

SIKA BUSINESS YEAR 2015

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BUILDING TRUST



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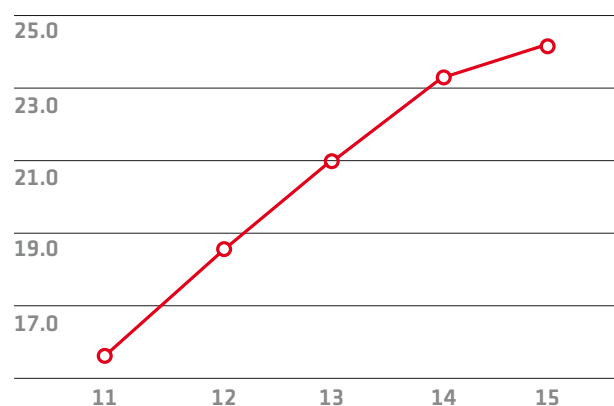
FACTS & FIGURES

RECORD RESULTS IN ALL AREAS

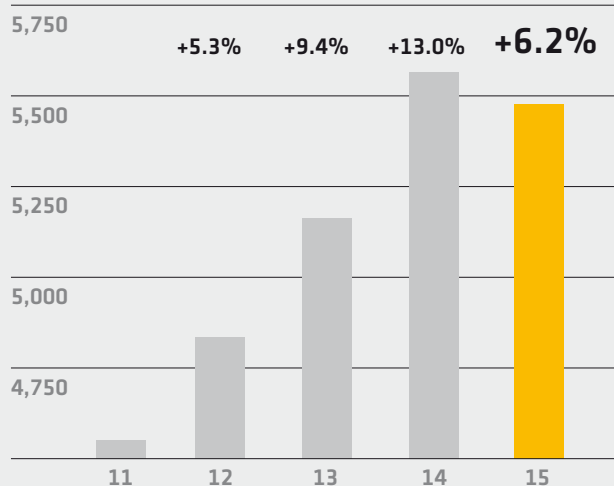
SIKA GROUP

in CHF mn	2014	AS % OF NET SALES	2015	AS % OF NET SALES
Net sales	5,571.3		5,489.2	
Gross result	2,951.3	53.0	2,970.8	54.1
Operating profit before depreciation (EBITDA)	798.3	14.3	837.3	15.3
Operating profit (EBIT)	633.2	11.4	673.3	12.3
Net profit	441.2	7.9	465.1	8.5
Operating free cash flow	417.5	7.5	451.5	8.2
Capital expenditures	152.7	2.7	142.6	2.6
Balance sheet total	4,817.9		4,923.8	
Shareholders' equity	2,383.3		2,552.1	
Equity ratio in %	49.5		51.8	
ROCE in %	23.3		24.3	
Earnings per share (EPS) in CHF	173.19		181.37	
Number of employees	16,895		17,281	
Training hours per employee	11.4		11.9	
Water (total water per ton sold) in m ³	0.55		0.41	
Energy (total energy per ton sold) in GJ	0.44		0.46	

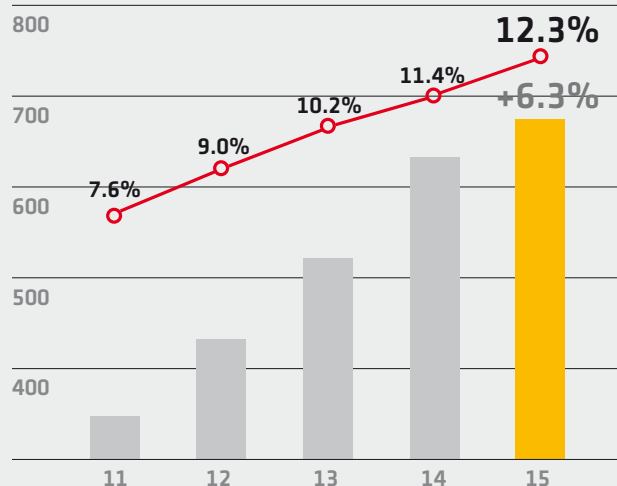
ROCE
in percent



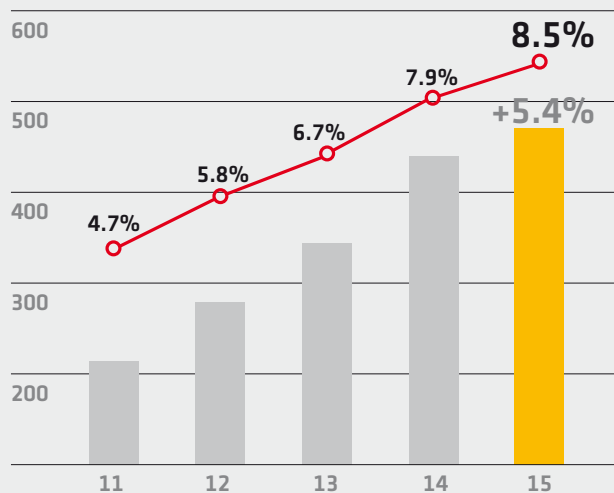
NET SALES (CONSOLIDATED)
in CHF mn
Growth in percent in local currencies



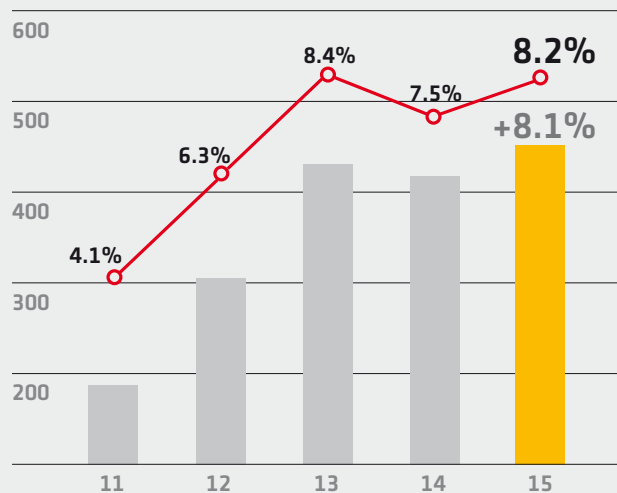
EBIT
in CHF mn



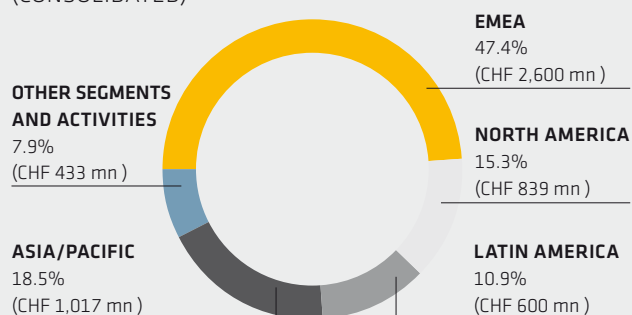
NET PROFIT
in CHF mn



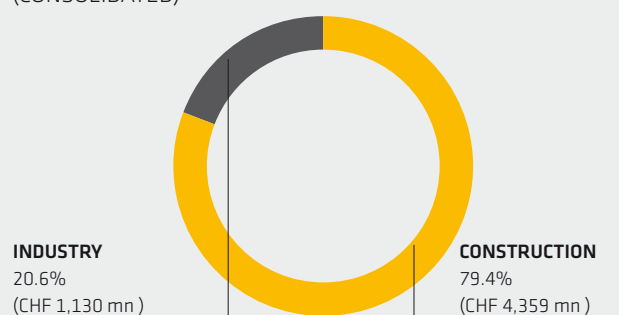
OPERATING FREE CASH FLOW
in CHF mn



NET SALES BY REGION
(CONSOLIDATED)



NET SALES BY MARKET
(CONSOLIDATED)



LETTER TO SHAREHOLDERS

CONTINUED GROWTH MOMENTUM WITH RECORD PROFIT IN 2015



Picture was taken in the Research and Development Center in Zurich

Dr. Paul Hälgi, Chairman of the Board

Jan Jenisch, Chief Executive Officer

Dear Shareholders

In the 2015 business year, the profitable growth strategy continued with a record year and sales of CHF 5,489.2 million. This equates to an increase of 6.2% in local currencies. All regions contributed to the broad-based growth, as did investments in new factories and national subsidiaries. High growth momentum and disciplined cost management led to new record figures of CHF 673.3 million (+6.3%) for EBIT, CHF 465.1 million (+5.4%) for net profit and CHF 451.5 million (+8.1%) for operating free cash flow. Since the targets set out in Strategy 2018 have been achieved ahead of schedule, they were revised upwards in January 2016.

All regions achieved significant sales increases and market share gains during the 2015 business year, with double-digit sales growth in the core markets of the USA, Mexico, Africa, the Middle East, Southeast Asia, and the Pacific. In cumulative terms and at constant exchange rates, sales increased by 6.2%. Excluding the negative growth in the Chinese market, sales rose by 7.4%. The strength of the Swiss franc led to conversion effects of -7.7%, and thus to a marginal decline in sales (-1.5% in Swiss francs) to CHF 5,489.2 million.

The high growth momentum translated into above-average increases in the operating result and net profit. Our focus on the gross result produced a positive effect and we persisted systematically with our disciplined approach to cost management. New records were achieved for EBIT at CHF 673.3 million (+6.3%), net profit at CHF 465.1 (+5.4%), and operating free cash flow was CHF 451.5 million (+8.1%).

GROWTH IN ALL REGIONS

In the past business year, the EMEA region (Europe, the Middle East, and Africa) increased sales by 5.6%, benefiting from the good business performance in Eastern Europe, Africa, and the Middle East. Sales in Western Europe even slightly exceeded the previous year's strong result.

The greatest sales growth was achieved in the Latin America region. Despite a challenging market environment in Brazil, market share gains in other countries resulted in sales rising by 9.5%. North America recorded a sustained high level of growth, increasing sales by 8.4%. In the USA, our continued development of the market and the healthy construction sector, where investment in infrastructure and commercial projects is increasing, led to significantly higher volumes.

Growth in the Asia/Pacific region slowed to 2.1% owing to the market downturn in China. On the other hand, double-digit sales increases were achieved in Southeast Asia and the Pacific.

GROWTH DRIVEN BY EMERGING MARKETS AND MORTAR BUSINESS

Sika's accelerated growth in the emerging markets continued to generate compelling results, with sales rising by 7.9%. The high-margin mortar business – a core component of Sika's Strategy 2018 – exhibited an above-average performance, with sales growth of 12.9%. Sika further expanded its fast-growing mortar business in the past year by opening five new factories and completing three acquisitions.

NINE NEW FACTORIES AND THREE NEW NATIONAL SUBSIDIARIES

The accelerated expansion in growth markets continued in 2015 and new factories were opened in all regions. In the EMEA region, the expansion of production capacity in the form of new factories in Dubai, Nigeria, Ivory Coast, Russia, and La Réunion will ensure additional future growth. Furthermore, Sika established new national subsidiaries in Tanzania and Ethiopia. In the Latin America region, new factories were opened in Paraguay and Argentina, while in North America, Sika expanded its production capacities by adding a new facility in Philadelphia. In the Asia/Pacific region, Sika's first factory in Sri Lanka was opened, while a new national subsidiary was established in Myanmar.

70 NEW PATENTS

Our 872 employees in R&D drive our innovative strength, many of them working on basic research and on the development of new products in the 20 Global Technology Centers. In the 2015 financial year, 70 new patent applications were filed, and a large number of new products were launched in all target markets.

STRATEGIC TARGETS RAISED

Since the targets for Strategy 2018 have been reached ahead of schedule, the Board of Directors raised them in January 2016. Sika is now aiming for an EBIT margin of 12–14% (previously over 10%) and an operating free cash flow in excess of 8% (previously over 6%). The company is also aiming to increase its return on capital employed to 25% (previously over 20%) by 2018. The accelerated expansion in growth markets will continue, with investment in 6–8 new factories per year and the establishment of new national subsidiaries.

ENSURING THE SIKA SUCCESS STORY CONTINUES

This strong performance underscores the necessity of safeguarding Sika's successful business model in the interests of all stakeholders. Along with its public shareholders, Sika's Board of Directors, Group Management, 160 Senior Managers, and employee representatives remain opposed to Saint-Gobain's hostile takeover bid, which they believe would fundamentally jeopardize the Sika success story. There is still no evidence to suggest that there is any industrial logic behind the transaction. Saint-Gobain – a competitor – wants to control Sika by holding just 16% of its capital. This would result in a conflict of interests. Since

it is intended that Saint-Gobain would have a majority on the Board of Directors, the interests of public shareholders would no longer be adequately represented. The Board of Directors and Group Management will therefore continue to act in the interests of Sika and its stakeholders with the aim of guaranteeing the unimpeded continuation of Sika's successful growth strategy.

BOARD OF DIRECTORS' DIVIDEND PROPOSALS TO THE ANNUAL GENERAL MEETING

At the Annual General Meeting, the Board of Directors will propose to the shareholders an 8.3% increase in dividend to CHF 78.00 per bearer share (2014: CHF 72.00) and CHF 13.00 per registered share (2014: CHF 12.00).

We are delighted that our growth strategy continues to be successful despite the challenging market conditions worldwide. Our thanks in this respect go in particular to the 17,281 employees whose expertise and commitment have brought us another record result. 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.

Sincere thanks also go to our customers, business partners, and suppliers for their outstanding cooperation and the trust they have placed in us. We would particularly like to thank our shareholders for their unswerving loyalty to Sika and the trust they have placed in the Board of Directors and management.

Sincerely,



DR. PAUL HÄLG
Chairman of the Board



JAN JENISCH
Chief Executive Officer

AWARDS

WORLDWIDE RECOGNITION FOR OUR ACHIEVEMENTS

Our employees did a great job in 2015 – their competence and commitment have not only brought us another record result, but also allowed us to achieve many different awards. These awards show third-party recognition for the excellent work of our teams all around the world. This section highlights some of the approximately 50 awards won by Sika this year.



BEST IMPROVER AMONG LEADING SWISS BRANDS

In 2015, Sika achieved a major success in Switzerland's leading brand survey, the Best Swiss Brands rankings, as its brand value soared by 78% within 12 months. Sika was accredited as the best improver within the rating system, which covers the top Swiss brands. Having leapt to 39th position, the company is now firmly established among the top 50 Swiss brands.



2015 PLACEMAKERS AWARD GOES TO SIKA NEW ZEALAND

Sika's distribution customer PlaceMakers singled out Sika New Zealand for its 2015 PlaceMakers Award in the Best Medium Supplier category. The panel comprised representatives from all PlaceMakers branches, its joint-venture partners and the Head Office team. The criteria applied in the assessment include profitability, key account management, store servicing, product innovations, supply and delivery, customer service, training, and sales promotion.



CEO OF THE YEAR

In 2015 Sika received the award for best CEO of the year, beating off competition from Switzerland's biggest listed companies. The Swiss financial research institute Obermatt honors CEOs whose companies have clearly outperformed their competitors. The criteria that feed into the assessment are sales, earnings growth (EBITDA), and total shareholder return.



GOLD MEDAL FOR FIRE SAFETY

The Sika® Unitherm® Platinum fire protection system was awarded a gold medal at the prestigious BUDMA international construction and architecture fair in Poland. Sika® Unitherm® Platinum is a solvent-free, epoxy-based, two-component fire protection coating for indoor and outdoor steel components. The MTP Gold Medal award – one of the best-known and most distinguished prizes for construction and architectural products in Poland – is presented at the BUDMA International Construction Fair, an event that ranks among the leading building exhibitions in Central and Eastern Europe.



PACE AWARD: SIKA RECEIVES RECOGNITION AS LEADING AUTOMOTIVE SUPPLIER

Sika won twice at the 2015 Automotive News PACE (Premier Automotive Suppliers' Contribution to Excellence) Award ceremony, which was held last year in Detroit. The renowned competition for automotive suppliers honors game-changing innovations in product, manufacturing process, and information technology. Sika was a Product Innovation award winner for its Sikaflex® Ultra-High Modulus (UHM) adhesive and also took home an Innovation Partnership Award for its comprehensive collaboration with BMW in the development of the BMW i3. The innovative adhesive meets the growing demand for mixed-material bonding products and is ideally suited for lightweight and high-performance structural bonding applications.



LUNDQUIST AWARD: SIKA WEBSITE AMONG TOP THREE IN SWITZERLAND

In the annual web rankings issued by Comprend, Milan, Sika's Internet presence finished third among all Swiss websites. In the panel's view, the Sika website's presentation of investor relations and career development content is a particular strength. The survey covered the websites of Switzerland's 47 biggest companies. Worldwide, the Comprend web rankings are based on an assessment of the internet presences of over 800 companies.



SIKA UK: DOUBLE FERFA AWARD WINNER

In the UK, Sika scooped two prestigious awards from FeRFA – the Resin Flooring Association – for its impressive work on a range of resin flooring projects. Sika won the awards for Large Commercial Project of the Year and Large Industrial Project of the Year, with a third project being 'Highly Commended' in the same category. The awards recognize outstanding workmanship, innovation, and the diverse range of applications that are possible with resin flooring systems. FeRFA is over 45 years old and a long-standing authority in the UK, recognized by other official bodies such as The Royal Institute of British Architects (RIBA) and The British Board of Agrément (BBA) as being the voice of the resin flooring industry.



IF DESIGN AWARD

Sika's PowerCure Adhesive system has received an iF DESIGN AWARD 2016. The technology is distinguished by extremely short curing times when replacing automotive glazing. The product design of the complete system combines the benefits of both one- and two-component adhesive systems in a new and convenient way. Sika's efforts to create an outstanding solution for the accelerated sealing and bonding of windshields have been recognized by the international jury of the iF DESIGN AWARD.



SIKA COLOMBIA – OUTSTANDING TRAINING ACHIEVEMENT

Premios Fierros is a prestigious award that is presented by construction material hardware dealers in Colombia to leading manufacturers in the industry. Sika was nominated for its outstanding training activities, and received its award at a ceremony in Bogotá. The winner is chosen by representatives of the hardware stores in an online vote. For over 18 years, Sika has been training more than 4,000 hardware salesmen annually in the country. Through all of its training programs, Sika Colombia trains more than 20,000 people from different target groups of the construction business every year.



SANDMEYER AWARD

The Swiss Chemical Society (SCS) conferred the Sandmeyer Award on an international research team comprising specialists from Sika, ETH Zurich, and the University of Colorado Boulder in the USA. The award was in recognition of the team's practical work and computer simulations (molecular modeling) on new commercial organic additives for the grinding of cement and other inorganic solids. The Sandmeyer Award is presented annually to individuals or groups for outstanding work in industrial or applied chemistry.



MULTIPLE ACCOLADES FOR SIKA USA PROJECTS

Sika USA enjoyed a successful awards year, winning eight awards presented by the ICRI (International Concrete Repair Institute). The ICRI honors outstanding concrete repair projects. Two of the award-winning projects were submitted by Sika, and the remaining six by other companies for whom Sika was the material supplier. Sika can be proud to be the first company to have won 100 ICRI awards in the past 17 years.

STRATEGY 2018

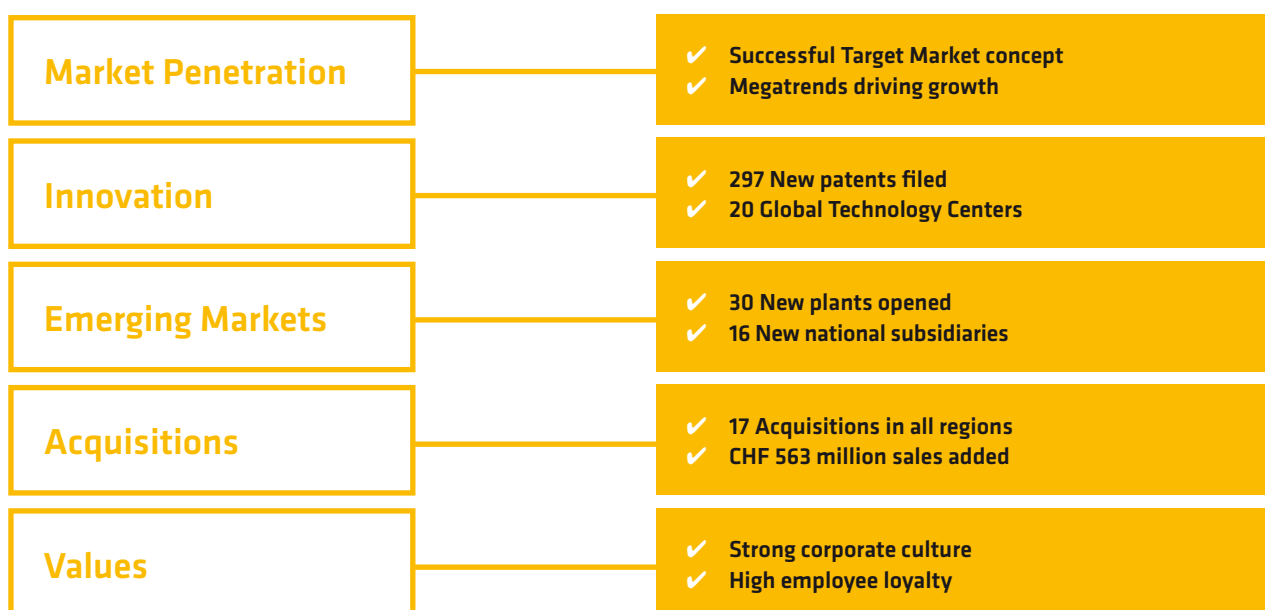
GROWTH STRATEGY ON TRACK FOR SUCCESS

The Sika growth model ensures long-term success and profitable growth. By focusing on market penetration, innovation, emerging markets, acquisitions, and the company's overarching values, Sika is successfully growing. And the numbers speak for themselves: Sika's performance is outstanding, so much so that the growth strategy targets can be raised.

With over 170 production sites on all continents, Sika is striving to secure market leadership in its seven target markets. Sika's continuing success is also founded on gearing its business activities to the megatrends of urbanization, mobility, and sustainability. Focused investments in novel technologies,

in the expansion of its local presence in the emerging markets, but also in leveraged market access through acquisitions, will secure future growth capacity. The company values, defined in Sika's Values and Principles, are the foundation of sustained success.

