◆ ★
USA	○ Sika Corporation, Lyndhurst/NJ	USD	72,710	100	◆ ★
	▲ Sarnafil Services Inc., Canton/MA	USD	1	100	★
Latin America					
Argentina	○ Sika Argentina SAIC, Buenos Aires	ARS	7,600	100	◆ ★ *
Bolivia	○ Sika Bolivia SA, Santa Cruz de la Sierra	BOB	1,800	100	◆
Brazil	○ Sika SA, São Paulo	BRL	40,000	100	◆ ★ *
	○ Sika Automotive Ltda., São Paulo	BRL	18,410	100	★
Chile	○ Sika SA Chile, Santiago	CLP mn	4,430	100	◆ ★ *
Colombia	○ Sika Colombia SA, Tocancipá	COP mn	14,500	100	◆ ★
Costa Rica	✦ Sika productos para la construcción SA, Heredia	CRC	153,245	100	
Dom. Republic	✦ Sika Dominicana SA, Santo Domingo D.N.	DOP	12,150	100	
Ecuador	○ Sika Ecuatoriana SA, Guayaquil	USD	1,982	100	◆ ★
Guatemala	○ Sika Guatemala SA, Ciudad de Guatemala	GTQ	2,440	100	
Mexico	○ Sika Mexicana SA de CV, Querétaro	MXN	40,053	100	◆ ★
	▲ Inmobiliara Teximper SA de CV, Altamira	MXN	7,842	100	
	▲ Operadora Nacional de Recursos Humanaos Especializados SA de CV, Altamira	MXN	50	100	
Panama	✦ Sika Panamá SA, Ciudad de Panamá	USD	200	100	
Paraguay	○ Inatec S.R.L., Asuncion	PYG mn	10	100	
Peru	○ Sika Perú SA, Lima	PEN	3,500	100	◆ ★
Uruguay	○ Sika Uruguay SA, Montevideo	UYP	22,800	100	◆ ★
Venezuela	○ Sika Venezuela SA, Valencia	VEF	3,398	100	
Asia/Pacific					
Australia	○ Sika Australia Pty. Ltd., Wetherill Park	AUD	4,000	100	◆ ★ *
Cambodia	✦ Sika (Cambodia) Ltd., Phnom Penh	KHR	422,000	100	
China	○ Sika (China) Ltd., Suzhou	USD	35,000	100	◆ ★ *
	○ Sika Sarnafil Waterproofing Systems, (Shanghai) Ltd., Shanghai	USD	22,800	100	◆ ★ *
	○ Sika Guangzhou Ltd., Guangzhou	CNY	80,730	100	◆ ★
	○ Sika Ltd., Dalian	CNY	45,317	100	◆
	✦ Sika (Guangzhou) Trading Company Ltd., Guangzhou	CNY	3,723	100	
	○ Sichuan Keshuai Admixture Co. Ltd., Chengdu	CNY	10,000	100	◆
	○ Jiangsu TMS Concrete Admixture Co. Ltd., Zhengjiang	CNY	24,500	70	◆ ★ *
○ Hebei Jiuqiang Building Material Co. Ltd., Zhengding County	CNY	30,000	67	◆ ★ *	
Hong Kong	○ Sika Hong Kong Ltd., Shatin	HKD	30,000	100	◆ ★
India	○ Sika India Private Ltd., Mumbai	INR	45,000	100	◆
	○ Texsa India Ltd., Haryana	INR	20,000	100	
Indonesia	○ Sika Indonesia P.T., Bogor	IDR mn	3,282	100	◆ ★

Country	Company ¹		Capital stock in thousands	% holding	Certifi- cation
Japan	○ Sika Ltd., Tokyo		JPY 490,000	100	◆ ★
	▲ Dyflex HD Co. Ltd., Tokyo		JPY 10,000	76	
	❖ Dic Proofing Co. Ltd., Tokyo		JPY 90,000	76	
	○ Dyflex Co. Ltd., Tokyo		JPY 315,175	76	◆ ★
	■ DCS Kyoshin Co. Ltd., Tokyo		JPY 30,000	76	
Korea	○ Sika Korea Ltd., Ansong-city Kyunggi-Do		KRW mn 5,596	100	◆ ★
Malaysia	○ Sika Kimia Sdn. Bhd., Nilai		MYR 5,000	100	◆ ★
	▲ Sika Harta Sdn. Bhd., Nilai		MYR 10,000	100	
Mongolia	○ Sika Mongolia LLC, Ulaanbaatar		MNT 278,884	100	
New Zealand	○ Sika (NZ) Ltd., Auckland		NZD 1,100	100	◆ ★
Philippines	○ Sika Philippines Inc., Manila		PHP 56,000	100	◆ ★
Singapore	❖ Sika Singapore Pte. Ltd., Singapore		SGD 400	100	◆
	▲ Sika Asia Pacific Mgt. Pte. Ltd., Singapore		SGD 100	100	
Taiwan	○ Sika Taiwan Ltd., Taoyuan County		TWD 40,000	100	◆ ★
Thailand	○ Sika (Thailand) Ltd., Cholburi		THB 200,000	100	◆ ★
Vietnam	○ Sika Limited (Vietnam), Dong Nai Province		VND mn 44,190	100	◆ ★

□ Production, sales, construction contracting

○ Production and sales

❖ Sales

▲ Real estate and service companies

■ Construction contracting

◆ ISO 9001 (Quality Management)

★ ISO 14001 (Environmental Management)

* OHSAS 18001 (Occupational Health and Safety)

1 For associated companies see note 7.

REPORT OF THE STATUTORY AUDITORS TO THE ANNUAL GENERAL MEETING OF SIKA AG, BAAR

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Sika AG, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes (pages 65 to 115 of the download pdf of this report) for the year ended on December 31, 2013.