STRATEGY IMPLEMENTATION SINCE 2012



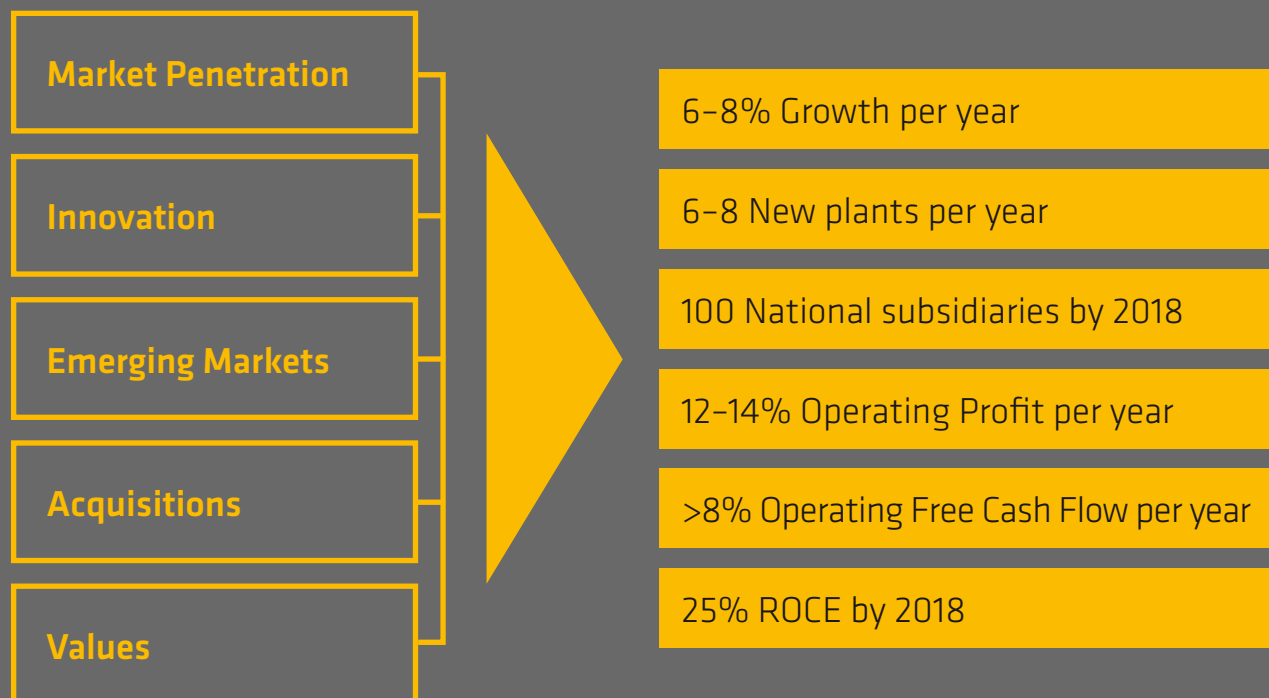
PERFORMANCE AHEAD OF TARGETS

PREVIOUS TARGETS STRATEGY 2018

OPERATING PERFORMANCE 2012–2015

	2012	2013	2014	2015
6–8% Growth per year	+5.3%	+9.4%	+13.0%	+6.2%
>10% Operating Profit	9.0%	10.2%	11.4%	12.3%
>6% Operating Free Cash Flow	6.3%	8.4%	7.5%	8.2%
>20% ROCE	18.5%	21.0%	23.3%	24.2%

SIKA'S GROWTH MODEL



Against the background of Sika's strong operating performance, the strategy review carried out in 2015 prompted the Board of Directors to modify the targets for the three remaining business years up to 2018.

- In the second half of 2015, a bottom-up review of Strategy 2018 was performed, involving all 160 Senior Managers in all countries.
- The strength of Strategy 2018 and its growth model was confirmed.
- Further growth potential and initiatives were identified.

- Targets and key investments were reviewed and updated
- Confidence in continuation of sales growth and margin improvement.

Based on the comprehensive strategy review, the targets were revised upwards. Sika is now aiming for an EBIT margin of 12–14% (previously >10%) and an operating free cash flow of >8% (previously >6%). The company is also aiming to increase its return on capital employed to 25% (previously >20%) by 2018. The accelerated expansion in growth markets will continue, with investment in 6–8 new factories per year and the establishment of new national subsidiaries.

WE BRING STRATEGY TO LIFE

Sika pursues its Strategy 2018. With passion and persistence. The operating performance underlines the success of the strategy. The commitment shown by Sika employees in all business areas and on all markets, around the globe is crucial to the effective implementation of the strategy. How and where is the subject of this year's Annual Report.



SIKA JAPAN - BUILDING MATERIALS SALES TEAM

In 2015 we set up an association that has enabled us to create a new sales channel for one-component liquid-applied membranes. Within this framework, we arrange training programs and workshops for customers who, in turn, give us their feedback on our products. It provides a useful way of sharing experiences and building strong customer relationships.



SIKA UNITED ARAB EMIRATES - SPECIFICATIONS TEAM

Our outstanding technical competence has enabled us to build a close and trusting relationship with a megaproject developer in Dubai. The resulting network of contacts presents us with tremendous cross-selling opportunities in this and other projects in the region.



SIKA URUGUAY - OPERATIONS TEAM

We have improved productivity while cutting raw materials and logistics costs. In addition, we have introduced a new process for recycling wastewater that helps to reduce our environmental impact. The key to these success stories has been our strong teamwork.



SIKA USA - RESINS R&D TEAM

Our new Sikalastic®-641 Lo-VOC liquid-applied membrane meets California's tough air emission standards for roof coatings. The combination of regional research excellence and international collaboration resulted in a product solution that has opened up whole new markets for Sika. As part of a field test program, we even tried out the product on our own roof.



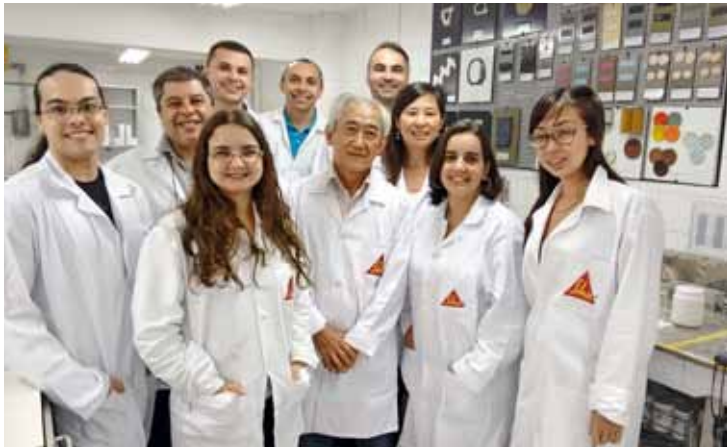
SIKA CHINA - TEAM FLOORING

Our goal is to be the best partner for our customers by ensuring technological leadership, excellent product quality, and outstanding service. To build a more efficient and dynamic team, we develop young talents. In 2015, we reorganized our management structures to enable our up-and-coming executives to assume early responsibility at a subregional level.



SIKA AUTOMOTIVE GERMANY - TECHNICAL SERVICE, MARKETING, AND SALES TEAM

In 2015, our team worked on the introduction of a new assembly method for tailgates based on forward-looking lightweight design technology. Developed in close collaboration with a customer, the concept has been well received by the global automotive industry and has resulted in a number of innovative follow-up projects.



SIKA BRAZIL - AUTOMOTIVE R&D TEAM

In Brazil, we localized global Sika automotive technologies such as SikaPower® and SikaBaffle® to meet the needs of the market. This has enabled us to offer customers best-in-class solutions at competitive prices and thereby contribute to Sika's Strategy 2018 for growth.



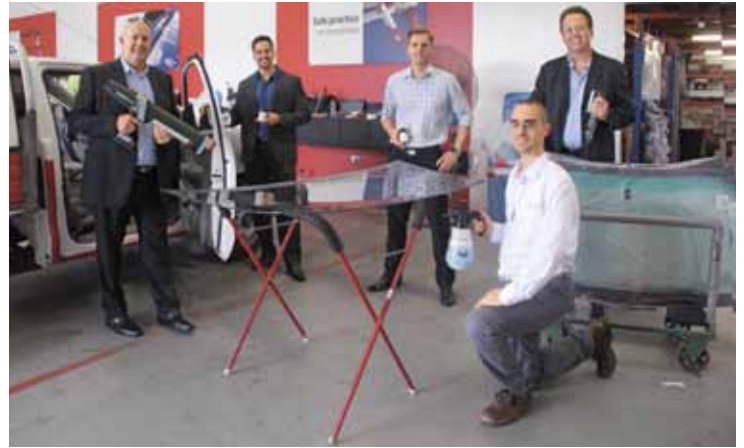
SIKA SWITZERLAND - WATERBAR PRODUCTION TEAM

Our waterbar production is very closely geared to individual customer needs. We consistently endeavor not only to fulfil, but also to surpass their high expectations. Apart from obtaining the best solution for their particular needs, our customers benefit from quality and watertightness that will stand the test of time.



SIKA BOLIVIA - SALES TEAM

Our aim is to achieve and maintain a market penetration level of 70%. To meet this goal, our team focuses fully on current and potential customers and offers comprehensive knowledge of Sika products, solutions, and the associated applications.



SIKA AUSTRALIA - TEAM INDUSTRY

Our team experienced tremendous success in 2015, surpassing all previous sales performance records. We decided to push the boundaries, reaching out through personal contact and new communication tools, and beating the competition with strong project management and superior customer service support. We added many new customers to our already impressive list.



SIKA THAILAND - NEW-BUILD FACTORY PROJECT TEAM

In 2015, we drove forward the construction of a second, state-of-the-art concrete admixtures production plant in Thailand. On schedule to open this year, the new factory will mark the continuation of our dedicated and successful expansion strategy.



SIKA TEAM NIGERIA

After the establishment of our national subsidiary in 2014, we started to produce concrete admixtures in September 2015. It is incredibly exciting to be among the pioneers in such a big and rapidly growing market and to help position Sika as the leading construction chemicals company.



SIKA CHILE – SUPPLY CHAIN TEAM

Our aim is to achieve a competitive advantage in our target markets by having the best possible supply chain. We have systematically optimized cost and service efficiency, and, based on our corporate values, built up a well-functioning team comprising people from a wide range of disciplines and cultures.



SIKA NETHERLANDS – FLOORING TEAM (PULASTIC)

We have developed an innovative – and already award-winning – sports floor that offers fantastic training opportunities for athletes and children. The floor is fitted with LEDs that can be individually switched on and off to generate the appropriate floor markings for a variety of exercises and games.



SIKA TEAM MYANMAR

With the opening of our national subsidiary and the start of local production, our highly committed team is excellently equipped to offer customized products, rapid delivery, and a reliable service in Myanmar. This will help both us and our customers to capitalize on the country's booming construction market.



SIKA MEXICO – TEAM FLOORING

Fantastic teamwork and support from Sika headquarters enabled us to gain the biggest industrial contract in the history of Sika Mexico. Our globally operating customer will install over 150,000 m² of our high-quality, locally manufactured Sikafloor® system. We were able to create a relationship of trust with the global account and their local representatives.



SIKA ARGENTINA - RAMÓN AGUILAR, KEY PROJECT MANAGEMENT TEAM

Sika is a school for life. It has taught me the importance of honest, responsible work and the value of surpassing customer expectations. I am very proud to be able to pass on my experience to a new generation of Sika employees.



SIKA UK - TEAM WATERPROOFING

Last year's launch of SikaProof® A proved a phenomenal success. In addition to the timely development of specifications, key success factors included our expert counseling services and high-quality solutions, backed up by product application support. In addition, we are always mindful of the project's budget requirements.



SIKA ALGERIA - R&D TEAM

In 2015, we achieved a fivefold increase in tile adhesive sales volumes. This success is due to our team spirit and thanks to newly developed tile adhesives that use locally sourced raw materials but still comply with corporate guidelines. The tile adhesives fully meet customer needs and have further strengthened the Sika brand.



SIKA NORWAY - SALES TEAM

In 2015 the focus was on the integration of Casco into the Sika Group. With the new sales organization now in place, the joint Sika-Casco team is set to conquer the professional floor layers market with high-quality, complete flooring solutions.

INVESTMENT IN SIKA

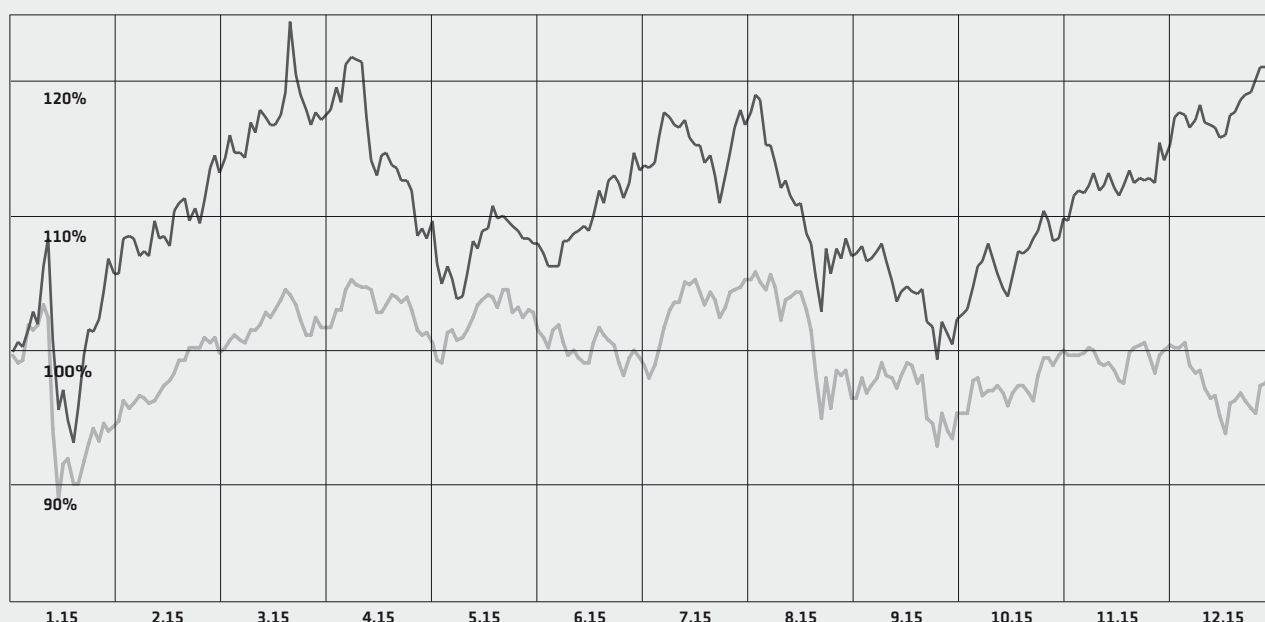
STOCK PRICE DEVELOPMENT

POSITIVE SHARE PRICE DEVELOPMENT

In 2015 the Sika share price showed an above-average performance compared to the relevant stock indices.

SIKA VERSUS SMI
1/1/2015-12/31/2015

Sika Bearer Share
SMI



OVERVIEW

- Performing at +23.3%, the Sika share price developed stronger than the SLI index (+1.1%).
- Closing price of the Sika share in 2014: CHF 2,936, Closing price of the Sika share in 2015: CHF 3,620, corresponding to a performance of 23.3%.
- The key global share indices performed as follows:
 - SMI -1.3%
 - SLI +1.1%
 - DAX -1.1%
 - Dow Jones -2.4%
 - Nikkei +10%

STOCK EXCHANGE RATIOS

2015

Market capitalization in CHF mn	9,195
Yearly high	3,710
Yearly low	2,720
Year-end	3,620
Dividend 2013	72.00
Dividend 2014 ¹	78.00
Earnings per share (EPS)	181.37

1) Pursuant to proposal to Annual General Meeting.

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 the 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 at Group level and for 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 the 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?

Effective 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, and polycarboxylates – are based on fossil fuels or their derivatives. Purchase prices consequently vary according to the supply and demand situation for each raw material and fluctuations in the price of oil. To reduce its dependency on crude oil, Sika is increasingly relying on renewable raw materials such as sugar derivatives, bioethanol derivatives, and natural oils. Mineral substances, sand, and cement make up the remaining raw materials.

Sika purchases its base chemicals in accordance with 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. For unique, highly innovative technologies, the Group seeks to manufacture raw materials itself or source them in close collaborative partnerships with innovative suppliers. 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 work closely with suppliers' technical units 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.

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. Potential risks are systematically identified and addressed, particularly in the case of local suppliers.

Raw materials are evaluated within Sika to assess possible risks relating to quality and availability, and to determine relevant measures such as maintaining safety stocks.

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, processes and guidelines in the areas of purchasing, quality, environment, health, and safety. Together with the statutory regulations, they are also documented in the management systems of local Sika companies. Additionally, 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 individual Group companies is shown on page 114 et seq. 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 processes and related controls. Quality, environment, safety and risk factors, technology, legal matters, IT security, suppliers, and products are all subject to audit. Group-wide, Sika conducted over 150 audits in 2015.

Supplier audits will in future also be organized and carried out by purchasing departments in order to significantly increase the number of reviews. Purchasing teams underwent training in audit methods for this purpose in 2015.

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

Over recent years, Sika has succeeded in reducing the number of accidents. However, there is still room for improvement, and for this reason the company is focusing more closely on accident prevention. In the year under review, Sika implemented web-based emergency notification and crisis management service solutions globally.

PRODUCT DEVELOPMENT AND MARKETING

For products and services, Sika has a set product development process that factors in potential risks, and which was streamlined in 2015. The Group monitors ecological and safety aspects during the development, production, and product handling stages. For this purpose, it has introduced the specific checking of new developments with the aid of a sustainability profile. 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 avoid the risk of customers using Sika's products incorrectly, Sika provides systematic instructions, 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 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 financial obligations. Liquidity is ensured by means of long-term bonds.

Liquidity is optimized by means of a cash pooling arrangement. 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 of A-/stable (long term). Due to the legal disputes surrounding Saint-Gobain's hostile takeover bid, the outlook for our rating has been downgraded from "stable" to "negative".

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, goods management, 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 and 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 greater detail on page 116 et seqq. 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

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. A detailed synopsis of the regions for the 2015 financial year can be found on page 45 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 consists of a seasoned team of nine experienced managers. Their different careers have taken them to national subsidiaries all round the world and to various business areas within the company. This picture was taken on the scaffolding of the new building at Sika's site in Zurich during a visit to Research and Development.



From left to right

Ernesto Schümperli
Concrete & Waterproofing
With Sika for 29 years in
Colombia and Switzerland

Thomas Hasler
Technology (CTO)
With Sika for 27 years in
the USA and Switzerland

José Luis Vázquez
Latin America
With Sika for 32 years in
Spain and Latin America

Jan Jenisch
CEO
With Sika for 20 years in
Switzerland, Germany, and Asia

Silvio Ponti
Deputy CEO,
Building Systems & Industry
With Sika for 32 years in Switzerland
and the Netherlands

Christoph Ganz
North America
With Sika for 20 years in
Switzerland, France, and
the USA

Heinz Gisel
Asia/Pacific
With Sika for 25 years in
Switzerland, USA, Austria,
and Asia

Paul Schuler
EMEA
With Sika for 28 years in
Switzerland, Germany, and
the USA

Adrian Widmer
CFO
With Sika for 9 years in
Switzerland

GROUP MANAGEMENT

JAN JENISCH, lic. rer. pol.
CEO

Nationality: German; Year of birth: 1966

CEO since 2012; Member of Group Management since 2004; 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

Head Building Systems & Industry since 2013; Deputy CEO since 2005; Member of Group Management since 2002; 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

Regional Manager North America since 2013; Member of Group Management since 2007; 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

Regional Manager Asia/Pacific and Member of Group Management since 2012; 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, Executive MBA
Technology (CTO)

Nationality: Swiss; Year of birth: 1965

CTO and Member of Group Management since 2014; 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
Regional Manager EMEA since 2013; Member of Group Management since 2007; 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, MSc C Eng, MBA
Head Concrete & Waterproofing

Nationality: Swiss; Year of birth: 1955
Head Concrete & Waterproofing since 2013; Member of Group Management since 2007; 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 postgraduate 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
Regional Manager Latin America since 2009; Member of Group Management since 2002; 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.

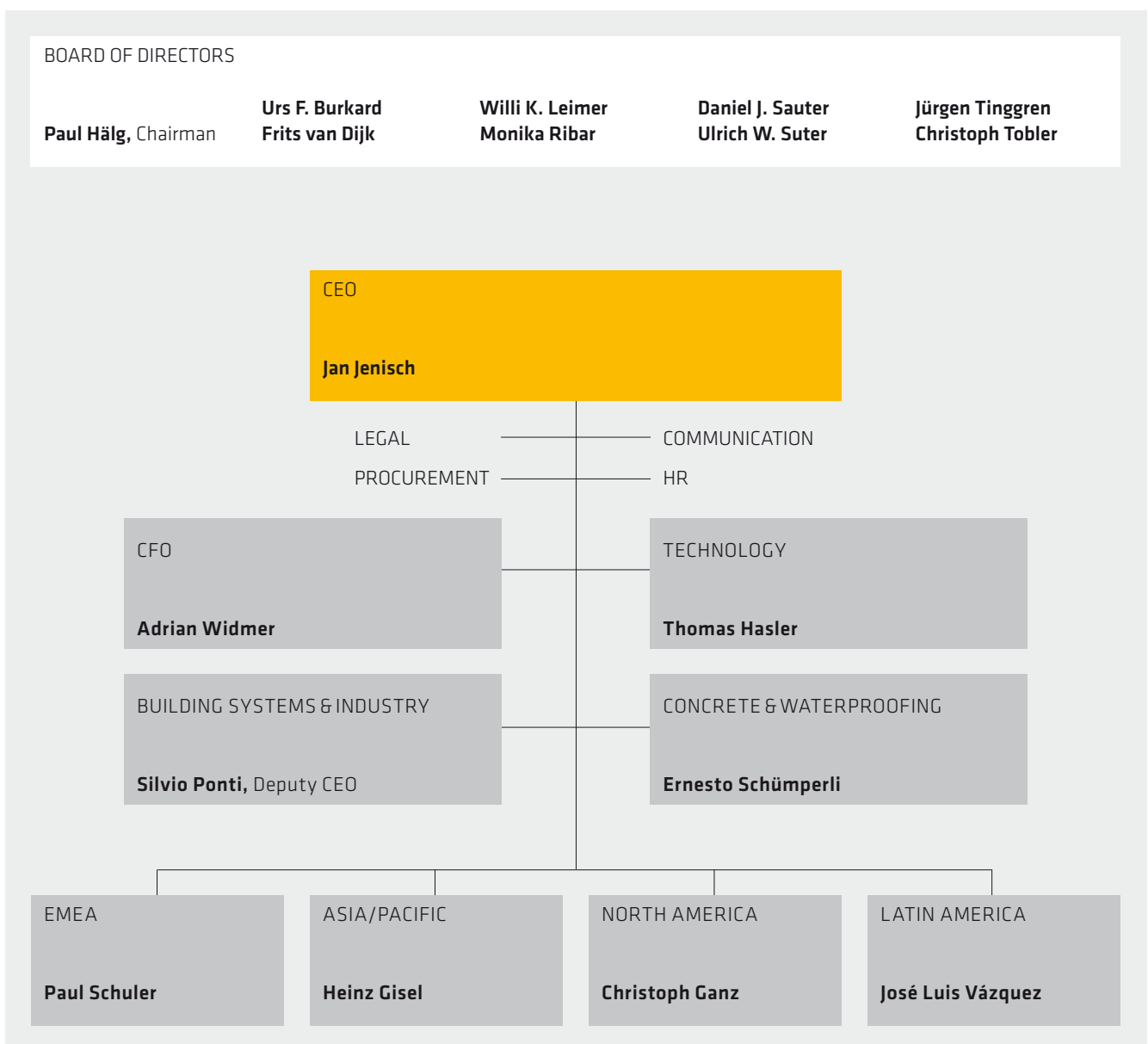
ADRIAN WIDMER, lic. oec. publ.
Chief Financial Officer (CFO)

Nationality: Swiss; Year of birth: 1968
CFO and Member of Group Management since 2014; 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, FLAT HIERARCHIES

We take the long view when it comes to developing our business. Our relationship with customers, stakeholders, and employees is shaped by respect and responsibility. Sika operates with a strong focus on safety, quality, environmental protection, fair treatment, social responsibility, responsible growth, and value creation.



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; Member of the Board: Swissmem (Swiss mechanical and electrical engineering association), Zurich; Chairman: Welfare Foundation Sika, Baar; Welfare Fund Dätwyler Holding AG, Altdorf.

WILLI K. LEIMER, Dr. oec. HSG

Nationality: Swiss; Year of birth: 1958

Member since: 2010; Committees: Audit Committee; 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; Chairman of the Board: Mojo Capital, Luxembourg; Member of the Board: Helvetica Capital AG, Zurich; Canica Holding AG and Canica International AG, Freienbach.

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; Trinsic AG, Zug; Tabulum AG, Zug; Hadimec AG, Mägenwil.

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.

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; Member of the Board: Gazet Holding AG, Baar.

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; Vice Chairman of the Board: SBB AG (Swiss Federal Railways), Berne; Member of the Board: Lufthansa Group, Frankfurt/Main; Rexel SA, Paris; Chain IQ Group, Zurich, Logitech International SA, Romanel-sur-Morges (until September 2015); Swiss International Airlines Ltd., Zurich (until June 2015).

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 the Board: economiesuisse, Zurich; Member of Regional Advisory Board: Swiss National Bank.

JÜRGEN TINGGREN, MBA

Nationality: Swedish; Year of birth: 1958

Member since: 2014; 2011–2013: CEO Schindler Group, Ebikon; 2007–2011: President of the Schindler Group Executive Committee; 1997–2007: Member of the Schindler Group Executive Committee; 1985–1997: Sika AG, Baar. Final position: Member of the Management Committee with responsibility for North America; Member of the Board: Schindler Holding Ltd., Ebikon; Tyco International Ltd., Dublin; The Conference Board, New York.

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: 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; Swiss National Science Foundation. Consultant to the National Research Foundation, Singapore.

STRATEGY & FOCUS

THE SIKA BRAND

THE SIKA BRAND STANDS FOR QUALITY,
INNOVATION, AND SERVICE

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 far-sightedness. 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, have been successfully launched and 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 great importance to the 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. In 2015, Sika was placed 39th on the Interbrand and BILANZ list of "Best Swiss Brands 2015".

The Sika umbrella brand and some 838 Sika product trademarks, such as Sikaflex®, Sika® ViscoCrete®, SikaBond®, and Sikaflex®, 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 10,469 trademark registrations in 163 countries at the end of 2015. Sika 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. Additional elements of these guidelines were rolled out in 2015, focusing primarily on the packaging layout and also enhancements to web applications.

BUILDING TRUST

Sika has successfully integrated the "Building Trust" tagline into its communication activities. The implications of this pledge for Sika's brand positioning can be described as follows:

"Specialty chemicals is our business and trust is the foundation of our success.

For more than a century, we have focused on the quality of our products while constantly bringing to our industry a spirit of re-invention. We are committed to delivering reliable, innovative, sustainable, and long lasting solutions to our customers in the construction, building as well as manufacturing industries.

This truly represents the value and the impact of the full range of Sika's core competencies: Sealing, bonding, damping, reinforcing, and protecting.

Willing and able to meet future challenges of our clients and partners, we provide innovative products with added value, comprehensive services, expert answers, well-founded training, and custom-designed solutions.

We're proud of our achievements and eager to prove ourselves. Sika provides a seal of quality you can rely on.

Committed to excellence.

Inspired by innovation.

Building Trust."

CORPORATE CULTURE

The second core element of the Sika brand, alongside its positioning, is the brand personality. Three attributes form the backbone of this personality: pioneering, team-oriented, and committed.

These attributes were defined as an operational standard at numerous management events and workshops at all hierarchical levels for individual workplaces in the year under review, and today they shape the awareness of Sika employees. The teams profiled on pages 12f. demonstrate how intensively interdisciplinary collaboration defines everyday life at Sika.

TARGET MARKETS

FOCUS ON THE TOP POSITION



CONCRETE

Sika develops and markets a complete range of 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, load-bearing capacity, 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 and mortar, especially in urban areas and for infrastructure construction. Furthermore, the growing use of alternative cementitious materials in cement, mortar, and therefore also in concrete, is increasing 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. A more than 50-year history has documented that Sika roofing solutions are outstanding performers, reliable, sustainable, and long-lasting. Demand in this segment is driven by the need for eco-friendly, energy-saving solutions such as green roof systems, cool roofs, and solar roofs, which simultaneously help to reduce CO2 emissions. While refurbishment projects continue to gain in significance in the mature markets, the emerging markets are moving towards higher-quality roof solutions.



WATERPROOFING

Sika's system solutions for waterproofing cover the full range of technologies used for below and aboveground waterproofing: flexible membrane systems, liquid-applied membranes, waterproofing admixtures for mortars, joint sealants, waterproofing mortars, injection grouts, and coatings. Key market segments include basements, underground parking garages, tunnels, and all types of water-retaining structures (for example reservoirs, storage basins, and storage tanks). Watertight systems are faced with increasingly stringent requirements regarding sustainability, easy application, and total cost management. Therefore the selection of appropriate waterproofing systems to suit the needs and requirements of the owner as well as the detailing of the solution are key for long-lasting and watertight structures.



FLOORING

Sika's flooring solutions are based on synthetic resin and cementitious systems for industrial and commercial buildings, for example 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 (for example 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.



SEALING & BONDING

Sika offers a wide range of high-performance and durable sealants, tapes, spray foams, and elastic adhesives for the building envelope, for interior finishing and for infrastructure construction. Typical applications include the sealing of movement joints between façade elements to make buildings weatherproof, the bonding of wood floors to reduce noise, or the sealing of joints in airport aprons. The growing demand in this market is fueled by an increasing awareness of the importance of high-performance sealants for the overall durability and energy efficiency of buildings, the increasing volume of high-rise projects, and the continued replacement of mechanical fastening systems by adhesives due to better performance and lower costs.



REFURBISHMENT

This segment features concrete protection and repair solutions, for example repair mortars, protective coatings, grouts, and structural strengthening systems. It also includes products for interior finishing, such as leveling compounds, tile adhesives, and tile grouts. Sika provides technologies for the entire life cycle of commercial buildings, residential properties, and infrastructure constructions. Especially in developed markets, many structures are decades old and need to be refurbished. 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 are also fueling demand in the interior refurbishment sector.



INDUSTRY

The markets served by Sika include automobile and commercial vehicle assembly (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (auto glass replacement, car body repair), marine vessels (leisure and shipbuilding), renewable energies (solar and wind), and facade engineering (structural glazing, sealing of insulating glass units). Sika is a technology leader in elastic bonding, structural adhesives, sealants, reinforcing, and acoustic applications serving the world's leading manufacturers. Customers rely on Sika solutions to enhance product performance and durability while optimizing manufacturing efficiency. For example, Sika's solutions address key megatrends in vehicle design, leading to lighter, stronger, safer, quieter, and more efficient vehicles, while fast processing materials and compatibility with automation optimize productivity.

PRODUCTS & INNOVATIONS

COURAGE FOR INNOVATION

Sika's success and reputation are based on its long-lasting tradition of innovation. Accordingly, the core of its business is innovation management and the focus on developing quality products and the best solutions for 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 its established technology centers and laboratories across the globe, Sika benefits from its worldwide network of scientists, partners, and suppliers, while fulfilling the promise to be close to its customers everywhere.

INNOVATION AND GROWTH

Growth needs innovation, innovation needs research. Research and development (R&D) thus enjoy an accordingly high priority within the company. The R&D strategy that Sika has been operating for several years guarantees a high innovation rate and has spawned many new products, the exclusive use of which the company is secured by patents.

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.

Sika's 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, for example in vehicles, window assemblies, and even segmental bridges, where concrete units weighing several tons are joined together. Damping reduces vibrations in fixed and moving objects, thereby lowering resonance and noise emission in load-bearing structures and in vehicle interiors. Sika's reinforcing solutions using Carbodur® products strategically improve the resistance of structures 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.

DEVELOPMENT FOCUS IN INDIVIDUAL TARGET MARKETS

CONCRETE

New admixtures are primarily developed with the aim of boosting the sustainability of concrete as a construction material. These innovations are designed to eliminate any negative factors that may arise and thereby guarantee consistent, high-quality concrete production with a reduced carbon footprint. The experience gained in polymer development for concrete also inspires pioneering products in dry-mix applications such as mortars, screeds, and cementitious flooring.

WATERPROOFING

In this segment, Sika is concentrating its efforts on waterproofing systems for tunnels and buildings. A particular emphasis is placed on waterproofing systems for installation before and after concreting as well as technologies that are tailored to the needs of the latest-generation tunnel-boring machines (TBM). In the year under review, Sika extended and completed the waterproofing system SikaProof® by launching Sikaproof® P and Sikaproof® A HC. The innovative waterproofing system now covers all applications in all markets.

ROOFING

In the development of its roof membrane products, Sika is focusing on low-emission liquid applied membranes and new environmentally friendly, solvent-free waterproof membranes. 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. Moreover, solutions combining membranes with adhesives are opening up new, efficient installation techniques. Drawing on its 25-year track record in premium-quality, polyolefin-based roof membranes – Sika Sarnafil T line – Sika developed and successfully launched Sikaplan T, a cost- and performance-optimized product range.

FLOORING

Development work centers on high-performance cementitious and synthetic resin flooring products that offer reliable application while meeting sustainable building requirements, particularly through the achievement of extra-low-emission ratings for high indoor air quality.

SEALING & BONDING

Two new sealants based on aqueous dispersion polymers were developed. The sealants, for both indoor and outdoor use, excel through their high weather resistance and outstanding elastic properties. Developments in the special jointing segment included sealants for the construction and refurbishment of airport runways and sealants with excellent chemical/acid resistance for silos and biogas tanks.

REFURBISHMENT

Sika is capitalizing on innovative filler technologies to develop new high-performance mortar products with improved workability and a broader scope of application. By replacing cement constituents with various active cementitious aggregates and fillers, 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 individual customer needs, in particular enhanced durability and a longer service life of the mortar products.

INDUSTRY

Weight reduction through the use of lightweight materials as a means of optimizing the energy efficiency of end products is a key trend in the industrial production of moving parts, automotive engineering, and the wind energy sector. Accordingly, the past financial year saw Sika open a Composite Competence Center with the aim of gainfully pooling composite and adhesive technologies, research and development activities, and structural bonding simulations for customers.

Sika solutions also paved the way for new innovations in lightweight automotive construction. Sika's UHM technology allows the large-area bonding of carbon-fiber-reinforced polymers (CFRP) with aluminum. The new application was first implemented in BMW's i-Series vehicles and proceeded to win a 2015 PACE Award for product innovation, possibly the most important distinction of its kind in the automotive industry. Another prizewinner was the SikaMelt-9185 IA adhesive solution for solar applications, which received recognition from, among others, the Fraunhofer Institute in Freiburg, Germany.

RESEARCH STRATEGY

Sika carries out its R&D activities through 20 global technology centers in America, Europe, and Asia. Responding to global trends – such as resource-saving building methods, energy-efficient construction materials, or lighter and safer vehicles – the research sets out to innovate new technological building blocks that will drive the product development process. This, in turn, is

geared to local needs and the particularities of the construction industry in different countries – e.g. with regard to raw materials, the climate, or the respective legal framework – which may sometimes necessitate considerable adaptations to products.

COLLABORATIONS

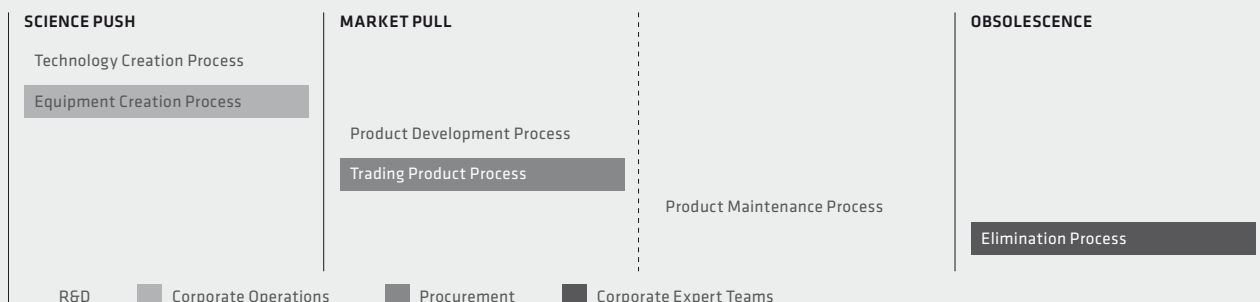
Sika collaborates with numerous distinguished universities worldwide and is closely involved in a range of international research projects, e.g. through its membership of the Nanocem Consortium. This European research network studies nanoscale-to-microscale phenomena that influence the performance of 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 speed up the roll-out of newly developed products, the Product Creation Process (PCP) was revised during the 2015 business year. After instructing the relevant staff members, the new version was implemented throughout the company. The regional technology support functions are 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 160.6 million (previous year: CHF 162.2 million), equivalent to 2.9% of sales (previous year: 2.9%).

PRODUCT CREATION PROCESS



INTELLECTUAL PROPERTY

Sika maintains exclusivity over its innovative products through the systematic registration of its intellectual property rights. Sika made 87 invention disclosures in 2015 (previous year: 72) and filed for 70 patents (previous year: 70).

NEW PRODUCTS IN 2015

Sika launched a number of important new products in 2015, including the following:

- **SikaCeram®-500 Ceralastic:** High-performance mortar with waterproofing properties, serving dual function of tile adhesive and waterproof layer, and meeting the most demanding requirements.
- **SikaScreed® HardTop-60:** Rapid-hardening, low-shrinkage horizontal leveling mortar for early loading and overcoating, offering high abrasion resistance and compressive strength.
- **Sika® ViscoCrete® VC-510, 520 P:** Universal, polymer-based superplasticizer that works with both cementitious and non-cementitious binder systems.
- **Sika® ViscoCrete®-4035 M:** Superplasticizer/retarder for production of concrete using low quality raw materials like sand, aggregates, and especially very critical oil shale cement, contributing significantly to sustainability.
- **Sikaplan® TM / CE:** Innovative TPO (thermoplastic polyolefin) roof membrane system for mechanical fixing based on Sika's proprietary polymer blend technology.
- **SikaProof® A HC:** Adaption of existing SikaProof® A membrane, for structural waterproofing in regions with particularly hot climates and high UV exposure.
- **SikaProof® P:** First post-applied, fully bonded, easy-to-install waterproofing membrane, based on SikaProof® technology.
- **Sikalastic®-641 Lo-VOC:** Liquid-applied membrane meets even the strictest air emission standards for roof coatings.
- **Sikafloor®-420:** One-component, low-odor polyurethane coating based on Sika's proprietary i-Cure® technology, for balcony and terrace applications.
- **Sikagard®-403W:** Novel, ultra-low-emission wall coating meeting the highest hygiene and aesthetic demands.
- **Sikafloor®-305W ESD:** Antistatic, two-component, water-based polyurethane seal coat, for application to new or existing floor coatings.
- **Sikafloor®-3240:** Low-emission, low-odor, polyurethane-based industrial flooring system with low moisture sensitivity, offering easy workability.
- **Sikalastic®-851 R:** Two-component, spray-applied roof membrane with improved crack-bridging properties and high chemical resistance.
- **SikaBond® R&B:** Novel product portfolio for bonding and repair of conveyor belts, offering similar properties to standard, more elaborate vulcanization bonding methods.
- **SikaHyflex®-403:** Adhesive and sealant for on-site door and window installation, offering primerless adhesion to many substrates, especially PVC or powder-coated door and window frames.
- **Sikaflex®-268:** Adhesive for direct glazing and assembly bonding for rail vehicles, with excellent weathering properties and high resistance to aggressive cleaning agents.
- **Sikadur® WTC-1280 LD:** Toughened, low-density epoxy adhesive that prevents cracking under heavy loads and thereby facilitates the manufacture of larger rotor blades to enhance the energy performance of wind turbines.
- **Sikaflex® Precast:** One-component sealant for joints between precast-concrete units, with guaranteed $\pm 25\%$ movement accommodation to ASTM standard.
- **SikaSeal®-101 Bath & Kitchen:** Elastic, water-based sealant for wide range of bonding applications in wet areas.
- **Sika® Primer-207:** Effective pretreatment for reliable adhesion of various materials (glass, coatings, plastics, metal, etc.) within a wide temperature range.
- **SikaPower®-498/3:** Innovative structural adhesive for high-strength bonding of lightweight materials, such as carbon-fiber-reinforced plastics or aluminum to steel in automotive manufacturing.
- **SikaMelt®-9632 SF:** Polyurethane hot-melt adhesive without R40 hazard warning (EU REACH Chemicals Regulation), offering easier workability for lamination applications.
- **SikaMelt®-9175 HC:** Hot-melt adhesive with high UV stability and improved properties at high temperatures, specifically for use in the manufacture of SikaProof® A HC membranes.
- **SikaPower®-487:** Crash-resistant structural body shop adhesive, with low-temperature curing that enables automotive manufacturers to lower paint oven temperatures or shorten oven passage times.

SUSTAINABLE DEVELOPMENT

RESPONSIBILITY FOR THE FUTURE

Sika takes the long-term view when it comes to developing the business. The relationship with customers, stakeholders, and employees is shaped by respect and responsibility. Sika operates with a strong focus on safety, quality, sustainability, social involvement, responsible growth, and value creation.

SUSTAINABLE DEVELOPMENT

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 ecological benefits.

MORE VALUE – LESS IMPACT

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. The sustainability strategy developed by Sika in 2013, and further implemented and communicated in 2015, has proved its worth. Group-wide, Sika companies planned and implemented projects in pursuit of the six predefined strategic targets, focusing on economic performance, sustainable solutions, local communities/society, energy, waste/water, and safety. To this end, each of Sika's subsidiaries has developed a roadmap to define the key aspects of the projects and control their implementa-

tion. These projects and the attained targets are documented in the sustainability report. Sika reports its key sustainability performance results in line with the G4 Guidelines of the Global Reporting Initiative (GRI G4). In dialog with internal and external stakeholders, Sika defined the target indicators with the largest potential effect and enshrined these in its global reporting procedures. These results and findings are presented in the sustainability report (see page 48 ff of the download version of the Annual Report) and in detail on Sika's website at www.sika.com/gri.

STANDARDS AND COMPLIANCE

To preserve Sika's strong compliance culture and ensure that the Code of Conduct's principles are understood and adhered to by all employees, Sika has developed an e-training program on the Code of Conduct that is used in addition to regular class training events. Both this program and a new web-based reporting platform, the Sika TrustLine, will be available in more than 20 languages. Sika TrustLine is an externally hosted channel where employees can raise legitimate complaints regarding serious misconduct or breaches of Sika's Code of Conduct in a confidential environment if reporting to other more immediate existing resources, like line management or other specialists, is not feasible or adequate. Together, these initiatives represent an important improvement of the compliance system as they foster a culture of trust, support transparency, and enhance a speak-up culture within the Group.

SIKA'S SUSTAINABILITY TARGETS

ECONOMIC PERFORMANCE:

**OPERATING PROFIT
(EBIT) 12-14%
OF NET SALES**

ENERGY:

**3% LESS ENERGY
CONSUMPTION PER
TON AND YEAR**

LOCAL COMMUNITIES/SOCIETY:

**5% MORE PROJECTS
PER YEAR**

WATER/WASTE:

**3% LESS WATER
CONSUMPTION AND
WASTE PER TON
AND YEAR**

SUSTAINABLE SOLUTIONS:

**ALL NEW PRODUCT
DEVELOPMENTS
ASSESSED, ALL LOCAL
KEY PROJECTS
IMPLEMENTED**

OCCUPATIONAL SAFETY:

**5% LESS ACCIDENTS
PER YEAR**

MORE VALUE LESS IMPACT

Sika maintains a strong focus on safety, quality, environment, fair treatment, social involvement, responsible growth, and value creation during all business activities.



MORE VALUE – ENHANCING UTILITY

With the avowed aim of “enhancing utility and reducing negative impacts,” Sika defined six strategic target areas that focus on sustainable solutions, economic performance, local communities/society, energy, waste/water, and safety. Sika has pledged to gear its actions and strategies to globally accepted principles in the areas of human rights, labor law, environmental protection, and anti-corruption policy. For many years, the company has been actively involved 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..

INVESTMENT IN TRAINING

One of the many projects sponsored by Sika in the year under review is a national initiative in China, the so-called “Library Project”. This nationwide school refurbishment program aims at facilitating knowledge acquisition by children and teenagers in school libraries. In 2015, Sika donated 16,000 books to libraries in 21 schools with approximately 4,000 students. Through voluntary work, Sika employees helped to modernize the schools, in particular by installing new Sika flooring systems. A summary of the company’s involvement in social projects is presented on the company website: www.sika.com



LESS IMPACT – REDUCING THE NEGATIVE FOOTPRINT

In developing its products and systems for construction and industry, Sika pays close attention to material, water, and resource efficiency. Top priority is given to considering the entire supply chain and the overall life cycle of products and systems. The overriding aim is to enhance the utility of Sika products while at the same time reducing their environmental impact. As a result of this strategy, sustainability issues pervade the company’s processes. Sustainability performance within Sika is further boosted by in-house efficiency and safety programs.

EFFICIENT WASTE MANAGEMENT

The year under review saw the launch of a pilot project at the Rionegro and Tocancipá plants in Colombia for the on-site processing and reuse of organic waste. The waste produced by the factory canteens and site upkeep operations was collected, together with sludge water, in a newly installed composting unit, and the resulting compost was used for garden and lawn areas. The system allowed recycling of some 1,200 tons of organic waste and achieved savings in the order of CHF 250,000.

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 enhanced by carefully targeted external growth, which offers a useful way of closing existing gaps in access to target markets and consolidating fragmented markets. Particularly in North America, Asia, and parts of Europe and 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, which Sika finds mainly 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, and by acquiring such companies, the Sika Group, as a global player, is able to leverage their full potential.

When evaluating a takeover offer, Sika relies on the expertise and experience it has already gained as well as on clearly defined processes in place across the Group. Since acquired companies are usually fully incorporated in the Group, Sika places great value on a smooth integration process, and therefore pays particular attention to the corporate culture of all takeover candidates prior to any acquisition.

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

2015 ACQUISITIONS

In January 2015, Sika agreed to acquire the assets of the Mozambican company Duro-Moza, which manufactures and sells mortar and tile adhesives. This transaction will accelerate Sika Mozambique's development and market penetration.

In March 2015, Sika acquired BMI Products of Northern California Inc., which is active in the manufacture and distribution of mortar products and systems for the construction industry. This takeover has enabled Sika to step up production capacity and increase market penetration in the western United States.

In March, Sika also took over Axson Technologies, a leading producer of polyurethane and epoxy resins for design, prototyping, and tooling. Axson Technologies also manufactures structural adhesives, composites, and dielectrics (encapsulants) for the automotive, aerospace, shipbuilding, renewable energies, sports, and leisure sectors as well as the construction industry. This takeover will enable Sika to expand its global portfolio of tooling and composites.

Moreover, in March the company agreed to acquire Construction Technologies Australia Pty Ltd (CTA™), a leading Australian producer of tile adhesives and mortar products.