BOARD OF DIRECTORS' RESPONSIBILITY. The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION. In our opinion, the consolidated financial statements for the year ended December 31, 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zug, February 28, 2014

ERNST & YOUNG LTD



BERNADETTE KOCH
Licensed audit expert
(Auditor in charge)



DANIELLE MATTER
Licensed audit expert

FIVE-YEAR REVIEWS

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

in CHF mn		2009	2010	2011 ⁵	2012 ⁵	2013
Cash and cash equivalents		801.6	938.4	536.0	994.2	1,028.3
Accounts receivable	a	739.4	780.6	875.3	871.5	909.7
Inventories	b	451.4	499.7	530.6	521.6	539.0
Other current assets ¹		100.7	132.3	109.8	110.4	110.9
Current assets		2,093.1	2,351.0	2,051.7	2,497.7	2,587.9
Property, plant, and equipment		861.7	816.5	860.6	873.3	920.2
Intangible assets		562.0	630.9	771.0	742.3	1,066.0
Other non-current assets ²		122.0	142.4	154.0	166.9	157.9
Non-current assets		1,545.7	1,589.8	1,785.6	1,782.5	2,144.1
ASSETS		3,638.8	3,940.8	3,837.3	4,280.2	4,732.0
Accounts payable	c	355.2	478.2	501.0	492.1	560.0
Bond		0.0	274.6	0.0	249.9	299.7
Other current liabilities ³		311.1	303.9	319.8	301.5	329.4
Current liabilities		666.3	1,056.7	820.8	1,043.5	1,189.1
Bonds		1,066.9	794.4	796.0	847.1	946.9
Non-current provisions, employee benefit obligation		233.4	223.7	342.3	351.6	305.9
Other non-current liabilities ⁴		71.5	106.4	138.0	128.2	153.9
Non-current liabilities		1,371.8	1,124.5	1,276.3	1,326.9	1,406.7
LIABILITIES		2,038.1	2,181.2	2,097.1	2,370.4	2,595.8
Capital stock		22.9	22.9	1.5	1.5	1.5
Treasury shares		-106.3	-69.9	-55.7	-27.6	-13.7
Reserves		1,679.4	1,802.9	1,781.4	1,921.0	2,132.3
Equity attributable to Sika shareholders		1,596.0	1,755.9	1,727.2	1,894.9	2,120.1
Non-controlling interests		4.7	3.7	13.0	14.9	16.1
SHAREHOLDERS' EQUITY	d	1,600.7	1,759.6	1,740.2	1,909.8	2,136.2
LIABILITIES AND SHAREHOLDERS' EQUITY	e	3,638.8	3,940.8	3,837.3	4,280.2	4,732.0

1 Prepaid expenses and accrued income, other current assets.

2 Investments in associated companies, deferred tax assets, and other non-current assets.

3 Accrued expenses and deferred income, income tax liabilities, current provisions, and other current liabilities.

4 Deferred tax liabilities and other non-current liabilities.

5 Restated due to application of IAS 19 revised (see principles of consolidation).

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	2009	2010	2011	2012 ¹	2013
Net sales	4,162.3	4,421.8	4,563.7	4,828.9	5,142.2
Material expenses	-1,867.0	-2,036.9	-2,259.1	-2,309.6	-2,446.6
Gross result	2,295.3	2,384.9	2,304.6	2,519.3	2,695.6
Personnel expenses	-954.3	-953.7	-959.9	-1,037.2	-1,031.1
Other operating expenses	-801.1	-854.5	-867.3	-909.0	-988.6
Operating profit before depreciation and restructuring	539.9	576.7	477.4	573.1	675.9
Depreciation/amortization/impairment	-139.3	-137.5	-130.3	-140.1	-152.4
Operating profit before restructuring	400.6	439.2	347.1	433.0	523.5
Restructuring expenses	-56.6	0.0	0.0	0.0	0.0
Operating profit	344.0	439.2	347.1	433.0	523.5
Interest income/interest expense	-24.3	-30.0	-28.4	-31.1	-30.9
Financial income/financial expense/income from associated companies	-4.1	-5.8	-3.2	-12.1	-15.9
Profit before taxes	315.6	403.4	315.5	389.8	476.7
Income taxes	-89.9	-92.8	-100.7	-111.3	-132.0
Net profit	225.7	310.6	214.8	278.5	344.7
Free cash flow	312.5	244.0	35.4	288.3	19.0
Gross result as % of net sales	55.1	53.9	50.5	52.2	52.4
Operating profit before restructuring as % of net sales	9.6	9.9	7.6	9.0	10.2
Net profit as % of net sales (ROS)	5.4	7.0	4.7	5.8	6.7
Net profit as % of shareholders' equity (ROE)	14.1	17.7	12.3	14.6	16.1

1 Restated due to application of IAS 19 revised (see principles of consolidation).

KEY BALANCE SHEET DATA

in CHF mn	Calculation	2009	2010	2011 ²	2012 ²	2013
Net working capital	(a + b - c)	835.6	802.1	904.9	901.0	888.7
Net working capital as % of net sales		20.1	18.1	19.8	18.7	17.3
Net debt ¹	f	264.8	165.2	338.7	155.5	266.5
Gearing in %	(f : d)	16.5	9.4	19.5	8.1	12.5
Equity ratio in %	(d : e)	44.0	44.7	45.3	44.6	45.1

1 Net debt: Interest-bearing indebtedness (short and long-term bank debt, bonds and other current and non-current liabilities "Other") less interest-bearing current assets (cash and cash equivalents and securities).

2 Restated due to application of IAS 19 revised (see principles of consolidation).

VALUE-BASED KEY DATA

in CHF mn	Calculation	2009	2010	2011	2012 ²	2013
Capital employed ¹		2,041.2	2,086.3	2,351.5	2,334.2	2,662.6
Annual average of capital employed	g	2,074.9	2,063.8	2,218.9	2,342.9	2,498.4
Operating profit before restructuring	h	400.6	439.2	347.1	433.0	523.5
Return on capital employed (ROCE) in %	(h : g)	19.3	21.3	15.6	18.5	21.0

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

2 Restated due to application of IAS 19 revised (see principles of consolidation).

SEGMENT INFORMATION

in CHF mn						North America				
	2009	2010	2011	2012	EMEA 2013	2009	2010	2011	2012	2013
Net sales	2,642	2,429	2,339	2,275	2,470	605	589	617	706	711
Operating profit before restructuring	256	266	171	223	267	64	56	51	69	81
in % of net sales	9.7	11.0	7.3	9.8	10.8	10.6	9.5	8.3	9.8	11.4
Depreciation/amortization	72	65	59	70	79	25	25	22	24	23
Impairment	8	2	1	0	0	0	0	0	0	0
Capital expenditures	109	58	58	58	75	24	9	13	14	11

in CHF mn						Asia / Pacific				
	2009	2010	2011	2012	Latin America 2013	2009	2010	2011	2012	2013
Net sales	395	478	507	586	623	520	715	838	932	974
Operating profit before restructuring	57	88	94	107	110	57	96	98	116	134
in % of net sales	14.4	18.4	18.5	18.3	17.7	11.0	13.4	11.7	12.3	13.8
Depreciation/amortization	6	6	6	6	9	13	17	20	20	21
Impairment	0	0	0	0	0	1	0	0	0	0
Capital expenditures	8	11	19	24	27	15	13	19	24	25

in CHF mn						Total				
	2009	2010	2011	2012	Other segments and activities 2013	2009	2010	2011	2012	2013
Net sales	0	211	263	330	364	4,162	4,422	4,564	4,829	5,142
Operating profit before restructuring	-33	-67	-67	-82	-69	401	439	347	433	523
in % of net sales						9.6	9.9	7.6	9.0	10.2
Depreciation/amortization	21	23	22	20	20	137	136	129	140	152
Impairment	-6	0	0	0	0	3	2	1	0	0
Capital expenditures	5	9	8	11	16	161	100	117	131	154

Due to the application of IAS 19 revised – Employee benefits, data for 2012 were restated.

Furthermore, in 2013 the regions were adjusted. The previous six geographical regions have been reduced to four. The new region EMEA covers the previous regions Europe North and Europe South together with the Middle East and Africa. With the former region IMEA dissolved, India has been reallocated to the region Asia/Pacific due to its close association with this economic area. The supply chain activities previously included in “Other segments and activities” are now included in the region EMEA.

Since 2011 the automotive business segment has been managed centrally on a global basis. Internal reporting structures have been adjusted accordingly. The corresponding automotive units are no longer broken down by region but reported as “Other segments and activities”. The 2010 figures have been adjusted accordingly. Figures for earlier years have not been adjusted.