In June, Sika purchased the remaining shares in Addiment Italia from its joint venture partner, Buzzi Unicem. Addiment is active in the manufacture and sale of concrete admixtures and grinding aids for cement production.

2015 INVESTMENTS

Sika's unchanged investment strategy is geared to consolidating the global presence it has 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. Favorable currency effects resulted in a drop in our investments compared with the previous year. Sika continues to invest in production and logistics capacities at its sites in order to strengthen local supply chains, and its decentralized market development policy brings the company very close to its customers.

In the year under review, Sika invested CHF 142.8 million (2014: CHF 152.8 million), which is equivalent to 3% of net sales. At 52%, the key focus for investment was the expansion of production capacity (2014: 56%). The breakdown of the remaining investments is as follows: 18% (2014: 13%) was used for rationalization, 28% (2014: 27%) was needed to replace existing facilities, and 2% (2014: 4%) was spent on environmental protection, health and safety, and quality control. The share of investment in the emerging markets was 38% (2014: 38%), underscoring Sika's growth strategy.

Sika will continue to invest in those regions where the Group can tap into new markets and generate growth, including North and Latin America, the Middle East, Russia, China, Indonesia, Vietnam, the Philippines, and Africa.

GROUP REVIEW

GROUP REPORT

CONTINUED GROWTH MOMENTUM WITH RECORD PROFIT

Sika continued its success story in the 2015 business year. All regions achieved significant sales increases and market share gains, with double-digit sales growth in the core markets of the USA, Mexico, Africa, the Middle East, Southeast Asia, and the Pacific. In cumulative terms and at constant exchange rates, sales increased by 6.2%. Excluding the negative growth in the Chinese market, sales rose by 7.4%. The strength of the Swiss franc led to conversion effects of -7.7%, and thus to a marginal 1.5% decline in sales in Swiss-franc terms to CHF 5,489.2 million.

The high growth momentum translated into above-average increases in the operating result and net profit. The focus on gross margin produced a positive effect and the disciplined approach to cost management was systematically continued. New records were achieved for EBIT at CHF 673.3 million (+6.3%) and net profit at CHF 465.1 million (+5.4%). Operating free cash flow came to CHF 451.5 million.

GROWTH IN ALL REGIONS

In the past financial year, the EMEA region (Europe, the Middle East, and Africa) increased sales by 5.6%, benefiting from the good business performance in Eastern Europe, Africa, and the Middle East. Sales in Western Europe even slightly exceeded the previous year's strong result.

The greatest sales growth was achieved in the Latin America region. Despite a challenging market environment in Brazil, market share gains in other countries resulted in sales rising by 9.5%. North America recorded a sustained high level of growth, increasing sales by 8.4%. In the USA, continuing market development and the healthy construction sector, where investment in infrastructure and commercial projects is increasing, led to significantly higher volumes.

Growth in the Asia/Pacific region slowed to 2.1% owing to the market downturn in China. However, double-digit sales increases were achieved in Southeast Asia and the Pacific.

In "Other segments and activities", Sika significantly exceeded market growth by achieving growth of 11.3% in local currencies. This includes the sales figures for the Automotive segment, whose global operations Sika controls centrally. Thanks to the increasing use of adhesives in modern vehicle construction, the

proportion of sales generated by Sika products per new automobile saw a significant increase.

Sika increased sales of products for the construction industry by 4.3% in local currencies, including an acquisition effect of 1.0%. Sales of products for industrial manufacturing increased 14.0% in local currencies, including an acquisition effect of 6.9%.

GROWTH DRIVEN BY EMERGING MARKETS AND MORTAR BUSINESS

Sika's accelerated growth in the emerging markets continued to generate compelling results, with sales rising by 7.9%. The high-margin mortar business – a core component of Sika's Strategy 2018 – put in an above-average performance, with sales growth of 12.9%. Sika further expanded its fast-growing mortar business in the past year by opening five new factories and making three acquisitions.

NINE NEW FACTORIES AND THREE NEW NATIONAL SUBSIDIARIES

The expansion into growth markets continued in 2015 and new factories were opened in all regions. In the EMEA region, the expansion of production capacity in the form of new factories in Dubai, Nigeria, Ivory Coast, Russia, and La Réunion will provide additional future growth stimuli. Sika also established new national subsidiaries in Tanzania and Ethiopia. In the Latin America region, new factories were opened in Paraguay and Argentina, while in North America, Sika expanded its production capacity by adding a new facility in Philadelphia. In the Asia/Pacific region, Sika's first factory in Sri Lanka was opened, while a new national subsidiary was established in Myanmar.

FIVE ACQUISITIONS

In January 2015, Sika acquired Dura-Moza, a company based in Mozambique that manufactures and distributes mortar and tile adhesives. This acquisition will accelerate Sika's development and market penetration in Mozambique. In March, Sika acquired BMI Products of Northern California, a US company that manufactures and distributes mortar products and systems for the construction industry. In the same month, Sika also took over Axson Technologies, a leading producer of polyurethane and epoxy resins for design, prototyping, and tooling. Also in March, Sika announced its acquisition of Construction Technologies Australia (CTA™), a leading manufacturer of tile adhesives and mortar products in Australia. Furthermore, Sika acquired the remaining 50% of Addiment Italia from its joint venture partner

Buzzi Unicem. These five acquired businesses generated annual sales totaling CHF 115 million in 2014.

ABOVE-AVERAGE PROFIT GROWTH

In the year under review, Sika's gross margin improved to 54.1% (2014: 53.0%). Personnel expenses increased slightly more than average due to the targeted expansion in growth markets. Other operating expenses increased less than average due to disciplined cost management. Sika therefore increased its operating result by 6.3% to CHF 673.3 million (previous year: CHF 633.2 million). The EBIT margin was 12.3% (previous year: 11.4%). Sika increased its consolidated net profit by 5.4% to CHF 465.1 million (previous year: CHF 441.2 million). The tax rate decreased slightly to 25.2% (previous year: 25.3%).

SELECTIVE INVESTMENTS, IMPROVED KEY PROFIT, AND LOSS FIGURES

Sika's investment strategy is geared to further strengthening its presence in the emerging markets. Accordingly, Sika opened a total of nine new factories in 2015. To support growth in the year under review, Sika invested a total of CHF 142.7 million, in line with the previous year (2014: CHF 152.8 million).

At 18.6%, net working capital as a percentage of net sales was held at a consistently low level in 2015 (2014: 17.8%). Top priority continues to be given to the management of inventories and accounts receivable. Operating free cash flow came to CHF 451.5 million in the year under review (previous year: CHF 417.5 million). Sika's cash and cash equivalents rose to CHF 1,074.4 million (previous year: CHF 898.8 million). Net debt was eliminated, resulting in a net credit balance of CHF 94.0 million (previous year: net debt of: CHF 82.5 million), while gearing improved to -3.7% (previous year: 3.5%).

The equity ratio now stands at 51.8% (2014: 49.5%).

GROUP REPORT REGIONS

GROWTH IN ALL REGIONS

Sika generated record sales in all regions and 15.2% growth in the emerging markets.

EMEA

The Swiss National Bank's decision at the beginning of 2015 to scrap the minimum Swiss franc-euro exchange rate had far-reaching consequences. Despite this, Sika increased its sales by 5.6% in the EMEA region (Europe, Middle East, Africa) and also benefited from the positive business performance in Eastern Europe, Africa, and the Middle East. In Western Europe, Sika even slightly exceeded the previous year's strong result. While sub-Saharan Africa's economy slowed down due to the decline in oil and commodity prices, the Middle East's economy benefited from large infrastructure projects.

Sika was involved in various major infrastructure projects in the EMEA region in the past year, including the Bluewaters Island Resort in Dubai (UAE) and the Westgate Shopping Centre in Oxford (UK).

Sika has significantly expanded production capacity in the region with new factories in Dubai, Nigeria, Russia, La Réunion, and Ivory Coast. New national subsidiaries were established in Tanzania and Ethiopia.

NORTH AMERICA

The North America region sustained its high growth dynamic and achieved a sales increase of 8.4%. In the USA, the healthy construction sector in particular led to a further positive increase in sales in the region and double-digit EBIT growth for the third year in a row. The Canadian construction market, on the other hand, suffered from the low oil and gas prices.

In 2015, Sika achieved a record 35% growth rate in the US residential business and also gratifying results in the roofing and flooring sectors. Major construction projects such as the Hudson Yards in New York and several stadiums such as the State Farm Center in Illinois contributed to this good result.

These remarkable results go hand in hand with Sika's focus on the ten biggest US cities. In 2015, Sika invested in new production facilities in the surrounding areas and acquired the mortar manufacturer BMI in the San Francisco area.

LATIN AMERICA

In 2015, the falling oil and commodities prices affected the economies of various countries in Latin America. Venezuela and Brazil, whose currencies weakened more than 50% in the reporting year, also suffered from significant structural imbalances. Despite the challenging market environment, Sika recorded significant gains in market shares in Latin America, especially in Argentina, Mexico, Paraguay, and Bolivia. All in all, this led to a 9.5% increase in sales in the region.

The heterogeneity of the Latin America region presented many opportunities for Sika, including the maintenance market and the gradual introduction of new technologies.

The fast-growing mortar business was further expanded in the year under review thanks to new production facilities in Paraguay and Argentina. The launch of new products also paved the way for Sika's future growth in the region.

ASIA/PACIFIC

Most countries in Asia experienced lower growth rates than in the year before, China included. Owing to the declining market trend in China, Sika's sales growth in the Asia/Pacific region slowed to 2.1%. On the other hand, double-digit sales increases were achieved in Southeast Asia and the Pacific. Indonesia, Malaysia, the Philippines, Singapore, and Vietnam in particular all showed attractive growth rates due to a strong presence in infrastructure projects, the launch of new products, and effective project management.

Sika was involved in a number of major projects in the region Asia/Pacific, including the Marina One infrastructure project in Singapore. Sika products are also being used in the construction of the new WHO headquarters in Manila.

In the year under review, Sika acquired CTA™, a leading supplier of tile adhesives and associated mortars, in Australia, opened a first factory in Sri Lanka, and established a new national subsidiary in Myanmar.

SIKA IN 93 COUNTRIES



THE REGIONS IN BRIEF

	EMEA	North America	Latin America	Asia/Pacific	Other segments and activities
Net sales in CHF mn (previous year)	2,600.2 (2,734.0)	839.2 (746.3)	600.2 (638.6)	1,017.3 (1,039.7)	432.3 (412.7)
Growth in local currencies	5.6%	8.4%	9.5%	2.1%	11.3%
Currency impact	-10.5%	4.0%	-15.5%	-4.3%	-6.6%
Acquisition effect	3.1%	0.8%	1.3%	1.9%	0%
Number of employees	9,079	1,653	2,437	4,112	

GROUP REPORT OUTLOOK

CONTINUED GROWTH AND HIGHER MARGINS

Since the targets for Strategy 2018 have been reached ahead of schedule, the Board of Directors decided in January 2016 to raise them. Sika is now aiming for an EBIT margin of 12-14% (previously over 10%) and an operating free cash flow in excess of 8% (previously over 6%). The company is also aiming to increase its return on capital employed to 25% (previously over 20%) by 2018. The growth model will be supplemented with investments in six to eight factories each year and the establishment of new national subsidiaries.

For the current financial year, currency fluctuations and the general conditions in some markets, primarily China, Brazil, and Russia, remain a challenge. The Group is convinced that it will again be able to successfully implement the targets for Strategy 2018 in the current year. It is assuming sales growth of 6-8% at constant exchange rates, and slightly higher than average growth in margins.

SUSTAINABILITY REPORT

ENHANCING CUSTOMER VALUE AND REDUCING ENVIRONMENTAL IMPACTS WHILE ASSUMING SOCIAL RESPONSIBILITY

As a global technology 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 projects and measures aimed at boosting the Group's business, social, and ecological sustainability.

SIKA'S SUSTAINABILITY STRATEGY

Sika continued to implement its 2014–2018 sustainability strategy during the year under review. With the avowed aim of “enhancing utility and reducing negative impacts”, the company continued to pursue its six strategic target areas that focus on economic performance, sustainable solutions, local communities/society, energy, waste/water, and safety. A recent survey of interested stakeholders revealed that these points of emphasis are the right ones and that the system of targets will remain correct in the future.

Through its products, systems, and solutions, Sika strives to create long-term benefits and added value for all its stakeholders and to reduce resource consumption and impacts associated with production significantly (see also “Sustainable Development” on page 37 et seq. of the download version of this report).

Among the chief instruments again employed to globally implement the sustainability strategy in the year under review were the “More Value – Less Impact” campaign as well as the introduction at a local level of the new target and reporting system in line with 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

Group Management tasked the Corporate Sustainability Office with implementing the sustainability strategy. It is implemented and anchored locally by the line organization. A particular degree of responsibility lies with the general managers, target market managers, and operations managers, who drive the development and implementation of local action plans.

The existing network of local and regional product sustainability and safety, health and environment (SHE) officers supports the local Sika companies in ideation, planning, and implementation of higher-level regional measures. Through the “More Value – Less

Impact” communication campaign, it informed all internal stakeholders about the new sustainability strategy and included them in planning and implementing respective measures. These activities were extended and intensified in 2015.

STANDARDS AND COMPLIANCE

In 2013 Sika introduced a strict Code of Conduct under which local line organizations are required to confirm implementation. 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.

If Sika employees have doubts or questions about matters relating to the content of the Sika Code of Conduct or the company values and principles, they are required to contact their line manager, the Group Compliance Officer, Corporate Legal, or Corporate HR. Sika has also set up a central help desk.

The introduction and compliance by the General Managers and their management teams was reviewed at the end of 2015 for all Sika companies, and conformity verified in a reporting system.

The Code of Conduct states, among other things, that Sika under no circumstances tolerates any form of corruption or human rights infringements.

Absolutely no leeway is allowed in respect of any breaches of these values. Integrity, ethical, and principled conduct, and adherence to the law are the foundation on which Sika's impeccable reputation is built. This is what customers and all other stakeholders – most notably, the Sika staff and shareholders – have rightly come to expect. During 2015, the adoption in all Sika's companies of a localized Gift & Entertainment Policy was completed. This policy, which integrates and reinforces the principles of the Code of Conduct, provides employees with a clear and detailed framework on how to give and accept gifts and entertainment in their daily business and defines – for each company/country – different levels of authority depending on the gift value.

Forming the core of Sika's corporate culture, these values and principles relate to the following aspects: Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, and Manage for Results.

These internal standards summarize the key principles of the Sika management style, which is based on mutual trust, personal responsibility, and full transparency at all levels. Group Management had created the post of Corporate Compliance Officer in 2014. During the year under review, compliance processes were streamlined and Sika strengthened its Compliance organization by appointing four part-time Regional Compliance Officers (RCO) who have a functional reporting line to the Group

Compliance Officer in compliance-related matters. To preserve Sika's strong compliance culture and ensure that the Code of Conduct's principles are understood and adhered to by all employees, Sika has developed an animated e-learning program on the Code of Conduct that is used in addition to regular class training events. This training program and a new web-based reporting platform, the Sika TrustLine, will be available in more than 20 languages throughout the organization as part of an awareness-raising campaign on Compliance. The Sika TrustLine is an externally hosted reporting channel where Sika's employees may raise legitimate complaints regarding serious misconduct and/or breaches of Sika's Code of Conduct in a safe and confidential environment, if reporting to other more immediate existing resources, like line management or other specialists, is not feasible or adequate. As part of the roll-out of the Sika TrustLine, an ad hoc policy ("Sika Trust Policy") will be made available to Sika's employees in order to provide clear rules and appropriate training on rights and obligations with regard to internal misconduct reporting. A defined reporting procedure and an effective organization-wide communication campaign on the use of the Sika TrustLine will help to preserve and foster Sika's strong culture of trust, integrity, and transparency.

Sika also assumes responsibilities for the supply chain. In 2015, the Group made the Supplier Code of Conduct that it introduced in 2013 binding on all new suppliers. It is also phasing it in for existing suppliers. Sika thereby ensures that suppliers are informed of Sika's ethical, environmental, and social expectations and guidelines and that they carry out their processes in compliance with the Sika sustainability criteria.

Sika had defined a new group-wide process the previous year that maps out the main sustainability principles (economic, social, and ecological) for supplier qualification and evaluation. The multi-stage supplier evaluation process has three central elements: It requires all suppliers to sign the Supplier Code of Conduct and to complete a self-report questionnaire. In unclear cases, the Purchasing department will follow up with sustainability audits before concluding a supply contract. Sika implemented this new process globally in 2015, initially focusing on high-risk geographic regions and industries.

A platform was created during the year under review for transparently recording and storing documentation generated during supplier qualification. The system enables buyers to inspect suppliers' qualifications and improve them in their countries as necessary.

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 and is overseen by the Audit Committee of the Board of Directors. Group Management is regularly informed about the planning of inspections and their results. In all, Sika conducted

89 audits of corporate functions in the reporting year and implemented associated improvements wherever necessary. The audits covered all aspects of Sika's global business activities: quality, environment, safety, health, risk, 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 conducts supplier audits itself. In the year under review, all new suppliers were already assessed according to the new vendor evaluation process.

To improve supplier qualification, Sika began training sales teams in planning and performing partner audits themselves during the year under review. Most of these inspections are overseen by safety, quality, or technology experts. This makes it possible to work on improvements together with the suppliers, including improvements in sustainability.

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

The goal of sustainable development requires the involvement of every participant along the entire value chain and the identification of shared topic areas of significance to all those involved. During the year under review, Sika repeated the materiality analysis originally carried out during the development of the sustainability strategy in 2013. As part of the review, an online tool was used to survey the most important internal and external stakeholder groups to determine which sustainability issues they considered most important and review whether relevant changes had taken place since 2013. The numerous responses indicated no change in the importance of the various topics and confirmed the path that Sika has taken.

SUSTAINABILITY: TARGETS AND IMPLEMENTATION

MORE VALUE OR ENHANCING UTILITY

Sika takes a long-term perspective on the development of its business, and acts with respect and responsibility toward all internal and external stakeholders. Sika maintains a strong focus on safety, quality, environment, fair treatment, social involvement, responsible growth, and value creation during all business activities.

Sustainability has always been part of Sika's identity. The company aims to continually measure and improve sustainable value creation and communicate activities and progress. "More Value – Less Impact" refers to Sika's obligation to maximize the value of its solutions and contributions for all stakeholder groups, while simultaneously minimizing the risks and resource consumption associated with value generation.

SUSTAINABLE SOLUTIONS

Sika aims to be the industry leader, staying ahead with a portfolio of sustainable products, systems, and services that help support customers in meeting global challenges. Sustainability is a key component of the company's capacity for innovation and an important driver of product development. Sika strives to extend the service life of buildings and industrial applications, to improve energy and material efficiency, and to further enhance user-friendliness. The company makes every effort to reduce resource consumption, energy consumption, and the associated CO₂ emissions along the value chain – both internally and for partners and customers who place their trust in Sika products and solutions. The two Group targets are:

TARGET: All new product developments are reviewed against key sustainability criteria using a standardized methodology, including a documented, recognized relevance audit and an appropriate improvement plan where necessary.

IMPLEMENTATION: Sika has introduced a uniform sustainability appraisal process (including guidelines and work aids) throughout the company that addresses the relevant sustainability indicators. It is part of the official Sika product development process, which was revised in 2014. The objective of the sustainability appraisal is to assess all sustainability aspects of a new development over its entire life cycle, compared with the company's own or competitors' solutions. Economic, social, and environmental aspects are assessed and serve as a basis for any decision to improve a development. If a new solution fails to provide an improvement over the existing product, it is normally not worthwhile to continue pursuing a development. On the other hand, if a significant improvement over the existing product is achieved, the relevant projects must be prioritized for special attention.

In the year under review, Sika progressively implemented the sustainability appraisal process as part of the launch of the revised product development process as an obligatory part of the innovation process. The individuals responsible for the global rollout in the various business lines, regions, and technology centers received training in the new procedures at a centralized event, where they were familiarized with the processes and methods. These individuals are responsible for the global rollout in all Group companies, which should be complete by the middle of next year.

TARGET: The major Sika country affiliates prepare a product sustainability action plan and implement all planned key projects. The plan is aligned with local trends and with market requirements and encompasses the key projects and topics that are geared to the global initiative.

IMPLEMENTATION: The larger countries in the key North America, Southern Europe, Northern Europe, Eastern Europe, UK, Germany, Turkey, and Mexico regions developed product sustainability plans in 2015 in conjunction with the Corporate Product Sustainability department. The product sustainability functions that have been created at a regional and local level enabled and supported the development, implementation, and management of these plans. The plans are presented and ad-

ministered, progress and activities discussed, and successful projects and local implementations shared at quarterly virtual and annual in-person meetings of the local, regional, and global functions. The focus in 2016 will be on implementing planned activities locally in the existing regions and countries and extending planning to the Latin America and Asia/Pacific regions.

Practical implementation of the "More Value – Less Impact" motto calls for sound data and knowledge about the effects of product manufacturing and the added value of finished products in their application and use phase. In the year under review, Sika added to the life-cycle data collected in previous years for its products, technologies, and applications in accordance with the international life-cycle assessment (LCA) standard ISO 14040, with a primary focus on mortar and liquid roof membranes, and expanded the existing reference database. The information enabled Sika to develop a series of new work aids and successfully introduce them in an initial group of country affiliates.

Examples include environmental product declarations (EPDs) for roof membrane solutions under the German, British, and American standards and assessment tools for the sustainability performance of roof systems and polyurethane floor solutions for office, school, and healthcare facilities. As added value for the customer, they enable project-specific quantitative assessment of the sustainability performance of the selected Sika solution in a standardized form that can be communicated in an easy-to-understand way that is focused on customer needs. Implementing the acquired expertise in the market, a number of country affiliates in Northern and Southern Europe have successfully launched and tested new services to quantify the sustainability performance of Sika solutions. A first set of projects has thus been successfully acquired in countries such as Spain, Italy, and the United Kingdom using the assessment tools introduced locally. In 2016 the focus will be on the further rollout of local introduction of the sustainability sales tools in the roofing and flooring segments in additional target countries, on services related to sustainable construction and energy efficiency in buildings, and on the better integration of sustainability with the local affiliates' business priorities.

This marks Sika's aim to move further away from being a product supplier and more in the direction of a solution supplier, providing customers with innovative solutions to decisively enhance the efficiency, durability, and aesthetic appeal of buildings, infrastructure facilities, and installations. The integrated concepts and solutions address the entire life cycle of a built structure, from initial construction and maintenance through refurbishment or expansion to demolition.

Product and project case studies from all target markets can be found at www.sika.com/sustainability. They detail how Sika solutions support sustainable construction and help to save energy, raw materials, and water and reduce CO₂ emissions.

SOCIAL RESPONSIBILITY

Social, economic, and environmental issues are closely intertwined. Social responsibility is a 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.

Sika aims to build trust and create value – with customers, local communities, and society as a whole. The Group goal is:

TARGET: 5% MORE SOCIAL PROJECTS PER YEAR: Social projects benefit all non-commercial stakeholder groups of local companies and their neighborhoods. They encompass monetary benefits or material donations, local projects and community engagement programs, dialog with stakeholder groups, communal consultation procedures, social activities and programs, training, environmental projects, or recovery programs.