EMPLOYEES

	2009	2010	2011	2012 ²	2013
Employees by region (at December 31)					
EMEA²	7,092	7,178	8,059	7,956	8,658
Switzerland	1,900	1,912	2,312	2,164	2,012
Germany	1,336	1,321	1,417	1,440	1,784
France	617	603	595	582	643
North America	1,163	1,360	1,491	1,437	1,438
USA	991	1,189	1,256	1,218	1,216
Latin America	1,561	1,703	2,101	2,170	2,329
Brazil	220	244	530	508	504
Asia/Pacific²	2,553	3,241	3,603	3,670	3,868
China	1,035	1,115	1,331	1,286	1,287
Japan	197	614	608	615	614
Total	12,369	13,482	15,254	15,233	16,293
Personnel expenses (in CHF mn)					
Wages and salaries	769	775	789	837	849
Social charges, other	185	178	171	200	182
Personnel expenses	954	953	960	1,037	1,031
Personnel expenses as % of net sales	23	22	21	21	20
Key data per employee (in CHF 1,000)					
Net sales	329	342	318	317	326
Net value-added ¹	103	108	92	96	98

1 See next page, five-year reviews, value-added statement.

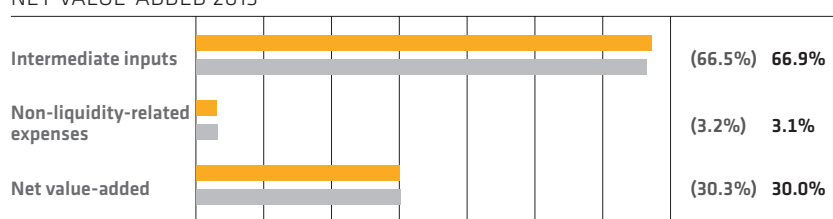
2 Restated due to amendments in segment structure and due to application of IAS 19 revised (see principles of consolidation).

VALUE-ADDED STATEMENT

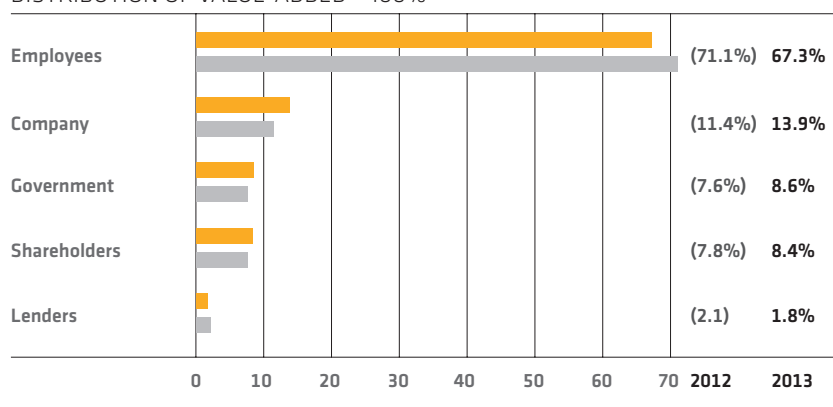
in CHF mn	2009	2010	2011	2012 ¹	2013
Source of value-added					
Corporate performance (net sales)	4,162	4,422	4,564	4,829	5,142
Intermediate inputs	-2,683	-2,914	-3,127	-3,212	-3,440
Gross value-added	1,479	1,508	1,437	1,617	1,702
Non-liquidity related expenses					
Depreciation and amortization	-139	-138	-130	-140	-152
Change in provisions	-42	23	8	-12	-8
Net value-added	1,298	1,393	1,315	1,465	1,542
Distribution of value-added					
To employees					
Wages and salaries	769	775	789	837	849
Social charges	185	179	171	207	188
To governments (income taxes)	90	93	101	111	132
To lenders (financial expenses)	28	35	39	31	28
To shareholders (dividend pay-out, incl. minority interests)	112	112	134	114	130
To the company					
Net profit for the year	226	311	215	279	345
Less dividend pay-out	-112	-112	-134	-114	-130
Net value-added	1,298	1,393	1,315	1,465	1,542
Number of employees					
End of year	12,369	13,482	15,254	15,233	16,293
Annual average	12,635	12,926	14,368	15,244	15,763
Net value-added per employee (in CHF 1,000)	103	108	92	96	98

1 Restated due to application of IAS 19 revised (see principles of consolidation).

NET VALUE-ADDED 2013



DISTRIBUTION OF VALUE-ADDED = 100%



SIKA AG

FINANCIAL STATEMENTS

SIKA AG BALANCE SHEET AS OF DECEMBER 31

in CHF mn	Notes	2012	2013
Cash in bank	1	637.9	623.5
Securities		0.1	0.1
Accounts receivable from subsidiaries	2	581.2	704.2
Accounts receivable from third parties	2	4.2	3.3
Treasury shares	3	27.6	13.7
Current assets		1,251.0	1,344.8
Trademark licenses	5	6.3	4.4
Investments	6	1,890.6	2,009.6
Long-term loans and other non-current assets		5.5	3.1
Non-current assets		1,902.4	2,017.1
ASSETS		3,153.4	3,361.9
Accounts payable to subsidiaries	7	203.2	207.3
Accounts payable to third parties	7	16.9	14.3
Bond	9	250.0	300.0
Accrued expenses and deferred income	8	23.7	21.8
Current liabilities		493.8	543.4
Other non-current liabilities	9	11.3	9.7
Bonds	9	850.0	950.0
Provisions for risks related to investments	10	120.7	125.8
Non-current liabilities		982.0	1,085.5
LIABILITIES		1,475.8	1,628.9
Capital stock		1.5	1.5
Legal reserves		88.1	74.2
Free reserves		94.0	107.9
Retained earnings		1,494.0	1,549.4
Shareholders' equity	11	1,677.6	1,733.0
LIABILITIES AND SHAREHOLDERS' EQUITY		3,153.4	3,361.9

SIKA AG INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	2012	2013
Income from subsidiaries	13	190.3	185.3
Financial income	14	83.9	22.0
Trademark licenses		37.6	42.4
Other income	15	17.0	10.7
Income		328.8	260.4
Administrative expenses	16	14.0	19.1
Personnel expenses		4.1	5.4
Financial expenses	17	60.9	36.5
Taxes		5.7	4.6
Depreciation/change in provisions	18	3.9	7.0
Other expenses		2.6	3.2
Expenses		91.2	75.8
NET PROFIT FOR THE YEAR		237.6	184.6

NOTES TO THE SIKA AG FINANCIAL STATEMENTS (IN ACCORDANCE WITH ARTICLE 663B, SWISS CODE OF OBLIGATIONS)

1. CASH IN BANK CHF 623.5 MN (CHF 637.9 MN)

All bank deposits are held in interest-bearing accounts. Bank deposits are invested in Swiss francs in the amount of CHF 586.5 million (CHF 617.5 million) and in foreign currencies CHF 37.0 million (CHF 20.4 million).

2. ACCOUNTS RECEIVABLE FROM SUBSIDIARIES AND THIRD PARTIES CHF 707.5 MN (CHF 585.4 MN)

Receivables consist mainly of loans to subsidiaries in the amount of CHF 653.1 million (CHF 545.5 million).

Sika AG has additional receivables of CHF 51.1 million (CHF 35.7 million) due from Sika subsidiaries on open accounts.

Receivables from third parties of CHF 3.3 million (CHF 4.2 million) include CHF 0.8 million (CHF 2.3 million) in credits from the Swiss tax authorities, CHF 1.7 million (CHF 1.7 million) from an insurance company and others of CHF 0.8 million (CHF 0.2 million).

3. TREASURY SHARES CHF 13.7 MN (CHF 27.6 MN)

Treasury shares are appropriated for Group-wide share-based payment plans and used to invest liquidity.

in CHF mn	Bearer shares nominal value CHF 0.60		Registered shares nominal value CHF 0.10		Total
	Units		Units		
At January 1, 2012	29,128	29.5	-	-	29.5
Reductions	-24,114	-33.7	-	-	-33.7
Additions	9,483	19.2	-	-	19.2
Valuation adjustment	-	12.6	-	-	12.6
At December 31, 2012	14,497	27.6	-	-	27.6
					-
At January 1, 2013	14,497	27.6	-	-	27.6
Reductions	-17,092	-35.8	-	-	-35.8
Additions	9,114	21.9	-	-	21.9
At December 31, 2013	6,519	13.7	-	-	13.7

4. FURNISHINGS CHF 1.00 P. M. (CHF 1.00 P. M.)

Acquired furnishings, as well as hardware and software, are depreciated in the year of acquisition and included as pro memoria items at CHF 1.00. The fire insurance value amounts to CHF 0.6 million (CHF 0.6 million).

5. TRADEMARK LICENSES CHF 4.4 MN (CHF 6.3 MN)

Capitalized trademark licenses are amortized over their useful life.

6. INVESTMENTS CHF 2,009.6 MN (CHF 1,890.6 MN)

The increase in shareholdings is essentially attributable to the acquisition of new subsidiaries and a capital decrease. Major participations are indicated in the list of Group companies beginning on page 112 of the download pdf of this report.

7. ACCOUNTS PAYABLE TO SUBSIDIARIES AND THIRD PARTIES

CHF 221.6 MN (CHF 220.1 MN)

The total includes CHF 207.3 million (CHF 203.2 million) in liabilities to Sika subsidiaries, resulting from the worldwide cash management concept. Other liabilities amount to CHF 14.3 million (CHF 16.9 million). This includes short-term, conditional purchase price obligations in the amount of 5.6 million (CHF 0.0 million) and other liabilities of CHF 8.7 million (CHF 16.9 million).

8. ACCRUED EXPENSES AND DEFERRED INCOME CHF 21.8 MN (CHF 23.7 MN)

Accrued expenses and deferred income includes pro rata interest of CHF 14.2 million (CHF 18.6 million), employee-related accruals of CHF 2.0 million (CHF 0.0 million) as well as other accrued expenses of CHF 5.6 million (CHF 5.1 million).

9. BONDS AND OTHER NON-CURRENT LIABILITIES CHF 300.0 MN/CHF 950.0 MN (CHF 250.0 MN/CHF 850.0 MN)

AND CHF 9.7 MN (CHF 11.3 MN)

In February 2013 one bond in the amount of CHF 250.0 million was repaid and two bonds of each CHF 200.0 million were issued on November 14, 2013.