IMPLEMENTATION: Sika sponsored 83 projects during the year under review (previous year: 67 projects). This equates to a year-on-year increase of 24%. Sika supported the following priority projects:

SOCIAL SPONSORSHIP

Social sponsorship 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 healthcare, water supply, sanitation, and drainage facilities in Indonesia. YTL is incorporated into 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.
<http://watsanaction.org>

Since 1968, the ATMI (Akademi Teknik Mesin Industri) vocational training center in Surakarta (Solo), Central Java, has been providing young people from the lower and middle classes with the opportunity to learn a technical trade. Having given its support in past years to build the training infrastructure, Sika helped fund the expansion of further building tracts in 2015, including boarders' sleeping quarters.
www.atmi.ac.id

In Greece, Sika supported the welfare organization The Smile of the Child, which helps children from socially and financially disadvantaged families as well as orphans. A building housing a day clinic for children with mental conditions was completed during the year under review. Sika also supported further social and scientific facilities in Greece such as a kindergarten in Crete and instructional programs at the University of Patras.
www.hamogelo.gr

Sika supports the Samrakshana orphanage and home for the handicapped in the state of Telanga in south-central India. The Samrakshana charitable institution was founded in 2013 by Joseph Vattaparambil and Swiss citizen Brigitte Born to assist people in need, such as street children, people with disabilities, orphans, illiterate people, poor families, single parents, the aged, and the sick. During the year under review, Sika financed the water supply for the orphanage.

In the year under review, Sika began sponsoring a charitable organization that has been aiding the poorest and weakest members of society in southern Naples since 2006. Sika's support consists of three pillars: financial support, provision of Sika products and expertise, and volunteer work. In response to the serious problems facing the local people, Associazione Caterina Onlus plans to build a medical center with outpatient clinics. The center and its volunteer doctors will provide permanent medical services for many families in the region. It is scheduled to open in 2016.
<http://www.caterinaonlus.it/>

Sika has supported the activities of the nonprofit organization Operation Smile in Vietnam since 2010, and in Thailand since 2014. 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. In Thailand, Sika employees did 332 hours of volunteer work at the Mae Sot Hospital between November 1 and 6, 2015.
www.operationsmile.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. In the year under review, the project included scholarships for five youths and the purchase of kit for the orphanage's soccer team.
www.pandevida.org

Sika has supported the Liter of Light organization since 2012, when it was founded by ten master's candidates from the University of St. Gallen. The organization sets out to provide underprivileged areas of the world with alternative light sources made from repurposed plastic bottles. In 2015 Sika sponsored Liter of Light projects in Bangladesh, India, Kenya, Nicaragua, the Philippines, South Africa, and Tanzania.
www.literoflightswitzerland.org

Sika supported the UPSV orphanage in Brasov, Romania, in the reporting year. The institution not only offers a home for children and adolescents, but also helped over 200 young people to find work and establish a foothold in society. In addition to giving financial support, Sika also helped to renovate one of the buildings.
<http://www.upsv.org/>

In China, Sika supports the Library Project, a nationwide initiative to sponsor libraries in public schools. In the year under review, Sika donated 16,000 books to establish libraries at 21 schools, benefiting some 4,000 children. Sika is also involved in work to renovate several schools in mountainous regions of the Chongqing and Sichuan provinces in the south of the country.
<http://www.library-project.org/>

Legacy Rainbow House in Mawdesley, south of Preston, UK, is a facility for children with brain injuries, multiple disabilities, or complex care needs. Among other contributions, Sika has donated its ComfortFloor® Pro floor solution to support the facility. The product's chemical composition and texture offer the perfect surface for the intensive therapy activities that take place in the facility and make the floor very comfortable for the children.
<http://thelegacy-rainbowhouse.com/>

At the start of the year under review, Sika provided support for NOIVA, a nonprofit organization that organizes emergency aid in crisis regions as well as long-term development aid measures in places with shortages of jobs, schools, children's homes, etc. NOIVA is convinced that "helping people help themselves" means supporting local economies through initiatives, investments, and know-how.
<https://www.noiva.ch/en/>

In the year under review, Sika supported the construction of a new school for girls and young women in Madagascar. The school prepares the young women for a job in education. Sika specialists contributed their expertise to the construction work, and Sika is also providing financial support for the building project. The school is located in Tulear, a city of 150,000 inhabitants and capital of the Atsimo-Andrefana region, over 900 kilometers southwest of Antananarivo.

ECOLOGICAL SPONSORSHIP

The focus of Sika's ecological sponsorship 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 drinking water and environmental projects in Ivory Coast, Colombia, Mexico, Mongolia, the Philippines, and South Africa. In Colombia, Mexico, South Africa, and the Philippines, Sika supported

the construction of green filters (plant-based water treatment facilities) with the aim of improving local sanitary and hygiene conditions. This also significantly improved the living conditions of impoverished groups in rural areas.
www.globalnature.org

SCIENTIFIC SPONSORSHIP

As project sponsor, Sika engages in a lively dialog with ETH Zurich (Swiss Federal Institute of Technology in Zurich), the University of Fribourg, EPFL (Swiss Federal Institute of Technology in Lausanne), the ESPCI ParisTech (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.

ETH ZURICH: Sika continued to support the chair in Soft Materials at the ETH Zurich in the year under review. Research interests focus on soft materials such as gels, molten polymers, and rubber and their boundary surfaces. Research into composites made of soft materials as well as colloid systems and bacteria are further main aspects. 2015 was the sixth 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 ETH's Department of Chemistry and Applied Biosciences. Sika also participates in the Sustainable Construction Partnership Council. This interdisciplinary forum promotes dialog on current research topics, supports resources and knowledge transfer, and encourages the launch of joint research projects in the field of sustainable construction.
<http://www.softmat.mat.ethz.ch/>

UNIVERSITY OF FRIBOURG: The University of Fribourg and Sika signed a cooperation agreement in the year under review. A research group on management in emerging markets was established at the Faculty of Economics and Social Sciences in 2014. Reflecting the growing significance of newly industrializing countries for the strategies of western companies, the objective of the cooperation venture between the University of Fribourg and Sika is to enable research and teaching on management in emerging markets at the western Swiss faculty.
<http://www.unifr.ch/ses/ses2011/index.php>

ST. GALLEN SYMPOSIUM: The St. Gallen Symposium is a conference held each year in early May to encourage dialog between representatives of business, the government and society. In the year under review, Sika sponsored the work of the International Students' Committee (ISC), which involves dialog between 600 leaders and 200 dedicated young entrepreneurs selected to participate on the basis of their entries in the St. Gallen Wings of Excellence Award competition.
<http://www.symposium.org>

FOUNDATION SWISS INNOVATION PARK: Along with other well-known Swiss companies, Sika supports the "Switzerland Innovation" initiative. This initiative aims to attract companies from Switzerland and abroad with the research and development facilities it offers at its five locations: Park Basel Area, Park innovaare (Canton of Argau), Park Zurich, Park Network West

EPFL (Lausanne) and Park Biel/Bienne).
<https://www.switzerland-innovation.com/>

SPORTS AND CULTURAL SPONSORSHIP

Sika supports 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.
www.sinfonieorchester.ch

EV ZUG ICE HOCKEY CLUB: Featuring on the club kit, stadium banners, and even the ice rink, the Sika logo is now a part of EV Zug's public identity. The sponsorship agreement with the top Swiss ice hockey team was extended in 2013 and will run until the end of the 2017/2018 season.
www.evz.ch

SWISS SLIDING: Sika is a sponsor of Swiss Sliding, the association for the Winter Olympic disciplines of 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 Jürg Möckli, Swiss Sliding CEO, points out: "Apart from the financial support, Swiss Sliding also benefits from Sika's know-how and products."
www.swiss-sliding.ch

2015 STREET HOCKEY WORLD CHAMPIONSHIP: Sika was the main sponsor of the 2015 Street Hockey World championship held from June 19 to 28, 2015, in Zug, Switzerland. During the event, Sika had its own pavilion in the extensive championship village, offering entertainment including a Sika knowledge trail for visitors for the entire ten days.
<http://zug2015.com>

LESS IMPACT: REDUCING THE NEGATIVE FOOTPRINT

The following details relate to all business operations of the Sika Group, including the activities of the newly acquired companies, and focus on the core themes of energy, water/waste, occupational safety, and CO₂ emissions at the more than 180 Sika production sites.

Sika is continually improving its environmental protection and safety performance through its routine investment planning and maintenance activities. During the year under review, Sika once again spent CHF 6.2 million on technical equipment to prevent accidents and illness. This corresponds to roughly 4% of total investments in technical equipment of roughly CHF 140 million. Sika also implemented numerous further health, safety,

environment, and sustainability measures during the year under review. Expenditures in these areas came to CHF 22 million (previous year¹: CHF 23.1 million). The total worldwide headcount in this field runs to over 100. Sika employs environment, safety, and sustainability specialists at all its major sites.

ENERGY

Global megatrends, such as energy and raw materials shortages, urbanization, and population growth are confronting companies and communities with major economic, social, and ecological challenges. Availability and efficient use of energy and resources are crucial to sustainable development and poverty reduction. Sika sees it as its responsibility to minimize the impact on climate change by reducing energy consumption from nonrenewable sources with the positive effect of lowering costs and increasing competitiveness. The Group goal is:

TARGET: 3% LESS ENERGY CONSUMPTION PER TON AND YEAR: This includes the total energy produced and consumed by all Sika operating companies and units, both industrial and nonindustrial sites.

IMPLEMENTATION: Sika consumed 1,833 terajoules in 2015 (previous year: 1,671 terajoules). Approximately 53% of Sika's energy requirements were met by electrical power from the local grid. The remaining demand was mainly covered by natural gas and liquid fuels.

Energy consumption per ton came to 455 megajoules (revised figure for the previous year¹: 438 megajoules). This slight increase of 4% is primarily due to the change in product mix and strong growth in energy-intensive product technologies. With an increase in energy efficiency of approximately 15% during the last two reporting years in comparison to 2013, Sika is on track.

To maintain the positive trend, the following energy projects have been initiated: The Sika plant in Düringen, for example, uses waste heat from air compressors to heat the factory, reducing or saving 390 MWh of natural gas and 79 tons of CO₂ emissions per year. Sika Spain installed a new cooling tower in late 2014 to provide better performance with lower energy consumption. The new cooling tower will save 200 MWh of energy and 58 tons of CO₂.

CO₂ EMISSIONS

CO₂ is a consequence of fossil energy consumption, and can only be limited within Sika by increasing energy efficiency. This is why Sika controls its CO₂ emissions via its energy target and has not set a specific reduction target at Group level.

CO₂ EMISSIONS (DIRECT): CO₂ emissions from energy consumed directly by all Sika operating companies and units, both industrial and nonindustrial sites, and by its own vehicles are calculated based on the reported fuel quantities. In 2015, CO₂ emissions from the use of primary energy sources ran to around 53,000 tons (previous year¹: 47,000 tons). A number of factories in China still rely on locally sourced coal as a fuel. This has a low gross calorific value and entails higher CO₂ emissions than natural gas. Emissions were reduced at two plants by adjusting the product mix, partially replacing a coal-intensive process with a coal-free process.

CO₂ EMISSIONS (INDIRECT): CO₂ emissions from indirect energy consumption, i.e. emissions not due to Sika's own primary energy usage, including leased vehicles and business travel, is derived from the reported energy quantities. CO₂ emissions caused by purchased electricity are calculated using current emission factors from the Greenhouse Gas protocol (GHG), applying average values for electric power production in each particular country. In 2015, CO₂ emissions caused by electricity consumption were calculated at 107,000 tons (previous year: 102,000 tons), i.e. more than twice as high as direct CO₂ emissions. Leased vehicles and business travel caused additional CO₂ emissions of 21,000 and 13,800 tons, respectively (previous year: 20,500 and 14,000 tons).

Project case studies from around the globe detailing how Sika was able to save energy at its plants and reduce CO₂ emissions can be found at www.sika.com/sustainability.

WATER

Sika aims to boost the sustainability performance of its production sites by reducing water consumption and treating water locally. The company implements measures to reduce consumption or to use lower-grade water qualities, especially in geographic regions where water is scarce. Efficient production means closed loop cooling and switching from public to surface and ground water, reducing the amount of drinking water used in production. By reusing wastewater, Sika aims to reduce its water consumption on a larger scale. The Group goal is:

TARGET: 3% LESS WATER CONSUMPTION PER TON AND YEAR: This includes water consumed by all Sika operating companies and units, both industrial and nonindustrial sites, whether from public utilities or from ground or surface water sources.

IMPLEMENTATION: In 2015, Sika used approximately 1.7 million cubic meters of water (previous year¹: 2 million cubic meters). With water consumption per ton sold down by around 25% to 0.41 cubic meters (revised figure for the previous year: 0.55), Sika significantly exceeded its target. Sika invested in various water efficiency projects at its plants worldwide during the year under review, for example in the installation of a new cooling system at a major Sika plant: cooling water was replaced by a closed cooling water circuit. This led to a nearly 80% reduction in Sika's water consumption in the United States. Sika Peru undertook a quite different project of an educational nature by installing a hydroculture greenhouse on its premises. The project aims to help employees develop a better understanding of water as a precious resource.

Project case studies from around the globe detailing how Sika has succeeded in saving water at its plants can be found at www.sika.com/sustainability.

WASTE

Efficient use of input materials is extremely important to all Sika companies, as production processes are material-intensive and use high volumes of nonrenewable resources. Efficient production in this context means reducing and reusing production scrap, reducing and reusing packaging materials, and improving packaging design, leading to higher productivity and lower material use. The Group goal is :

TARGET: 3% LESS WASTE PER TON AND YEAR: This includes all waste material sent to external contractors for disposal – with the exception of materials returned to suppliers – and covers all Sika operating companies and units, including industrial and nonindustrial sites.

IMPLEMENTATION: Recording a higher production volume, the company generated approximately 70,000 tons of waste (previous year¹: 62,000 tons). This corresponds to 17.3 kilograms of waste per ton sold (revised figure for the previous year: 16.5 kilograms per ton sold), or an increase of 5%. After reporting improvements in previous years, waste generation resulting from the start-up of new production sites impacted on efficiency in 2015. However, since 2013 the amount of waste has been reduced overall by -3.3%.

Material efficiency will be a priority in 2016. A large part of the waste – particularly from polymer and adhesive production – is recycled by external companies. Extensive measures such as the efficient and economical use of raw materials, process optimizations, improved waste sorting, and the recycling of packaging materials have contributed to global waste efficiency.

Sika Colombia achieved savings by composting organic wastes from the plant, and subsequently packing and selling the compost or using it in site landscaping and a teaching garden. At Schönox in Germany, dust is vacuumed off during the filling of valve bags and separated in "big bags". The material is generally disposed of afterwards. Today, materials are separated in the vacuuming process during large production runs. Since the composition of the resulting separated materials is pure, they can subsequently be blended back into the production process, avoiding roughly 150 tons of waste per year.

Project case studies from around the globe detailing how Sika managed to reduce waste at its plants can be found at www.sika.com/sustainability.

OCCUPATIONAL SAFETY

The health, safety, and well-being of all Sika employees are essential to the success of the company's business and are core concerns throughout the organization. This requires focus and a systematic approach: occupational standards, management commitment, employee involvement, work site and risk analysis, hazard recognition and resolution, training and education are key components of Sika's health and safety framework. A culture of safety and a healthy work environment are at the center of everything the company does.

Sika has the ambitious goal of every employee leaving the workplace healthy. The Group goal is:

TARGET – 5% FEWER ACCIDENTS PER YEAR: This refers to the number of work-related accidents leading to injuries, covering all Sika employees, including temporary and subcontracted staff, at the company's operating companies and units, both industrial and nonindustrial sites. Construction projects are not factored in.

IMPLEMENTATION: The number of occupational accidents leading to lost work time of more than one day showed a year-on-year decrease of approximately 10%. In the year under review, 9.7 occupational accidents per 1,000 employees were recorded (previous year¹: 10.8). In 2015, injuries caused absences of an average of 22 days (previous year: 17). This figure was strongly influenced by longer absences due to injuries to the locomotor system caused by accidents while walking. Sika will continue to improve safety constantly in 2016:

In the United States, a comprehensive safety strategy is being developed under the name Sika Safe. Plant employees are taking the initiative by forming teams to deal with the previously identified key risks. Work hours and a budget have been allocated to allow them to work on improving their work environment.

The aim is to get the vast majority of the workforce involved and participating in solving problems. Thanks to a safety initiative, the Sika plant in Cerano registered no accidents in 2014 and 2015. This result was achieved by instilling awareness, and personal responsibility, training staff at all levels, and conducting regular risk analyses and audits.

Project case studies from around the globe detailing how Sika was able to reduce occupational accidents and days lost at the plants can be found at www.sika.com/sustainability.

- 1) The values from the 2014 Annual Report have been retroactively adjusted in line with renewed availability and factored into the calculation of the key figures.

EMPLOYEES

COMPETENCE AND COMMITMENT

Sika's success is based on the expertise and entrepreneurial spirit of its employees. Decisions and responsibilities are delegated to the appropriate level of competence. Employee training and development is given a high priority. Sika aims to provide training for all employees, to develop tomorrow's leaders, and to focus on promoting internal candidates.

MANAGEMENT DEVELOPMENT

Sika gives preference to internal candidates for specialist and management appointments. In the last three years, for example, Sika's senior management roles have almost all been filled internally. The long-term nature of our employees' career prospects is one reason why the voluntary labor turnover rate is just 6.6% (6.3% in 2014).

TRAINING & DEVELOPMENT

Sika is proud to have a large number of long-serving employees. It sets great store by employees who stay with the company and share their know-how and experience for as long as possible. Sika regards internal and external training courses as key development tools for its more than 17,000 employees. The company also encourages more extensive training programs. Through its partnerships with distinguished universities, Sika is able to ensure that the training it provides incorporates the latest industry trends and technological developments. In the year under review, Sika spent approximately CHF 11.1 million (previous year: CHF 8.3 million) on staff development. The aim is to provide at least ten hours training per year for each employee. In 2015, this figure stood at 11.9 hours (2014: 11.4 hours).

SIKA BUSINESS SCHOOL

The Sika Business School offers programs in the areas of management development and talent development. In the year under review, the school ran 12 courses for junior managers. Sika continued its partnership with the International Institute for Management Development (IMD) in Lausanne (Switzerland). Amongst other things, over 120 senior managers took part in a training course on leadership and strategy.

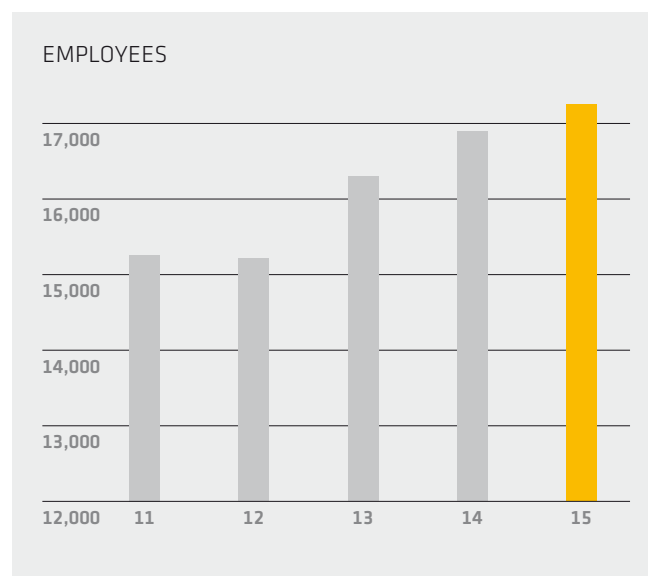
The Sika Business School also places particular emphasis on the area of sales and marketing, offering numerous courses to develop the sales force. Furthermore, many training courses on Sika products and their applications take place at local and regional level. The company's expertise in advising customers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

NUMBER OF EMPLOYEES

The number of employees rose 2.3% during the year under review to 17,281 (previous year: 16,895). The challenging economic situation in some emerging markets contributed to the fact that headcount in Latin America and Asia did not grow as fast as in previous years and even fell slightly in a few countries. The regional distribution of Sika employees is as follows: EMEA 9,079 (previous year: 8,708), North America 1,653 (previous year: 1,488), Latin America 2,437 (previous year: 2,609), Asia/Pacific 4,112 (previous year: 4,090).

The age structure at Sika is broadly balanced: 16% of employees are under 30 years of age and 21% over 50. Sika wants to offer its staff long-term prospects with the company. Over 95% of employees have permanent employment contracts.

Together, all Sika employees generated a net added value of CHF 1,755 million in 2015 (previous year: CHF 1,715 million). This corresponds to a net added value per employee of CHF 103,000 (previous year: CHF 103,000). Further information on this topic can be found on page 133 of the download version of this report.



DIVERSITY

Sika's global presence and associated proximity to customers make it extremely important to integrate different cultures and share experience and know-how across national boundaries. The company firmly believes that the diversity experienced by employees on a daily basis is one of the factors in its success, especially at senior management level.

Work region of Sika's senior managers	Nationalities	% of senior managers
EMEA	27	40
Asia/Pacific	16	20
Latin America	9	9
North America	5	9
Corporate Organization	8	22

Women account for 22.3% of the total headcount (previous year: 22.3%) and 16.6% of managers (previous year: 16.4%). Sika is constantly working to increase these figures.

LABOR AND SOCIAL STANDARDS

Sika companies and their employees comply with global and local labor and social standards. Furthermore, all employees are bound by the Sika Code of Conduct, regardless of where they work and in which function. The Sika Code of Conduct is binding even in cases where local laws are less stringent. In addition, as a signatory of the UN Global Compact, Sika prepares its reporting in accordance with the GRI G4 guidelines. To ensure that the interests of all stakeholders are represented and to reaffirm our commitment, Sika is also a member of the World Council for Sustainable Development.

The Sika Code of Conduct protects and ensures compliance with human rights. The company respects the right to freedom of association. However, it must be noted that Sika also operates in countries where the right to freedom of assembly and collective bargaining are restricted by national legislation.

Sika tolerates neither child labor nor any type of slavery and observes all laws and guidelines in respect of discrimination in any form. Sika actively promotes a recruitment policy aimed at achieving a diversified workforce. Chapter 9 of Sika's Code of Conduct establishes a zero tolerance approach to harassment and discrimination in the workplace.

Every year around 20 internal audits and 10 external audits are conducted, corresponding to some 20% of all Sika national subsidiaries. Among other things, these audits ensure compliance with the applicable labor and social standards.

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 page 18 of the download version of this report. In the year under review, the Sika Group encompassed unlisted subsidiaries in 93 countries. 151 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 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. Addiment Italia S.r.l., Italy, has been fully consolidated since June 30, 2015. Detailed information on the Group companies can be found on page 125 et sqq. of the download version 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 one particular country.

The heads of the central 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 22 to 28 of the download version of this report.