3.500%	fixed-interest bond	2009 - 6/4/2014	CHF 300.0 MN
2.875%	fixed-interest bond	2006 - 3/23/2016	CHF 250.0 MN
1.000%	fixed-interest bond	2012 - 7/12/2018	CHF 150.0 MN
1.125%	fixed-interest bond	2013 - 11/14/2019	CHF 200.0 MN
1.750%	fixed-interest bond	2012 - 7/12/2022	CHF 150.0 MN
1.875%	fixed-interest bond	2013 - 11/14/2023	CHF 200.0 MN

Other long-term liabilities contain long-term conditional purchase price obligations of CHF 7.3 million (CHF 11.3 million) and other liabilities of CHF 2.4 million (CHF 0.0 million).

10. PROVISIONS FOR RISKS RELATED TO INVESTMENTS CHF 125.8 MN (CHF 120.7 MN)

Provisions for credit risks were increased by CHF 5.1 million. They relate to the economic, financial, and political risks of the subsidiaries.

11. SHAREHOLDERS' EQUITY CHF 1,773.0 MN (CHF 1,677.6 MN)

Shareholders' equity surpasses the previous year's level. The ratio of shareholders' equity to balance sheet total decreased from 53.2% to 51.5%.

in CHF mn	Capital stock	General statutory reserve	Capital contribution reserves	Reserve for treasury shares	Retained earnings	Shareholders' equity
January 1, 2012	1.5	60.2	53.2	55.7	1,382.7	1,553.3
Dividend payment					-60.4	-60.4
Repayment of nominal value			-52.9			-52.9
Transactions with treasury shares				-28.1	28.1	-
Net profit for the year					237.6	237.6
December 31, 2012	1.5	60.2	0.3	27.6	1,588.0	1,677.6
January 1, 2013	1.5	60.2	0.3	27.6	1,588.0	1,677.6
Dividend payment					-129.2	-129.2
Transactions with treasury shares				-13.9	13.9	-
Net profit for the year					184.6	184.6
December 31, 2013	1.5	60.2	0.3	13.7	1,657.3	1,733.0

The capital stock remains unchanged. Net profit for the year reflects the regular business activities. The decrease was mainly due to reduced financial income. A dividend of CHF 129.2 million was distributed to shareholders in April 2013. In accordance with the Swiss Code of Obligations, reserves for treasury shares are to be reported separately.

On December 31, 2013, the company had 54 (51) registered shareholders. Information regarding major shareholders can be found on page 110 of the download pdf of this report.

There is CHF 155,893.20 in contingent capital, unrestricted in time, comprising 259,822 bearer shares with a per-share nominal value of CHF 0.60. These shares are reserved for the exercise of option or conversion rights.

The capital stock consists of:

	Bearer shares ¹ nominal value CHF 0.60	Registered shares nominal value CHF 0.10	Total ¹
12/31/2012 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107
12/31/2013 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107

¹ Includes treasury shares which do not carry voting and dividend rights.

12. CONTINGENT LIABILITIES

Letters of guarantee and letters of comfort are issued to finance business transactions. No guarantees are required for any established zero-balanced cash pooling. Sika AG is part of the Sika Schweiz AG value-added tax group and is jointly and severally liable to the tax authorities for the value-added tax obligations of the tax group.

in CHF mn	2012	2013
Letters of guarantee		
Issued	123.3	116.1
Used	0.0	0.0
Letters of comfort		
Issued	3.4	2.2
Used	0.2	0.1
Credit lines to subsidiaries		
Issued	4.0	4.1
Used	0.6	0.2

13. INCOME FROM SUBSIDIARIES CHF 185.3 MN (CHF 190.3 MN)

The income from subsidiaries includes dividend distributions.

14. FINANCIAL INCOME CHF 22.0 MN (CHF 83.9 MN)

Financial income includes interest income and gains from foreign exchange transactions. The decrease is largely due to the transfer of financing activities to Sika Finanz AG.

15. OTHER INCOME CHF 10.7 MN (CHF 17.0 MN)

Other income mainly includes a payment of compensation from Sika Finanz AG of CHF 9.2 million (CHF 2.0 million) for the OECD transfer pricing risks which are covered by Sika AG as well as other valuation adjustments. In 2012, the income mainly includes the release of the value adjustment for treasury shares of CHF 12.6 million.

16. ADMINISTRATIVE EXPENSES CHF 19.1 MN (CHF 14.0 MN)

Administrative expenses include expenses for the holding company and an allocation for Group Management costs.

17. FINANCIAL EXPENSES CHF 36.5 MN (CHF 60.9 MN)

Financial expenses mainly include the cost of interest on loans as well as foreign currency losses from foreign exchange transactions and loans. The decrease is largely due to the transfer of financing activities to Sika Finanz AG.

18. DEPRECIATION/CHANGE IN PROVISION CHF 7.0 MN (CHF 3.9 MN)

This item includes changes in provisions of CHF 5.1 million (CHF 2.0 million) and amortization of trademark licenses to the usual extent according to their useful lives.