As of the balance sheet date of December 31, 2015, Sika had received notification of three significant shareholders whose voting rights exceed 3%: (1) The Burkard-Schenker family, who, according to information provided by the family, held 52.92% of all voting shares via Schenker-Winkler Holding AG as at December 31, 2015. On December 8, 2014, the Burkard-Schenker family announced the sale of their Sika participation to the Compagnie de Saint-Gobain ("Saint-Gobain"), and, on December 11, 2014, the Burkard-Schenker family and Saint-Gobain announced the formation of a group. On April 7, 2015, the Burkard-Schenker family and Saint-Gobain announced the dissolution of their group. Saint-Gobain itself announced on April 7, 2015, that it held 52.92% of all voting rights via Schenker-Winkler Holding AG. Legal proceedings are underway in connection with the planned transaction, which, as far as the company is aware, has not yet been concluded. (2) BlackRock, Inc., which owned 3.02% of all voting shares on the balance sheet date. (3) A group consisting of Threadneedle Asset Management Limited, Threadneedle Investment Services Limited, Threadneedle Management Luxembourg S.A., FIL Limited, William H. Gates III, Melinda French Gates and Bill & Melinda Gates Foundation Trust, which owned 5.23% of all voting shares on the balance sheet date. 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 <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

There are no crossover holdings exceeding 3%, either in terms of capital or votes.

CAPITAL STRUCTURE

As at December 31, 2015, 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 130 et sqq. of the download version 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 the purchase of registered shares if the purchaser's registered shareholdings exceed 5% of the total number of registered shares entered in the commercial register. 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 70, directors resign their mandate. Detailed information on individual members of the Board of Directors is listed on page 27 of the download version of this report. No directorships are maintained with other listed companies on a reciprocal basis.

The Board of Directors of Sika AG currently consists of nine 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 the 2015 business year, the Board met 21 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 of the Board or the Audit Committee, insofar as such events relate to the latter's area of responsibility. The Internal Audit staff report to the Chairman of the Board 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 27 of the download version 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 four 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 five 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 section, on page 57 of the download version of this report. The members of Group Management and their functions are listed on pages 23 to 26 of the download version of this report. Detailed information on their backgrounds and activities can be found on pages 24 to 25 of the download version of this report. Sika had no management contracts with third parties in the year under review.

SHAREHOLDER PARTICIPATION RIGHTS

Every shareholder can exercise share votes through representation by another shareholder with voting rights or an independent proxy.

Information on what constitutes a statutory quorum can be found in Article 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 comply 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, holders of 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 the 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 2015.

The auditor participates regularly in the meetings of the Audit Committee, providing oral and written reports on 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 2015, the present auditor took part in three meetings of the Audit Committee.

Ernst & Young AG billed CHF 3.6 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 provides extensive information 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 Sika's communication activities. 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 publication of news which may affect its stock price. In addition, Sika maintains dialog with investors and the media through special events and road shows. Information on important dates in 2016 can be found on page 145 of the download version of this report.

COMPENSATION REPORT

COMPENSATION REPORT

The Compensation Report describes the compensation principles and programs 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 about the compensation programs and the payments made to members of the Board of Directors and of Group Management in the 2015 business year.

The Compensation Report is written in accordance with the Ordinance against Excessive Remuneration in Stock Listed Corporations, the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse, and the standard relating to information on Corporate Governance of SIX Swiss Exchange. It has the following structure:

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INTRODUCTION BY THE CHAIRMAN OF THE NOMINATION AND COMPENSATION COMMITTEE

DEAR SHAREHOLDERS,

In the name of the Board of Directors and the Nomination and Compensation Committee, I am pleased to present the 2015 Compensation Report.

2015 has been a strong year for Sika, with an -1.5% revenue growth in Swiss francs (6.2% in local currencies) and 6.3% profitability increase (earnings before interest and tax). All regions posted good results, and the company continued its accelerated development in the development in the emerging markets with the opening of new factories. In terms of relative performance, Sika outperformed its peers both in terms of sales growth and profitability improvement. The Compensation Report explains how these results impacted the variable incentive payments made to the members of Group Management under the different compensation plans.

This year was influenced by the intended sale of the company to Saint-Gobain by the main share holder. Considering the special situation, the Nomination and Compensation Committee felt that it was not appropriate to make fundamental changes to the compensation system this year and has therefore decided to maintain the status quo. Otherwise, the Nomination and Compensation Committee performed its regular activities throughout the year, such as the setting of performance goals at the beginning of the year and the performance assessment at year-end, the annual strategic review of the compensation policy and programs (with the decision to not make any amendments following the proper performance of the annual review), the determination of the compensation of the members of Group Management, as well as the preparation of the Compensation Report and say-on-pay vote at the Annual General Meeting.

At the 2015 Annual General Meeting, a binding vote on the aggregate maximum compensation amounts for the Board of Directors and for Group Management was conducted, as well as a consultative vote on the Compensation Report, meaning that shareholders could express their opinion on our compensation policies and principles. The shareholders approved the compensation amount for Group Management with a result of 99.8%. However, the compensation amount for the Board of Directors (binding vote) and the Compensation Report (consultative vote) were rejected, mainly because of the majority voting rights of the main shareholder. Under the special circumstances, we do not interpret the negative votes as a generic disagreement of our shareholders with our compensation system and/or compensation amounts.

Looking ahead, we will continue to assess and review our compensation programs to ensure that they still fulfill their purpose in the evolving context in which the company operates and are aligned to the interests of our shareholders. We will also continue to maintain open dialog with our shareholders and their representatives.

We would like to thank you here for sharing your perspectives on executive compensation with us and trust that you will find this report informative.

Sincerely,



FRITS VAN DIJK
Chairman of the Nomination and Compensation Committee

COMPENSATION GOVERNANCE

NOMINATION AND COMPENSATION COMMITTEE

In accordance with the Articles of Associations and the organizational regulations of Sika AG, the Nomination and Compensation Committee is composed of three members of the Board of Directors that are elected individually by the Annual General Meeting for a period of one year. Since the Annual General Meeting of 2015, Mr. Frits van Dijk (Chairman), Mr. Urs Burkard, and Mr. Daniel Sauter have served as members of the Nomination and Compensation Committee.

It is the responsibility of the Nomination and Compensation Committee to:

- review and determine the compensation policy, including the principles for the variable compensation and shareholding programs according to the provisions specified in the Articles of Association;
- propose to the Board of Directors the maximum aggregate amounts of compensation of the Board of Directors and of Group Management to be submitted to the shareholder's vote at the Annual General Meeting;
- propose to the Board of Directors the compensation level for the members of the Board of Directors, the CEO, and the other members of Group Management within the maximum aggregate compensation amounts approved by the Annual General Meeting;
- 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;
- propose to the Board of Directors the Compensation Report;
- prepare the succession planning for the CEO and other members of Group Management and propose to the Board of Directors the appointment of new members of Group Management.

LEVELS OF AUTHORITY

	CEO	BoD Chairman	NCC	BoD	AGM
Compensation policy and principles			Proposes	Approves	
Maximum aggregate compensation amounts of BoD and GM			Proposes	Reviews	Approves (binding votes)
Compensation of BoD Chairman			Decides	Is informed	
Individual compensation of BoD members			Proposes	Approves	
Compensation of CEO		Proposes	Reviews	Approves	
Individual compensation of members of GM	Proposes		Reviews	Approves	
Compensation report			Proposes	Approves	Consultative vote

CEO = Chief Executive Officer, BoD = Board of Directors, NCC = Nomination and Compensation Committee, AGM = Annual General Meeting, GM = Group Management

In 2015, the Nomination and Compensation Committee held five meetings according to the following predetermined annual agenda and took one decision by circular:

	Feb	Apr	Jul	Oct	Dec
Compensation strategy					
Review of overall compensation policy			■		
Review of overall compensation policy					
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 stakeholder feedback on compensation disclosure		■			
Review of compensation disclosure principles			■		
Compensation of Board of Directors					
Determination of compensation for following compensation period		■			
Compensation of Group Management					
Preliminary performance evaluation (previous year)	■				
Final performance evaluation (previous year)		■			
Determination of short-term incentive payout for previous year		■			
Determination of long-term incentive vesting (previous performance period)	■				
Preliminary compensation review for following year				■	
Determination of compensation (at target) for following year					■
Determination of performance objectives for following year					■
Nomination items					
Review of Board constitution			■		
Review of potential candidates for positions on the BoD				■	
Succession planning for Group Management positions				■	

Two committee members attended all meetings and one committee member attended four meetings and apologized for failing to attend one meeting. This corresponds to an attendance rate of 93%.

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.

The Nomination and Compensation Committee may decide to consult an external advisor from time to time for specific compensation matters. In 2015, Agnès Blust Consulting was mandated to provide services related to executive compensation matters. This company does not have other mandates with Sika. In addition, support and expertise are provided by internal compensation experts such as the Head of Human Resources and the Head of Compensation & Benefits.

SHAREHOLDER INVOLVEMENT

With the implementation of the Ordinance, the role of shareholders in compensation matters has been strengthened substantially. On the one hand, the compensation amounts for the Board of Directors and Group Management are subject to a yearly binding vote at the Annual General Meeting. On the other hand, the Articles of Association must include the principles on compensation applicable to the Board of Directors and Group Management. The provisions of the Articles of Associations on compensation are summarized below (please refer to www.sika.com/en/group/investors/CorporateGovernance/ArticlesOfAssociation.html for the full version of the Articles of Association):

- PRINCIPLES OF COMPENSATION APPLICABLE TO THE BOARD OF DIRECTORS (Articles 11.1, 11.3, and 11.8): The Board of Directors receives fixed compensation in cash and/or in shares;

- PRINCIPLES OF COMPENSATION APPLICABLE TO GROUP MANAGEMENT (Articles 11.1, 11.4 to 11.6, and 11.8): Group Management receives fixed and variable compensation. The variable compensation consists of a performance bonus paid in cash and in shares (share purchase plan) and of a long-term incentive in form of equity compensation. For the CEO, the variable compensation (value of paid out performance bonus and grant value of the long-term incentive) does not exceed 300% of the fixed compensation. For the other members of Group Management in total, the variable compensation does not exceed 200% of the fixed compensation;
- BINDING VOTE BY THE ANNUAL GENERAL MEETING (Article 11.2): The Annual General Meeting annually approves the total fixed remuneration amount for the Board of Directors for the period until the next ordinary Annual General Meeting and the maximum total fixed and variable compensation amount for Group Management for the next fiscal year;
- ADDITIONAL AMOUNT FOR NEW MEMBERS OF GROUP MANAGEMENT (Article 11.7): The total additional compensation for each new member of Group Management may not exceed the average total compensation of Group Management in the previous fiscal year by more than 200%, or 400% for a new CEO. Proven disadvantages from a change of position may be compensated within this additional amount;
- CREDIT FACILITIES, LOANS, AND POST-EMPLOYMENT BENEFITS (Article 12): The company does not offer any loans, credit facilities, guarantees, or other securities to members of the Board of Directors and Group Management. Pension benefits are offered only in accordance with the occupational pension plans, which are specified in the respective regulations.

In addition, the Compensation Report is submitted to a consultative shareholders' vote, meaning that shareholders can express their opinion on the compensation policy and programs.

METHOD FOR DETERMINING 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 was 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 from the industry sector listed on the Swiss Stock Exchange (SIX) was selected for the benchmarking analysis. The peer group consisted of Clariant, Geberit, Georg Fischer, Holcim, Lonza, Schindler, Sonova, and Sulzer and was well-balanced in terms of market capitalization, revenue size, and headcount. This compensation review 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 made in 2013, 2014, and 2015.

Regarding the compensation of Group Management, a compensation review was conducted in 2014, with the support of an independent consultant, Towers Watson. The same peer group of companies was chosen as for the review of the compensation of the Board of Directors. Towers Watson gathered the relevant benchmarking data through a so-called club survey and summarized it in a report that served as the basis for the Nomination and Compensation Committee to analyze the compensation of the CEO and Group Management and to set their target compensation levels for the 2015 financial year.

PEER GROUP FOR BENCHMARKING PURPOSES

In CHF thousands	Market capitalization (12/31/2015)	Revenue (last reported annual figure)	Headcount (last reported figure)
Sika	9,195	5,489	17,281
1 st quartile	5,362	3,058	12,032
Median	8,482	3,833	14,606
3 rd quartile	14,205	6,899	27,059

PERFORMANCE MANAGEMENT

The actual compensation paid to the individual members of Group Management in a given 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 financial 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, while that of the CEO is conducted by the Chairman of the Board of Directors. The Nomination and Compensation Committee reviews the performance assessment of the CEO and 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 on the achievement of the individual objectives of each member of Group Management. The committee also considers the extent to which individuals have carried out their duties in line with company values and expected leadership behavior. The individual performance assessments, together with the company's performance, form the basis for the determination of incentive payout levels.

COMPENSATION PRINCIPLES

COMPENSATION OF THE BOARD OF DIRECTORS

In order to guarantee the independence of the members of the Board of Directors in exercising their supervisory duties, their compensation consists of fixed remuneration only. The compensation is delivered partially in cash and partially in restricted shares in order to strengthen the alignment to shareholders' interests.

COMPENSATION OF GROUP MANAGEMENT

Sika's compensation programs reflect a commitment to attract, develop, and retain qualified, talented, and engaged executives. They are designed to motivate executives to achieve the overall business objectives and to create sustainable shareholder value. The compensation programs are based on the following principles:

Pay for performance and sustainable success

The 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 long-term success are rewarded.

Alignment with shareholder interests

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

Market competitiveness

Compensation is regularly benchmarked and is in line with competitive market practice.

Transparency

Compensation programs are straightforward and transparent.

The compensation programs include key features that align the interests of executives with those of shareholders and are in line with good practice in corporate governance.

WHAT WE DO

- ⊕ Conduct an annual review of the compensation policy and programs
- ⊕ Maintain compensation plans with a strong link between pay and performance
- ⊕ Conduct a rigorous performance management process
- ⊕ Maintain compensation plans designed to align executive compensation with long-term shareholder interest
- ⊕ Offer employment contracts with a notice period a maximum of twelve months

WHAT WE DON'T DO

- ⊗ Provide discretionary compensation payments
- ⊗ Reward inappropriate or excessive risk taking or short-term profit maximization at the expense of the long-term health of the company
- ⊗ Pay dividend equivalents on performance-contingent deferred units that have not been earned yet based on the company's performance
- ⊗ Guarantee future base salary increases, nonperformance based incentive payments, or unrestricted equity compensation
- ⊗ Have prearranged individual severance agreements or special change-in-control compensation agreements

ARCHITECTURE OF COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

In order to ensure their independence in performing their supervisory duties, the members of the Board of Directors receive fixed compensation only, consisting of a retainer for services to the Board and an additional fee for assignments to committees of the Board. The retainer is paid partially in cash and partially in restricted shares, while the committee fees are paid in cash. The restricted shares are blocked from trading for a period of four years. The restriction on the shares may lapse in the case of change of control or liquidation. The shares remain blocked in all other instances.

The cash payment and the shares are transferred shortly after the Annual General Meeting for the previous year of office, being defined as the period between Annual General Meetings. 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 plans.

STRUCTURE OF BOARD COMPENSATION

in CHF	in cash	in shares
Retainer (gross p.a.)		
Chairman of the Board of Directors	individually determined	individually determined
Members of the Board of Directors	150,000	50,000*
Committee fees (gross p.a.)		
Committee Chairman	50,000	
Committee members	30,000	

* Converted into shares on the basis of the average closing share price in the five first trading days of April before the beginning of the year of office.
Shares are allocated to the members of the Board of Directors shortly after the end of the year of office.

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 retainer, paid partially in cash (monthly) and partially in shares (after the Annual General Meeting for the previous year of office), and a representation allowance paid in cash (monthly). The Chairman of the Board of Directors is not eligible for committee fees.

The Vice Chairman of the Board of Directors receives a retainer of CHF 150,000 and is eligible for additional compensation in the amount of CHF 5,000 per day if additional work is required, for example when deputizing in the absence of the Chairman of the Board of Directors.

ARCHITECTURE OF COMPENSATION OF 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 and perquisites

STRUCTURE OF COMPENSATION OF GROUP MANAGEMENT

	Vehicle	Purpose	Drivers	Performance measures
Annual base salary	Monthly cash salary	Attract and retain	Position, market practice, skills, and experience	
Performance bonus (STI)	Annual bonus in cash and restricted shares	Pay for performance	Annual performance	Group EBIT Group net sales Individual goals
Long-term Incentive (LTI)	PSU with a 3-year performance vesting and additional 4-year blocking period	Reward long-term performance Align to shareholders	Business performance over 3 years	Return on capital employed
Benefits	Pension and insurances Perquisites	Protect against risks Attract and retain	Market practice and position	

FIXED ANNUAL BASE SALARY

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

- Scope, size, and responsibilities of the role, 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 the company's means, 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 90% for the other members of Group Management. Group performance accounts for 60% of the total bonus, while the achievement of individual objectives accounts for 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 2015, they were the same as in the previous years:

- 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.

EBIT and net sales performance are measured based on an evaluation provided by an independent consulting firm, Obermatt. This benchmark compares and ranks Sika relative to the performance of a selected peer group of 24 companies – all industrial firms which were chosen because they have a comparable base of 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
Cemeline Co., Ltd.

Dow – Coating & Infrastructure
EMS Chemie Holding AG
Forbo – Flooring Systems
Fuller HB Company
Geberit
Grace – Construction
Henkel – Adhesive Technologies
Hilti Corporation

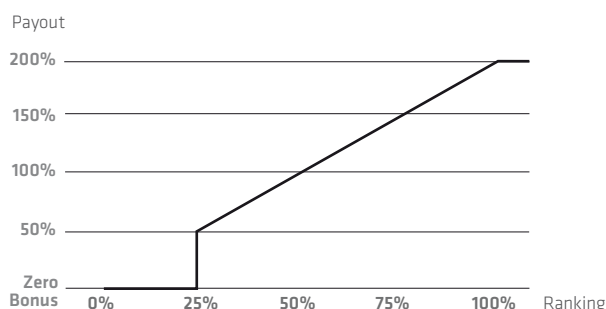
Huntsman – Performance Products
Owens Corning
Pidillite Industries Limited
RPM
Saint-Gobain – Construction Products
SK Kaken Co., Ltd.
Sto AG
Uzin Utz AG

There was no change to the peer group in 2015.

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

For both EBIT and net sales, 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 lower quartile of the peer group corresponds to a payout factor of 50%. 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 between those levels is interpolated linearly.

PAYOUT CURVE FOR THE OBERMATT BENCHMARK



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 mainly of a financial nature, are clearly measurable, and are set in three different categories:

- Bottom line contribution: profitability of the business under responsibility (EBIT target expressed as an improvement versus previous year);
- Return on invested capital: net working capital of the business under responsibility (NWC target expressed as an improvement versus previous year);
- People and project management: includes strategic objectives, such as for example entry into new markets, introduction of new products, improvement of processes and operational efficiency, and leadership objectives.

At the end of the financial 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 corresponds to a payout percentage for that target, which is always between 0% and 200%. The overall bonus payout under the Short-Term Incentive is capped and cannot exceed 150% of the bonus target. The bonus is paid out in April of the following year.

OVERVIEW OF PERFORMANCE OBJECTIVES AND RESPECTIVE WEIGHTING

			CEO, Corporate Functions	Regional Heads
Performance Bonus	← Relative Group performance	← EBIT improvement (2/3) relative to Peer Group Net Sales growth (1/3) relative to Peer Group	40%	40%
	← Individual performance	← Bottom line/profitability Net working capital People & projects	20% (EBIT Group) 10% (NWC Group) 10%	20% (EBIT region) 10% (NWC region) 10%

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 change in share value 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 allocated at their fair market value, shortly after the Annual General Meeting in the month of April of the following year. Fair market value is defined as the average closing share price during the five first trading days of the month of April of the payout year. The calculation of the share grant is made as follows:

CALCULATION OF THE NUMBER OF SHARES GRANTED

Deferred percentage of bonus (20% or 40%)	×	Bonus amount	×	1.2 (matching share one for five)	:	Average closing share price of five first trading days in April	=	Number of shares purchased
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In case of change of control or liquidation or of termination of employment due to retirement, death, or disability, the blocking period of the shares is accelerated. 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 company's long-term performance and to strengthen the alignment to shareholder interests. Members of Group Management are eligible for a long-term equity incentive. The Long-Term Incentive target amounts to 111% 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) are granted to each member of Group Management. The PSU vest after a period of three years, conditionally upon fulfilling 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 at the end of the vesting period as the average ROCE of the first year, the second year, and the third year of the vesting period. Acquisitions are excluded from the ROCE calculation in the year of acquisition and for two additional calendar years.

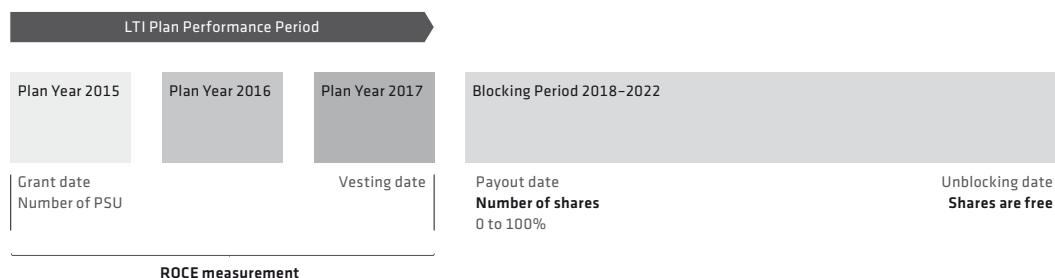
The final share allocation is determined after the three-year performance period, based on the following vesting rules:

- 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 are forfeited
- 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 in the long-term incentive, meaning the maximum payout is 100%.

For the grant made in 2015 (performance period 2015–2017), the ROCE target was set at 24%, excluding acquisitions, and the threshold was set at 20%. The shares are allocated at their market value (closing price at grant date on SIX Swiss Exchange), shortly after the Annual General 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 some countries where the allocation of shares may be illegal or impractical, the award may be settled in cash after the performance period.

LONG-TERM INCENTIVE PLAN PERIOD



In case of termination of employment due to retirement, death, disability, or in case of liquidation or change of control, the blocking period of the shares is accelerated. The unvested PSU are subject to early vesting, prorated 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 unvested PSU are forfeited.

BENEFITS: PENSIONS

As Group Management is international in its nature, the members participate in the benefits plans available in the country of their employment 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 133,950 per annum are insured, as well as a supplementary plan in which base salaries in excess of this limit are insured up to the maximum amount permitted by law. 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 are, 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. 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 insured under a Swiss pension plan.

BENEFITS: PERQUISITES

Members of Group Management are also provided with certain executive perquisites such as a company car allowance and other benefits in kind in accordance with competitive market practice in their country of contract. The monetary value of these other compensation elements is evaluated at fair value and is disclosed in the compensation tables.

EMPLOYMENT CONTRACTS

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 or any change-in-control provisions other than the early vesting and early unblocking of share awards mentioned above. Their contract may foresee non-competition provisions that are limited in time to a maximum of two years and which allow compensation up to a maximum of six months.

COMPENSATION AWARDED TO THE BOARD OF DIRECTORS IN 2015

This section is audited according to Article 17 of the Ordinance against Excessive Remuneration in Stock Listed Corporations.

In 2015, members of the Board of Directors received total compensation of CHF 1 million (2014: CHF 2.8 million) in the form of a retainer of CHF 0.6 million (2014: CHF 1.6 million), committee fees and other expenses of CHF 0.1 million (2014: CHF 0.3 million), social security contributions of CHF 0.1 million (2014: CHF 0.2 million), and shares of CHF 0.2 million (2014: CHF 0.7 million). The amounts for the retainer in cash, the committee fees, and the allocation of restricted shares have remained unchanged since 2012. The decrease in compensation compared to the previous year is due to the fact that the compensation of the Board of Directors for the period from the 2015 Annual General Meeting to the 2016 Annual General Meeting has not been approved by the shareholders and therefore could not be paid out. The compensation paid out in 2015 relates to the months of January to April 2015 (previous compensation period) and had been approved by the shareholders in a binding vote at the Annual General Meeting in 2014.

COMPENSATION EFFECTIVELY PAID¹

in CHF	Retainer (cash)	Commit- tee Fees (cash) ²	Value of Shares ³	Social security	Total 2015	Retainer (cash)	Commit- tee Fees (cash) ²	Value of Shares ³	Social security	Total 2014
Paul Hält, Chairman	160,000	10,000	100,166	42,843	313,009	480,000	30,000	299,872	57,543	867,415
Jürgen Tinggren, Vice Chairman ⁴	50,000	0	17,270	5,161	72,431	100,000	0	34,540	10,214	144,754
Urs F. Burkard, NCC Member	50,000	10,000	17,270	5,888	83,158	150,000	30,000	53,026	17,690	250,716
Willi K. Leimer, AC Member	50,000	10,000	17,270	5,888	83,158	150,000	30,000	53,026	17,690	250,716
Monika Ribar, AC Chairwoman	50,000	16,667	17,270	6,373	90,309	150,000	50,000	53,026	19,153	272,179
Christoph Tobler, AC Member	50,000	10,000	17,270	5,888	83,158	150,000	30,000	53,026	17,690	250,716
Daniel J. Sauter, NCC Member	50,000	10,000	17,270	5,888	83,158	150,000	30,000	53,026	17,690	250,716
Ulrich W. Suter	50,000	0	17,270	4,164	71,434	150,000	3,333	53,026	12,998	219,357
Frits van Dijk NCC Chairman	50,000	16,667	17,270	5,298	89,235	150,000	50,000	53,026	16,121	269,147
TOTAL	560,000	83,333	238,326	87,391	969,050	1,630,000	253,333	705,594	186,790	2,775,718

1) For 2015, includes the compensation effectively paid for the period January to April 2015. For 2014, includes the compensation effectively paid for 2014.

2) Committee fees include the representation allowance for the Chairman of the Board of Directors, who is not eligible for committee fees.

3) Fair market value is defined as the average closing price of the first five trading days in April before the beginning of the year of office.

4) Member until AGM of April 15, 2014.

Subject to shareholder approval at the AGM in 2016, the compensation for the period from the 2015 Annual General Meeting to the 2016 Annual General Meeting will be paid out in April 2016. The table below discloses the remuneration that will be paid out to the Board of Directors for the year 2015 under the assumption of a positive shareholders' vote on compensation.

In 2015, members of the Board of Directors should receive total compensation of CHF 2.8 million (2014: CHF 2.8 million) in the form of a retainer of CHF 1.7 million (2014: CHF 1.6 million), committee fees and other expenses of CHF 0.2 million (2014: CHF 0.3 million), social security contributions of CHF 0.2 million (2014: CHF 0.2 million), and shares of CHF 0.7 million (2014: CHF 0.7 million). The amounts for the retainer in cash, the committee fees, and the allocation of restricted shares have remained unchanged since 2012.

TOTAL COMPENSATION (PROPOSED)¹

in CHF	Retainer (cash)	Commit- tee Fees (cash) ²	Value of Shares ³	Social security	Total 2015	Retainer (cash)	Commit- tee Fees (cash) ²	Value of Shares ³	Social security	Total 2014
Paul Hält, Chairman	480,000	30,000	300,562	57,641	868,203	480,000	30,000	299,872	57,543	867,415
Jürgen Tinggren, Vice Chairman ⁴	150,000	0	52,634	15,547	218,181	100,000	0	34,540	10,214	144,754
Urs F. Burkard, NCC Member	150,000	30,000	52,634	17,727	250,361	150,000	30,000	53,026	17,690	250,716
Willi K. Leimer, AC Member	150,000	30,000	52,634	17,727	250,361	150,000	30,000	53,026	17,690	250,716
Monika Ribar, AC Chairwoman	150,000	50,000	52,634	19,180	271,814	150,000	50,000	53,026	19,153	272,179
Christoph Tobler, AC Member	150,000	30,000	52,634	17,727	250,361	150,000	30,000	53,026	17,690	250,716
Daniel J. Sauter, NCC Member	150,000	30,000	52,634	17,727	250,361	150,000	30,000	53,026	17,690	250,716
Ulrich W. Suter	150,000	0	52,634	12,544	215,178	150,000	3,333	53,026	12,998	219,357
Frits van Dijk NCC Chairman	150,000	50,000	52,634	15,946	268,580	150,000	50,000	53,026	16,121	269,147
TOTAL	1,680,000	250,000	721,634	191,765	2,843,399	1,630,000	253,333	705,594	186,790	2,775,718

1) For 2015, includes the compensation effectively paid for the period January to April 2015 and the compensation proposed for the period May to December 2015 that is still to be paid out upon AGM approval.

2) Committee fees include the representation allowance for the Chairman of the Board of Directors, who is not eligible for committee fees.

3) Fair market value is defined as the average closing price of the first five trading days in April before the beginning of the year of office.

4) Member until AGM of April 15, 2014.

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

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

COMPENSATION AWARDED TO THE CEO AND TO GROUP MANAGEMENT IN 2015

This section is audited according to Article 17 of the Ordinance against Excessive Remuneration in Stock Listed Corporations.

In 2015, the members of Group Management received a total compensation of CHF 16.2 million (2014: CHF 17.1 million). This amount comprises fixed salaries of CHF 4.8 million (2014: CHF 4.8 million), a short-term bonus of CHF 4.6 million (2014: CHF 5.4 million), long-term incentives of CHF 3.7 million (2014: CHF 3.7 million), other expenses of CHF 1 million (2014: 1.1 million), and contributions to social security and postemployment benefits of CHF 2.1 million (2014: CHF 2.1 million).

The total amount of compensation of CHF 16.2 million awarded to Group Management in 2015 is within the maximum aggregate amount of compensation of CHF 18 million approved by the shareholders at the 2014 Annual General Meeting for the 2015 financial year.

In CHF thousands	CEO 2015	CEO 2014	Total 2015	Total 2014
Fixed base salary ¹	908	808	4,771	4,797
Performance bonus (STI) cash ²	877	960	3,438	4,148
Performance bonus (STI) shares ²	263	288	1,143	1,301
Long-term incentive ³	1,001	960	3,666	3,669
Other payments ⁴	46	46	1,026	1,113
Pension benefits ⁵	414	393	2,109	2,087
TOTAL	3,510	3,455	16,153	17,115

1) Includes annual base salary, children/family allowances, and anniversary payments. All compensation amounts are gross payments.

2) Estimated performance bonus (STI) for the reporting year that will be paid in April 2015, split between immediate cash and deferred shares (including matching shares).

3) Grant value of the grant in the reporting year. For new members in 2014, includes additional pro rata grants in the unvested plans (LTI 2013–2015, LTI 2014–2016).

4) Includes all other benefits in kind and perquisites at fair value, including 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, including the service cost to the pre-retirement plan.

2014 figures have been restated to include the service cost of the pre-retirement plan.

Explanatory comments to the compensation table:

- From 2014 to 2015, the target compensation of the CEO (fixed base salary, target bonus, and grant value of long-term incentive) has been increased in recognition of his very strong performance and in order to maintain his compensation at the market level. The target compensation of four other members of Group Management has been aligned to the market level, while the compensation of the other four members of Group Management was already well in line with competitive market practice and thus has not been changed from 2014 to 2015.
- The decrease in the base salary figure from 2014 to 2015 is explained by the fact that the compensation of the former CFO during the notice period was included in 2014 (two months).
- The grant value of the Long-Term Incentive remains nearly unchanged. The 2014 figure includes the value of the grant made to the former CFO in 2014 (however, this grant was forfeited due to the termination of employment). The 2015 figure includes the grant made to the new CFO in 2015 including the pro rata participation in the unvested plans (LTI 2013–2015 and LTI 2014–2016).
- The performance achievement under the performance bonus is lower in 2015 than in 2014. Further details are provided below.

PERFORMANCE IN 2015 (NOT AUDITED)

The 2015 financial year has been a strong year for Sika, with revenue growth of -1.5% (in local currencies 6.2%) and 6.3% profitability increase (earnings before interest and tax). In the performance bonus, Sika has outperformed the peer companies both in terms of net sales growth (ranked 12th, payout of 112.4%) and in terms of EBIT improvement year on year (ranked 10th, payout of 122.2%). The Group performance achievement is estimated at 118.9% (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 2016. This compares to an extraordinary year in 2014, where Sika outperformed its peers by far (ranked second in terms of net sales growth and seventh as regards EBIT improvement), with a payout of 168%.

Individual performance, which is mainly measured by EBIT and net working capital improvement versus the previous year, at Group and regional level, ranges from 75% to 194% for members of Group Management and amounts to 126% for the CEO. Consequently, the overall bonus payout percentage ranges from 101% to 149% for Group Management and amounts to 122% for the CEO. This compares to a payout range of 145% to 176% (capped at 150%) for Group Management and a payout of 169% (capped at 150%) for the CEO in 2014.

In the Long-Term Incentive that has been granted on January 1, 2015 (LTI 2015–2017), 290 performance share units have been granted to the CEO and 713 to the other current members of Group Management (as of December 31, 2015). Those PSU have an overall grant value of CHF 3.5 million and will vest on December 31, 2017, based on the average ROCE performance during 2015 to 2017 and upon the continuous employment of the participant.

In the Long-Term Incentive that vested in 2015 (LTI 2013–2015), the ROCE performance condition of 20% in the last year of the vesting period (old plan rule) was overachieved: in 2015, ROCE, excluding acquisitions, amounted to 27.1%, leading to a payout of 100% (cap). Therefore, the 1,454 units granted on January 1, 2013, to the current members of Group have vested with a vesting value of CHF 5.3 million. For the CEO, the 460 PSU granted on January 1, 2013, vested with a value of CHF 1.7 million. The value at vesting is higher than the value at grant due to the positive development in the share price during the vesting period (2013 to 2015).

OVERVIEW OF THE UNVESTED PSU GRANTS (INCLUDES MEMBERS OF GROUP MANAGEMENT AS OF DECEMBER 31, 2015)

Plan		Grant date (PSU)*	Performance Period	Vesting date (PSU)	Unblocking date of shares	Number of PSU granted	Total value at grant (CHF)	Vesting level in % of grant	Number of shares (vesting)	Total value at vesting (CHF)
LTI 2013	Group Mgt. (incl. CEO)	01/01/2013	2013–2015	12/31/2015	April 2020	1,454	3,107,964	100%	1,454	5,263,480
	CEO	01/01/2013	2013–2015	12/31/2015	April 2020	460	960,000	100%	460	1,665,200
LTI 2014	Group Mgt. (incl. CEO)	01/01/2014	2014–2016	12/31/2016	April 2021	1,101	3,240,371	To be determined	To be determined	To be determined
LTI 2015	Group Mgt. (incl. CEO)	01/01/2015	2015–2017	12/31/2017	April 2022	1,003	3,462,231	To be determined	To be determined	To be determined

* For new members of Group Management, grant date may be different (January 1 of the year following their nomination, pro rata participation in the grants that are still in the vesting period).

In the year under review, no compensation was paid to former members of Group Management. No compensation was paid to parties closely related to members of Group Management.

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

SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT IN 2015

At the end of 2015, members of the Board of Directors held a total of 3,392 bearer shares of Sika AG (2014: 3,903). At the end of 2015, members of the Group Management held a total of 6,205 bearer shares of Sika AG (2014: 6,305). This figure includes both privately acquired shares and those allocated under the Group's compensation schemes.

At the end of 2015, members of the Board of Directors and of Group Management did not hold any options.

Information regarding participations of the Board of Directors and Group Management in Sika AG can be found in the Sika AG Financial Statements (on page 143 of the download version of this report).

EQUITY OVERHANG AND DILUTION AS OF DECEMBER 31, 2015

In total as of December 31, 2015, the equity overhang, defined as the total number of share units and restricted shares outstanding divided by the total number of outstanding shares (2,151,199 bearer shares and 2,333,874 registered shares) amounted to 15,892 units, representing 0.004%.

The company's "burn rate", defined as the number of equities (restricted share and share units) granted in 2015 (5,262 units) divided by the total number of common shares outstanding is 0.001%.

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

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

We have audited pages 74 to 76 of the Compensation Report of Sika AG for the year ended December 31, 2015.

RESPONSIBILITY OF THE BOARD OF DIRECTORS. The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

AUDITOR'S RESPONSIBILITY. Our responsibility is to express an opinion on the Compensation Report. We conducted our audit in accordance with Swiss auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and Articles 14 to 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans, and credit facilities in accordance with Articles 14 to 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION. In our opinion, the Compensation Report for the year ended December 31, 2015, of Sika AG complies with Swiss law and Articles 14 to 16 of the Ordinance.

Zurich, February 24, 2016

ERNST & YOUNG LTD



CHRISTOPH MICHEL
Licensed audit expert
(Auditor in charge)



DANIELLE MATTER
Licensed audit expert

FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2014	12/31/2015
Cash and cash equivalents	1	898.8	1,074.4
Accounts receivable	2	1,006.0	1,014.5
Inventories	3	591.3	584.9
Prepaid expenses and accrued income		92.3	87.0
Other current assets	4	7.7	17.3
Current assets		2,596.1	2,778.1
Property, plant and equipment	5	958.3	924.3
Intangible assets	6	1,074.6	1,037.9
Investments in associated companies	7	14.3	6.4
Deferred tax assets	8	130.6	126.1
Other non-current assets	4	44.0	51.0
Non-current assets		2,221.8	2,145.7
ASSETS		4,817.9	4,923.8
Accounts payable	9	605.4	581.1
Accrued expenses and deferred income	10	214.3	217.3
Bond	12	0.0	249.9
Income tax liabilities		77.4	67.7
Current provisions	13	19.2	18.8
Other current liabilities	11	34.8	28.3
Current liabilities		951.1	1,163.1
Bonds	12	947.6	698.4
Non-current provisions	13	69.5	61.9
Deferred tax liabilities	8	118.5	109.8
Employee benefit obligation	14	303.8	298.9
Other non-current liabilities	11	44.1	39.6
Non-current liabilities		1,483.5	1,208.6
LIABILITIES		2,434.6	2,371.7
Capital stock		1.5	1.5
Treasury shares		-10.8	-0.9
Reserves		2,376.4	2,530.2
Equity attributable to Sika shareholders		2,367.1	2,530.8
Non-controlling interests		16.2	21.3
SHAREHOLDERS' EQUITY	15	2,383.3	2,552.1
LIABILITIES AND SHAREHOLDERS' EQUITY		4,817.9	4,923.8

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	%	2014	%	2015	Change in %
Net sales	16	100.0	5,571.3	100.0	5,489.2	-1.5
Material expenses	17	-47.0	-2,620.0	-45.9	-2,518.4	
Gross result		53.0	2,951.3	54.1	2,970.8	0.7
Personnel expenses	18	-19.7	-1,093.7	-20.1	-1,106.5	
Other operating expenses	18	-19.0	-1,059.3	-18.7	-1,027.0	
Operating profit before depreciation	18	14.3	798.3	15.3	837.3	4.9
Depreciation and amortization expenses	19	-2.9	-165.1	-3.0	-164.0	
Operating profit		11.4	633.2	12.3	673.3	6.3
Interest income	21	0.0	2.7	0.1	3.5	
Interest expenses	20	-0.5	-30.5	-0.5	-25.5	
Other financial income	21	0.1	5.6	0.1	8.5	
Other financial expenses	20	-0.4	-21.6	-0.8	-41.3	
Income from associated companies	21	0.0	1.2	0.1	3.4	
Profit before taxes		10.6	590.6	11.3	621.9	5.3
Income taxes	8	-2.7	-149.4	-2.8	-156.8	
Net profit		7.9	441.2	8.5	465.1	5.4
Profit attributable to Sika shareholders		7.9	439.0	8.4	460.3	
Profit attributable to non-controlling interests	22	0.0	2.2	0.1	4.8	
Undiluted/diluted earnings per bearer share (in CHF)	23		173.19		181.37	4.7
Undiluted/diluted earnings per registered share (in CHF)	23		28.87		30.23	4.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	Notes	%	2014	%	2015	Change in %
Net profit		7.9	441.2	8.5	465.1	5.4
Actuarial gains/(losses) on employee benefit obligation	14	-1.5	-85.9	0.0	3.0	
Income tax effect	8	0.3	17.9	0.0	-0.3	
Items that will not be reclassified to profit or loss		-1.2	-68.0	0.0	2.7	
Exchange differences taken to equity		0.2	11.3	-2.3	-127.8	
Items that may be reclassified subsequently to profit or loss		0.2	11.3	-2.3	-127.8	
Other comprehensive income		-1.0	-56.7	-2.3	-125.1	
Comprehensive income		6.9	384.5	6.2	340.0	-11.6
Attributable to Sika shareholders		6.8	381.0	6.1	335.1	
Attributable to non-controlling interests		0.1	3.5	0.1	4.9	

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- controlling interests	Total equity
in CHF mn								
January 1, 2014	1.5	203.1	-13.7	-425.4	2,354.6	2,120.1	16.1	2,136.2
Profit of the year					439.0	439.0	2.2	441.2
Other comprehensive income				10.0	-68.0	-58.0	1.3	-56.7
Comprehensive income	0.0	0.0	0.0	10.0	371.0	381.0	3.5	384.5
Transactions with treasury shares ¹			2.9		-5.2	-2.3		-2.3
Share based payments					12.1	12.1		12.1
Dividends ²					-144.6	-144.6	-0.9	-145.5
Purchase of non-controlling interests					-1.8	-1.8	-2.5	-4.3
Revaluation ⁵					1.9	1.9		1.9
Inflation adjustment ⁴					0.7	0.7		0.7
December 31, 2014	1.5	203.1	-10.8	-415.4	2,588.7	2,367.1	16.2	2,383.3
January 1, 2015	1.5	203.1	-10.8	-415.4	2,588.7	2,367.1	16.2	2,383.3
Profit of the year					460.3	460.3	4.8	465.1
Other comprehensive income				-127.9	2.7	-125.2	0.1	-125.1
Comprehensive income	0.0	0.0	0.0	-127.9	463.0	335.1	4.9	340.0
Transactions with treasury shares ¹			9.9		-9.9	0.0		0.0
Share based payments					9.0	9.0		9.0
Dividends ³					-182.8	-182.8		-182.8
Revaluation ⁵					1.5	1.5	0.2	1.7
Inflation adjustment ⁴					0.9	0.9		0.9
December 31, 2015	1.5	203.1	-0.9	-543.3	2,870.4	2,530.8	21.3	2,552.1

1 Including income tax of CHF 0.3 million (CHF 0.1 million) in retained earnings.

2 Dividend per bearer share: CHF 57.00, dividend per registered share: CHF 9.50.

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

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

5 Revaluation call-/put-option Hebei Jiuqiang.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	2014	2015
Operating activities			
Profit before taxes		590.6	621.9
Depreciation/amortization		165.1	164.0
Increase (+)/decrease (-) in provisions/ employee benefit obligation and assets		-0.2	-1.7
Increase (-)/decrease (+) in net working capital		-39.2	-28.4
Other adjustments	26	3.3	2.6
Income taxes paid		-165.2	-172.6
Cash flow from operating activities		554.4	585.8
Investing activities			
Property, plant and equipment: capital expenditures		-145.5	-135.6
Property, plant and equipment: disposals		15.8	8.2
Intangible assets: capital expenditures		-7.2	-7.0
Intangible assets: disposals		0.0	0.1
Acquisitions less cash and cash equivalents		-68.8	-69.5
Acquisitions (-)/disposals (+) of financial assets		1.1	-2.5
Cash flow from investing activities		-204.6	-206.3
Financing activities			
Increase in financial liabilities		3.3	5.7
Repayment of financial liabilities		-29.9	-12.6
Repayment of a bond		-300.0	0.0
Purchase of treasury shares		-24.2	-19.0
Sale of treasury shares		22.3	21.9
Dividend payment to shareholders of Sika AG		-144.6	-182.8
Dividends related to non-controlling interests		-0.9	0.0
Purchase of non-controlling interests		-6.0	0.0
Cash flow from financing activities		-480.0	-186.8
Exchange differences on cash and cash equivalents		0.7	-17.1
Net change in cash and cash equivalents		-129.5	175.6
Cash and cash equivalents at the beginning of the year		1,028.3	898.8
Cash and cash equivalents at the end of the year		898.8	1,074.4
Cash flow from operating activities contains:			
Dividends from associated companies		0.6	1.6
Interest received		2.5	3.5
Interest paid		-29.6	-19.2

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, 2015, 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 89 of the download version of this report.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting standards applied conform to those standards that were valid in the prior year. Exceptions are the following revised and new standards, which Sika applies since January 1, 2015. The application of these standards does not have any material impact on the Consolidated Financial Statements of the Group.

- Amendments to IAS 19 – Employee benefits entitled defined benefit plans: employee contributions
- Annual improvements (2010 – 2012 Cycle) – Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology
- Annual improvements (2011 – 2013 Cycle) – Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology

A number of new standards and amendments to standards and interpretations are effective for the financial year 2016 and later, and have not been applied in preparing these Consolidated Financial Statements. If they had been applied in 2015 they would have had no significant effect on the Consolidated Financial Statements of the Group, except for IFRS 16:

- Amendments to IAS 1 – Disclosure initiative (applicable as of January 1, 2016)
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation (applicable as of January 1, 2016)
- Amendments to IAS 27 – Equity method in separate financial statements (applicable as of January 1, 2016)
- Amendments to IFRS 7, IFRS 9 and IAS 39 – Hedge accounting (applicable as of January 1, 2018)
- IFRS 9 – Financial instruments (applicable as of January 1, 2018)
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture (applicable as of January 1, 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: applying the consolidation exception (applicable as of January 1, 2016)
- Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations (applicable as of January 1, 2016)
- Annual improvements (2012–2014 Cycle) (applicable as of January 1, 2016) – Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology
- IFRS 15 – Revenue from contracts with customers (applicable as of January 1, 2018):
Entities need to apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Based on an initial analysis no material effect on the Consolidated Financial Statements of the Group is expected. Sika's customer contracts include primarily the delivery of goods with no separate performance obligations.
- IFRS 16 – Leases (applicable as of January 1, 2019):
The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Based on an initial analysis the change will result in a balance sheet extension as Sika finances some assets by means of operating lease (see note 5).

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

OTHER RECLASSIFICATIONS WITHIN BALANCE SHEET

Until 2014, Sika erroneously disclosed deferred revenue related to separately priced extended warranties in the line item non-current provisions instead of other non-current liabilities. The prior year disclosure of the affected financial statement line items have been restated as follows: Non-current provisions were reduced by CHF 24.9 million as of January 1, 2014, and CHF 27.4 million as of December 31, 2014, whereas other non-current liabilities increased respectively. The restatement did not have a further impact on the Consolidated Financial Statements, therefore no third column on the balance sheet as of January 1, 2014, and no other information is presented.