19. REMUNERATION OF THE BOARD OF DIRECTORS

For the business year 2013 (2012) the Board of Directors is entitled to the following remuneration:

in CHF 1,000	Walter Gruebler Chairman until April 17, 2012		Paul Hälg Chairman since April 18, 2012		Thomas W. Bechtler ⁴ Vice Chairman until April 16, 2013		Urs F. Burkard ⁵	
	2012	2013	2012	2013	2012	2013	2012	2013
Fix fees	181.6	-	444.3	506.7	181.0	50.0	150.3	150.0
Committee fee	13.8	-	29.2	30.0	43.3	26.7	28.0	30.0
Variable compensation ¹	96.7	-						
Shares ²		-	319.5	358.8	33.2	16.6	33.2	53.6
Compensation	292.1	0.0	793.0	895.5	257.5	93.3	211.5	233.6
Social security contributions	19.2	-	54.8	60.9	19.3	7.0	16.0	18.1
Management insurance ³	18.5	-						
Benefit obligations	37.7	0.0	54.8	60.9	19.3	7.0	16.0	18.1
Total	329.8	0.0	847.8	956.4	276.8	100.3	227.5	251.7

in CHF 1,000	Willi K. Leimer		Monika Ribar		Daniel J. Sauter		Fritz Studer until April 17, 2012	
	2012	2013	2012	2013	2012	2013	2012	2013
Fix fees	150.0	150.0	150.0	150.0	150.2	150.0	52.2	-
Committee fee	24.0	30.0	37.3	50.0	26.0	30.0	6.5	-
Variable compensation ¹								-
Shares ²	33.2	53.6	33.2	53.6	33.2	53.6		-
Compensation	207.2	233.6	220.5	253.6	209.4	233.6	58.7	0.0
Social security contributions	15.7	17.7	16.7	19.1	12.5	13.9	2.8	-
Management insurance ³								-
Benefit obligations	15.7	17.7	16.7	19.1	12.5	13.9	2.8	0.0
Total	222.9	251.3	237.2	272.7	221.9	247.5	61.5	0.0

in CHF 1,000	Ulrich W. Suter		Christoph Tobler		Frits van Dijk		Total	
	2012	2013	2012	2013	2012	2013	2012	2013
Fix fees	149.0	150.0	150.2	150.0	100.0	150.0	1,858.8	1,606.7
Committee fee	10.7	10.0	26.0	30.0		33.3	244.8	270.0
Variable compensation ¹							96.7	0.0
Shares ²	33.2	53.6	33.2	53.6	33.2	53.6	585.1	750.6
Compensation	192.9	213.6	209.4	233.6	133.2	236.9	2,785.4	2,627.3
Social security contributions	12.2	13.6	15.9	17.7	11.7	14.7	196.8	182.7
Management insurance ³							18.5	0.0
Benefit obligations	12.2	13.6	15.9	17.7	11.7	14.7	215.3	182.7
Total	205.1	227.2	225.3	251.3	144.9	251.6	3,000.7	2,810.0

1 Variable compensation plan for the Chairman of the Board of Directors was discontinued in 2012.

2 At fair market value which is defined as the closing price of the share on the SIX Swiss Exchange on the first day of the year of mandate (April 17, 2013, and April 18, 2012, respectively).

3 Participation to the management insurance for Board members was discontinued in 2012.

4 In the year under review CHF 0.6 million (CHF 0.7 million) was paid for services to a company associated with T. Bechtler.

5 In the year under review CHF 0.1 million (CHF 0.2 million) was paid for equipment to a company owned by U. Burkard.

No member of the Board of Directors was granted a loan during the business year. No loans were outstanding at the end of the year under review.

In the year under review no compensation was paid to former members of the Board of Directors.

20. REMUNERATION OF GROUP MANAGEMENT

For the business year 2013 (2012) Group Management is entitled to the following remuneration:

in CHF 1,000	Jan Jenisch	Jan Jenisch	Total	
	CEO	CEO	2012	2013
Fix salary ¹	862	808	6,521	4,728
Variable short-term bonus – cash ²	468	954	3,443	3,442
Variable short-term bonus – shares ²	374	286	1,822	1,768
Variable long-term incentive ³	532	722	3,152	3,031
Other expenses ⁴	46	46	788	858
Compensation	2,282	2,816	15,726	13,827
Pension benefits ⁵	307	304	2,985	1,736
Total	2,589	3,120	18,711	15,563

1 Includes annual base salary, children and family allowances, and anniversary payments. All compensation amounts in this report are gross payments including social security and withholding tax.

2 Estimated short-term bonus of the reporting year that will be paid in April 2014 (accrual principle) split between immediate cash and deferred shares (including matching shares). The allocation occurs at market values.

3 The long-term incentives shown are accrued and pertain to entitlements acquired in 2013 which will be paid out in 2014 or in future years, based on the estimated performance payout for each plan.

4 Include all other benefits in kind and perquisites at fair value. Does not include cost allowances (tax equalization, housing, schooling, home leave) for the international assignees.

5 Includes social security contributions as well as contributions to company provided pension plans.

In the year under review compensation in the amount of CHF 2.1 million was paid to two former members of Group Management. This amount includes the regular compensation during the notice period and, for one member, the net present value of the benefit provided under the early retirement plan.

In 2012, compensation in the amount of CHF 3.9 million was paid to the former CEO, which includes the standard compensation during the notice period as well as the net present value of the benefit provided under the early retirement plan.

21. PARTICIPATIONS IN SIKA AG

Members of the Board of Directors and Group Management hold the following participations in Sika AG:

	Number of shares		Number of warrants (potential voting rights)	
	2012	2013	2012	2013
Board of Directors				
Paul Halg, Chairman since April 18, 2012	100	350	0	0
Thomas W. Bechtler, Vice Chairman until April 16, 2013	687	n.a.	0	n.a.
Urs F. Burkard ¹	213	190	0	0
Willi K. Leimer	0	26	0	0
Monika Ribar	22	48	0	0
Daniel J. Sauter	2,000	2,026	0	0
Ulrich W. Suter	0	26	0	0
Christoph Tobler	310	326	200	0
Frits van Dijk	25	51	0	0
Group Management				
Jan Jenisch, CEO	1,000	1,350	0	0
Silvio Ponti, deputy CEO	911	1,042	0	0
Alexander Bleibler	697	n.a.	0	n.a.
Iven Chadwick	386	n.a.	0	n.a.
Bruno Fritsche	292	n.a.	0	n.a.
Christoph Ganz	313	342	0	0
Peter Kreser	299	n.a.	0	n.a.
Urs Mader	383	354	0	0
Hubert Perrin de Brichambaut	278	n.a.	0	n.a.
Ernesto Schumperli	443	534	0	0
Paul Schuler	659	701	0	0
Ronald Trachsel	792	963	0	0
Jose Luis Vasquez	686	885	0	0
Heinz Gisel	162	224	0	0
Total	10,658	9,438	200	0

1 Urs. F. Burkard also has an interest in the Schenker-Winkler Holding, which holds 2,364,949 Sika AG shares.

22. INFORMATION ON EXECUTION OF RISK ASSESSMENT

Risk management is carried out by the Board of Directors of Sika AG and by Group Management. The Board of Directors is the highest authority for risk assessment. The Board assesses risks annually at the level of the Group and Sika AG. Group Management regularly reviews the processes which form the basis for risk management. The risk management process comprises four steps: risk identification, risk assessment, risk monitoring, and risk controlling.

Information on the Group-wide risk assessment processes can be found in note 24 to the Consolidated Financial Statements.

PROPOSAL BY THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS PROPOSES TO THE ANNUAL GENERAL MEETING THE FOLLOWING APPROPRIATION OF RETAINED EARNINGS:

in CHF mn	2012	2013
Composition of retained earnings		
Net profit for the year	237.6	184.6
Profit brought forward	1,256.4	1,364.8
Total for disposition to Annual General Meeting	1,494.0	1,549.4
Dividend payment		
Dividend payment out of retained earnings ¹	129.2	144.4
Retained earnings carried forward	1,364.8	1,405.0

1 Dividend payment for shares entitled to dividends (without treasury shares as per December 31, 2013).

As the general statutory reserve currently exceeds 20% of shareholders' equity, a further allocation to the reserve was waived.

On approval of this proposal, the following payment will be made:

in CHF	2012	2013
Bearer share¹ nominal value CHF 0.60		
Gross dividend	51.00	57.00
35% withholding tax on gross dividend	17.85	19.95
Net dividend	33.15	37.05
Registered share nominal value CHF 0.10		
Gross dividend	8.50	9.50
35% withholding tax on gross dividend	2.98	3.33
Net dividend	5.53	6.17

1 Bearer shares held by Sika AG are non-voting shares and do not qualify for a dividend.

Payment of the dividend is tentatively scheduled for Thursday, April 24, 2014, upon presentation of coupon no. 24 for bearer shares.

Registered shareholders will receive payment of the dividend at the address provided to the company for purposes of dividend distribution.

The Annual General Meeting of Sika AG will be held on Tuesday, April 15, 2014, 4 p. m. in the Lorzensaal in Cham, Switzerland.

Baar, February 28, 2014

For the Board of Directors
The Chairman:
DR. PAUL HÄLG

REPORT OF THE STATUTORY AUDITORS TO THE ANNUAL GENERAL MEETING OF SIKA AG, BAAR

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Sika AG, which comprise the balance sheet, income statement, and notes (pages 123 to 133 of the download pdf of this report) for the year ended December 31, 2013.

BOARD OF DIRECTORS' RESPONSIBILITY. The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION. In our opinion, the financial statements for the year ended December 31, 2013 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations, CO, and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zug, February 28, 2014

ERNST & YOUNG LTD



BERNADETTE KOCH
Licensed audit expert
(Auditor in charge)



DANIELLE MATTER
Licensed audit expert

FINANCIAL CALENDAR

SALES FIRST QUARTER 2014	Tuesday, April 15, 2014
46TH ANNUAL GENERAL MEETING	Tuesday, April 15, 2014
DIVIDEND PAYMENT	Thursday, April 24, 2014
HALF-YEAR REPORT 2014	Friday, July 25, 2014
RESULT FIRST NINE MONTHS 2014	Thursday, October 30, 2014
NET SALES 2014	Tuesday, January 13, 2015
MEDIA CONFERENCE/ANALYST PRESENTATION FULL-YEAR RESULTS 2014	Friday, February 27, 2015

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Sika

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