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, 2015, 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 including goodwill; in the income statement the Group's share in the net income for the year is disclosed 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. A contingent consideration that is classified as equity is not remeasured, 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 or groups 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, 2015, was CHF 661.7 million (CHF 663.8 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 indefinite useful lives 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 OBLIGATION

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 live expectancy of benefit plan participants.

PROVISIONS

The calculation of provisions requires assumptions about the probability, size, and timely occurrence of a cash outflow. 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	2014 Balance sheet ¹ CHF	2014 Income statement ² CHF	2015 Balance sheet ¹ CHF	2015 Income statement ² CHF
Egypt	EGP	100	13.84	12.87	12.72	12.47
Australia	AUD	1	0.81	0.83	0.73	0.72
Brazil	BRL	100	37.33	39.03	25.13	29.01
Chile	CLP	10,000	16.31	16.04	14.02	14.72
China	CNY	100	15.96	14.86	15.35	15.30
Euro zone	EUR	1	1.20	1.21	1.08	1.07
Great Britain	GBP	1	1.54	1.51	1.48	1.47
India	INR	100	1.57	1.50	1.50	1.50
Japan	JPY	100	0.83	0.87	0.83	0.79
Canada	CAD	1	0.86	0.83	0.72	0.75
Colombia	COP	10,000	4.16	4.60	3.14	3.52
Mexico	MXN	100	6.73	6.89	5.73	6.07
Poland	PLN	100	28.14	29.06	25.41	25.50
Russia	RUB	1,000	16.60	24.20	13.40	15.80
Sweden	SEK	100	12.80	13.37	11.79	11.40
Turkey	TRY	100	42.46	41.80	34.11	35.33
USA	USD	1	0.99	0.91	1.00	0.96

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 business purposes. 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; finished and semi-finished products are stated at production cost, however at the highest at their net 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 lives. 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	3 – 4 years

INTANGIBLE ASSETS

Internally generated 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 measured. 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 SAP platform with standard processes that a 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 recoverability 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 deferred tax assets or deferred tax liabilities, respectively. 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 exception.

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 OBLIGATION

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 item 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 interests 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 126ff of the download version 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 Kuwait, Kuwait City, Kuwait
- Sika Myanmar Limited, East Dagon Township, Myanmar
- Sika Tanzania Construction Chemicals Limited, Dar es Salaam, Tanzania
- Sika Abyssinia Chemicals Manufacturing PLC., Addis Ababa, Ethiopia

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

- Casco Schönox Finland Oy, Vantaa, Finland, was merged with Oy Sika Finland Ab, Espoo, Finland.
- Casco Schönox Sweden AB, Stockholm, Sweden, was merged with Sika Sverige AB, Spanga, Sweden.
- Cégécol snc, Antony Cedex, France, was merged with Sika France SAS, Paris, France.
- Schönox s.r.o., Brno, Czech Republic, was merged with Sika CZ, s.r.o, Brno, Czech Republic.
- Texsa India Ltd., Haryana, India, was merged with Sika India Private Ltd., Mumbai, India.
- Inmobiliara Teximper SA de CV, Querétaro, Mexico, and Operadora Nacional de Recursos Humanos Especializados SA de CV, Altamira, Mexico, were merged with Sika Mexicana SA de CV, Querétaro, Mexico.
- Sika Química Ltda., São Paulo, Brazil, was merged with Sika SA, São Paulo, Brazil.
- AKIS Netherlands B.V., Utrecht, Netherlands was liquidated.

ACQUISITIONS 2014

In 2014, Sika acquired various companies or parts of companies. The purchase prices and their allocation (PPA) did not change and are now final.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn

Acquisitions 2014¹

Cash and cash equivalents	3.7
Accounts receivable	15.2
Inventories	9.5
Other current assets	1.8
Property, plant and equipment	18.9
Intangible assets	11.9
Total assets	61.0
Current bank loans	3.5
Accounts payable	5.8
Other current liabilities	1.1
Provisions	1.1
Employee benefit obligation	2.1
Deferred tax liabilities	4.3
Other non-current liabilities	0.1
Total liabilities	18.0
Acquired net assets	43.0
Goodwill	32.1
Total purchase price	75.1
Cash in acquired assets	-3.7
Payments still due (per December 31, 2014)	-2.6
Net cash outflow	68.8

1 LCS Optiroc, Lwart Quimica, business in Gunsan, Klebag; individually not material.

Since the purchase, the acquisitions have contributed sales of CHF 57.4 million and net profit of CHF 1.2 million. If the acquisitions had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 20.0 million. Consolidated net profit would have been CHF 1.0 million higher.

ACQUISITIONS 2015

In 2015, Sika acquired various companies or parts of companies.

Company	Type of Transaction	Stake in %	Closing Date
Duro-Moza, Mozambique	Asset deal		02/02/2015
BMI Products of Northern California Inc., USA	Share deal	100.0	03/02/2015
Axson Technologies (USA/Mexico/France/Slovakia/China/Japan/Germany/Italy/Spain/UK/India/UAE/Switzerland)	Share deal	100.0	03/31/2015
Construction Technologies Australia Pty Ltd (CTA), Australia	Share deal	100.0	03/31/2015
Addiment Italia S.r.l., Italy	Share deal	100.0	06/30/2015

AXSON TECHNOLOGIES

In March Sika acquired Axson Technologies, a leader in the field of epoxy and polyurethane polymer formulations for design, prototyping and tooling, structural adhesives, composite materials and encapsulation products for the automotive, aeronautical, nautical, renewable energy, sports and leisure and construction markets. This acquisition will significantly broaden Sika's product range in the global tooling and composites business.

Since the purchase, Axson Technologies has contributed sales of CHF 73.9 million and net profit of CHF 0.8 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 21.9 million. Consolidated net profit would have been CHF 0.1 million lower. Accounts receivables of Axson Technologies have a gross value of CHF 18.6 million and were adjusted since CHF 1.2 million were classified as non-recoverable.

OTHER ACQUISITIONS

In January Sika has agreed to acquire the assets of Duro-Moza, a Mozambique based company active in production and sales of mortar products and tile adhesives. The transaction will accelerate Sika Mozambique's development and market penetration.

In March, Sika acquired mortar producer BMI Products of Northern California Inc., a US-based company active in production and sales of a full range mortar products and systems for the construction industry. The acquisition will accelerate Sika's global expansion in the fast growing mortar business with an extended new supply chain in the Western US.

In March Sika has further agreed to acquire Construction Technologies Australia Pty Ltd (CTA), one of the leading suppliers of tile adhesives and associated mortar products in Australia. By acquiring CTA, Sika will extend its mortar manufacturing footprint and and complete its product portfolio of surface preparation, adhesive and waterproofing products for tiling applications.

Sika further acquired the remaining shares (50%) of the Italian based Addiment Italia from its joint venture partner Buzzi Unicem and consolidated for the first time as of June 30, 2015. The revaluation of the previous investment to fair value of CHF 8.6 million resulted in a gain of CHF 2.6 million, which has been recognized in the income statement in "Income from associated companies". Addiment is active in the production and sales of concrete admixtures and cement grinding aids. The transaction will strengthen Sika's production set up in Italy and increase its market presence.

The other acquisitions have contributed sales of CHF 30.0 million and net loss of CHF 1.4 million. If the acquisitions had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 13.4 million. Consolidated net profit would have been CHF 0.4 million higher. For all other acquisitions accounts receivable have a gross value of CHF 10.0 million and were adjusted since CHF 0.7 million were classified as non-recoverable.

ACQUIRED NET ASSETS AT FAIR VALUE

in CHF mn	Axson Technologies	Other acquisitions ¹
Cash and cash equivalents	9.9	6.2
Accounts receivable	17.4	9.3
Inventories	13.2	3.5
Other current assets	4.4	0.2
Property, plant and equipment	10.1	6.5
Intangible assets	17.3	6.2
Deferred tax asset	0.0	0.1
Other non-current assets	0.7	0.0
Total assets	73.0	32.0
Short-term loans and bank overdrafts	2.0	0.8
Accounts payable	10.2	9.1
Other current liabilities	7.8	1.7
Long-term loans and financial liabilities	0.0	0.5
Provisions	2.4	0.4
Employee benefit liabilities	1.9	0.5
Deferred tax liabilities	4.2	1.1
Total liabilities	28.5	14.1
Acquired net assets	44.5	17.9
Goodwill	19.6	20.6
Fair value of initial investment	0.0	-8.6
Total purchase consideration	64.1	29.9
Cash in acquired assets	-9.9	-6.2
Payments still due (per December 31, 2015)	0.0	-8.4
Net cash outflow	54.2	15.3

1. Duro-Moza, BMI, CTA and Addiment Italia, individually not material.

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. Product synergies and combined distribution channels and product portfolios justify the goodwill posted. Goodwill in the amount of CHF 1.4 million is tax deductible.

The directly attributable transaction costs of all acquisitions amounted to CHF 2.8 million and were charged to other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CASH AND CASH EQUIVALENTS CHF 1,074.4 MN (CHF 898.8 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.

2. ACCOUNTS RECEIVABLE CHF 1,014.5 MN (CHF 1,006.0 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.

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

in CHF mn	2014	2015
January 1	68.9	74.3
Additions to or increase in allowances	31.9	19.9
Reversal or utilization of allowances	-28.0	-22.7
Exchange differences	1.5	-6.1
December 31	74.3	65.4

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

in CHF mn	2014	2015
Net accounts receivable	1,006.0	1,014.5
Of which		
Not overdue	747.6	755.2
Past due < 31 days	179.8	168.5
Past due 31 – 60 days	46.2	42.4
Past due 61 – 180 days	45.3	48.4
Past due > 181 days	61.4	65.4
Allowance for doubtful accounts	-74.3	-65.4

The increase and decrease 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 584.9 MN (CHF 591.3 MN)

Inventory write-offs amount to CHF 23.1 million (CHF 22.6 million) and are charged to material expenses.

in CHF mn	2014	2015
Raw materials and supplies	180.8	180.0
Semi-finished goods	47.8	47.1
Finished goods	302.0	299.3
Merchandise	60.7	58.5
Total	591.3	584.9

4. OTHER ASSETS CHF 68.3 MN (CHF 51.7 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	2014	2015
Derivatives (at fair value through profit and loss)	1.2	12.1
Loans (loans and receivables)	3.0	3.4
Securities (at fair value through profit and loss)	2.8	1.8
Other financial assets	7.0	17.3
Other non-financial assets	0.7	0.0
Other current assets	7.7	17.3

OTHER NON-CURRENT ASSETS

in CHF mn	2014	2015
Securities (at fair value through profit and loss)	28.8	34.0
Loans (loans and receivables)	1.3	1.5
Other financial assets	30.1	35.5
Employee benefit assets ¹	13.9	15.5
Other non-current assets	44.0	51.0

1 See note 14.

5. PROPERTY, PLANT, AND EQUIPMENT CHF 924.3 MN (CHF 958.3 MN)

	Property	Plant	Equipment	Plants and buildings under construction	Total
in CHF mn					
At January 1, 2014					
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 January 1, 2014	110.3	262.8	478.6	68.5	920.2
Additions	3.7	17.0	63.5	61.3	145.5
Acquired on acquisition	3.1	9.2	6.6	0.0	18.9
Exchange differences	-1.7	-0.2	5.3	0.0	3.4
Disposals	-2.7	-8.9	-2.6	0.0	-14.2
Reclassifications ¹	3.7	15.7	46.8	-66.2	0.0
Depreciation charge for the year	-0.6	-21.0	-93.9	0.0	-115.5
At December 31, 2014	115.8	274.6	504.3	63.6	958.3
As January 1, 2015					
Acquisition cost	117.1	658.8	1,497.4	64.5	2,337.8
Cumulative depreciation and impairment	-1.3	-384.2	-993.1	-0.9	-1,379.5
Net values at January 1, 2015	115.8	274.6	504.3	63.6	958.3
Additions	0.6	4.8	45.8	84.4	135.6
Acquired on acquisition	2.9	6.0	7.7	0.0	16.6
Exchange differences	-8.2	-18.9	-33.7	-5.7	-66.5
Disposals	-0.8	-1.8	-2.6	0.0	-5.2
Reclassifications ¹	2.0	10.1	47.5	-59.8	-0.2
Depreciation charge for the year	-0.2	-22.5	-91.6	0.0	-114.3
At December 31, 2015	112.1	252.3	477.4	82.5	924.3
Acquisition cost	113.5	641.0	1,489.6	83.1	2,327.2
Cumulative depreciation and impairment	-1.4	-388.7	-1,012.2	-0.6	-1,402.9
Net values at December 31, 2015	112.1	252.3	477.4	82.5	924.3

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					Finance leases		
	2014 Minimum payments	2015 Minimum payments	Minimum payments	Interest	2014 Present value of payments	Minimum payments	Interest	2015 Present value of payments
Within 1 year	50.1	59.3	0.5	0.1	0.4	0.2	0.0	0.2
1 – 5 years	103.9	131.0	0.2	0.0	0.2	0.6	0.1	0.5
Over 5 years	34.0	39.1	0.3	0.1	0.2	0.0	0.0	0.0
Total	188.0	229.4	1.0	0.2	0.8	0.8	0.1	0.7

6. INTANGIBLE ASSETS CHF 1,037.9 MN (CHF 1,074.6 MN)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangibles	Total
At January 1, 2014						
Acquisition costs	635.9	147.1	113.5	316.5	92.9	1,305.9
Cumulative amortization and impairment	-8.8	-90.5	-10.9	-87.5	-41.3	-239.0
Net values at January 1, 2014	627.1	56.6	102.6	229.0	51.6	1,066.9
Additions	0.0	6.0	0.0	0.0	1.2	7.2
Acquired on acquisition	32.1	0.0	3.1	5.9	2.9	44.0
Exchange differences	4.6	0.0	0.2	0.8	0.5	6.1
Amortization for the year	0.0	-12.9	-5.3	-23.7	-7.7	-49.6
At December 31, 2014	663.8	49.7	100.6	212.0	48.5	1,074.6
At January 1, 2015						
Acquisition costs	672.6	152.5	116.9	326.6	98.1	1,366.7
Cumulative amortization and impairment	-8.8	-102.8	-16.3	-114.6	-49.6	-292.1
Net values at January 1, 2015	663.8	49.7	100.6	212.0	48.5	1,074.6
Additions	0.0	6.4	0.5	0.0	0.1	7.0
Acquired on acquisition	40.2	0.1	8.5	8.4	6.5	63.7
Exchange differences	-42.3	-1.6	-0.8	-11.8	-1.1	-57.6
Disposals	0.0	-0.2	0.0	0.1	-0.2	-0.3
Reclassifications (net)	0.0	0.2	0.0	0.0	0.0	0.2
Amortization for the year	0.0	-12.7	-6.4	-22.5	-8.1	-49.7
At December 31, 2015	661.7	41.9	102.4	186.2	45.7	1,037.9
Acquisition costs	669.2	147.9	124.8	319.9	102.0	1,363.8
Cumulative amortization and impairment	-7.5	-106.0	-22.4	-133.7	-56.3	-325.9
Net values at December 31, 2015	661.7	41.9	102.4	186.2	45.7	1,037.9

The intangible assets (except goodwill and trademarks) have a finite useful life over which the assets are amortized. The developed SAP platform used since 2010 will be amortized on the basis of its effective use within the Group. The carrying amount was CHF 29.3 million (CHF 35.2 million) as of December 31, 2015. The remaining useful life is estimated to be five years (six years).

Trademarks may 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 calculation of the value in use is based on the target figures and cash flow forecasts. The forecasting horizon is five years, whereas the first two forecast years are approved by the Board of Directors. 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 pre-tax discount rate amounts to 11.5% (11.5%). 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. The forecasting horizon is five years, whereas the first two forecast years are approved by the Board of Directors. The growth rates upon which the forecast is set correspond to the market expectations of the cash-generating units and range between 2.6% and 7.8% (4.7% and 11.3%) 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 1.3% to 5.7% (1.3% to 4.9%), 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 (%) ¹	Discount rates (%) ²	Goodwill
December 31, 2014			
Construction business EMEA	1.3	10.1	430.5
Construction business North America	2.0	12.4	91.3
Construction business Latin America	4.9	17.6	13.5
Construction business Asia/Pacific	3.1	11.3	73.3
Automotive	2.0	12.1	55.2
Total			663.8
December 31, 2015			
Construction business EMEA	1.3	8.5	415.7
Construction business North America	2.0	10.6	92.0
Construction business Latin America	5.7	18.4	9.9
Construction business Asia/Pacific	2.5	10.4	77.2
Automotive	1.9	10.6	46.8
Not yet allocated ³			20.1
Total			661.7

1 Growth rate beyond the planning period.

2 Pre-tax discount rates (%).

3 The initial allocation for goodwill from the Axson acquisition is not yet completed. Therefore, and as there is no triggering event for an impairment test, goodwill is not tested for impairment this year.

7. INVESTMENTS IN ASSOCIATED COMPANIES CHF 6.4 MN (CHF 14.3 MN)

The following associated companies are included in the Consolidated Financial Statements as of December 31, 2015: Condensil SARL, France (stake Sika 40%), Part GmbH, Germany (50%), Sarna Granol AG, Switzerland (50%), Hayashi-Sika Automotive Ltd., Japan (50%), Chemical Sangyo Ltd., Japan (50%), and Seven tech Co. Ltd., Japan (50%). As of June 30, 2015, Addiment Italia S.r.l., Italy was included in the consolidation scope and excluded from 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	2014	2015
Sales	30.9	22.1
Profit	1.1	0.6

8. INCOME TAXES

TAX LOSS CARRY FORWARDS, FOR WHICH NO DEFERRED TAX ASSETS HAVE BEEN RECOGNIZED

in CHF mn	2014	2015
1 year or less	0.0	0.0
1 – 5 years	10.3	13.4
Over 5 years or non-expiring	32.0	27.5
Total	42.3	40.9

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES

in CHF mn	2014			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
January 1	104.7	-130.4	-25.7	130.6	-118.5	12.1
Credited (+)/debited (-) to income statement	6.8	17.0	23.8	5.1	8.8	13.9
Credited (+)/debited (-) to other comprehensive income	17.9	0.0	17.9	0.3	-0.6	-0.3
Exchange differences	1.2	-0.8	0.4	-10.0	5.8	-4.2
Acquisitions/divestments	0.0	-4.3	-4.3	0.1	-5.3	-5.2
December 31	130.6	-118.5	12.1	126.1	-109.8	16.3

ORIGIN OF DEFERRED TAX ASSETS AND LIABILITIES

in CHF mn	2014			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses brought forward	10.6		10.6	8.4		8.4
Current assets	25.9	-7.3	18.6	21.8	-9.1	12.7
Property, plant and equipment	9.0	-32.7	-23.7	8.3	-33.6	-25.3
Other non-current assets	2.4	-62.3	-59.9	4.3	-58.4	-54.1
Liabilities	82.7	-10.2	72.5	83.3	-5.3	78.0
Withholding taxes on dividends	-	-6.0	-6.0	-	-3.4	-3.4
Total	130.6	-118.5	12.1	126.1	-109.8	16.3

In the year under review deferred tax assets from tax loss carry forwards of CHF 0.9 million (CHF 4.4 million) were offset and deferred tax loss carry forwards of CHF 3.0 million (CHF 5.8 million) were generated.

The tax rate decreased to 25.2% (25.3%). Income taxes of CHF 156.8 million (CHF 149.4 million) consist of:

INCOME TAXES

in CHF mn	2014	2015
Income tax during the year under review	170.0	173.9
Deferred income tax	-23.8	-13.9
Income tax from prior years	3.2	-3.2
Total	149.4	156.8

RECONCILIATION BETWEEN ANTICIPATED AND EFFECTIVE TAX EXPENSE

in CHF mn	%	2014	%	2015
Profit before taxes		590.6		621.9
Anticipated tax expense	23.9	141.3	24.4	151.5
Non-taxable income/non-tax-deductible expenses	0.0	0.2	-1.2	-7.4
Change in anticipated tax rate	-0.1	-0.6	0.1	0.7
Adjusted tax expense from earlier periods	0.6	3.2	-0.5	-3.2
Valuation adjustment on deferred tax assets	0.4	2.5	1.2	7.4
Withholding tax on dividends, licencies and interests	1.2	7.0	1.4	9.0
Other	-0.7	-4.2	-0.2	-1.2
Tax expense as per consolidated income statement	25.3	149.4	25.2	156.8

The anticipated average Group income tax rate of 24.4% (23.9%) 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 581.1 MN (CHF 605.4 MN)

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

10. ACCRUED EXPENSES AND DEFERRED INCOME CHF 217.3 MN (CHF 214.3 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 67.9 MN (CHF 78.9 MN)**OTHER CURRENT LIABILITIES**

in CHF mn	2014	2015
Derivatives (at fair value through profit and loss)	15.0	4.8
Bank loans	5.7	9.3
Other financial liabilities	14.1	14.2
Other current liabilities	34.8	28.3

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	2014	2015
Other financial liabilities	16.7	10.4
Other non-financial liabilities ¹	27.4	29.2
Other non-current liabilities	44.1	39.6

¹ Prior year restated due to the reclassification of deferred income (see principles of consolidation).

“Other non-financial liabilities” include deferred revenue for extended warranty contracts on sales of certain products on installed roofing systems. In the year under review, revenue in the amount of CHF 29.2 million (CHF 27.4 million) was deferred. Revenue for extended warranty is recognized on a straight-line basis over the extended warranty period. In 2015, revenue in the amount of CHF 4.1 million (CHF 3.7 million) was recognized.

12. BONDS CHF 249.9 MN SHORT-TERM/CHF 698.4 MN LONG-TERM (CHF 0.0 MN/CHF 947.6 MN)

Sika AG has the following bonds outstanding:

in CHF mn	2014		2015	
	Book value	Nominal	Book value	Nominal
2.875% 2006 – 2016	249.4	250.0	249.9	250.0
1.000% 2012 – 2018	149.7	150.0	149.8	150.0
1.125% 2013 – 2019	199.6	200.0	199.6	200.0
1.750% 2012 – 2022	149.9	150.0	149.9	150.0
1.875% 2013 – 2023	199.0	200.0	199.1	200.0
Total	947.6	950.0	948.3	950.0

13. PROVISIONS CHF 80.7 MN (CHF 88.7 MN)

Provisions for guarantees reflect all known claims anticipated in the near future. The amounts of the provision 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 61.9 million (CHF 69.5 million) are shown as non-current liabilities, since an outflow of funds is not expected within the next twelve months.

For provisions of CHF 18.8 million (CHF 19.2 million), an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

in CHF mn	Provisions		
	Warranties	Sundry risks	Total
Current provisions	15.9	2.9	18.8
Non-current provisions	36.5	25.4	61.9
Provisions	52.4	28.3	80.7
Reconciliation			
At January 1, 2015 ¹	61.0	27.7	88.7
Additions	24.3	6.7	31.0
Assumed on acquisition	0.3	2.5	2.8
Exchange differences	-2.0	-1.5	-3.5
Utilization	-22.7	-3.8	-26.5
Reversal	-8.5	-3.3	-11.8
At December 31, 2015	52.4	28.3	80.7

¹ Prior year restated due to the reclassification of deferred income (see principles of consolidation).

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 41 Group companies. The biggest plans are in Switzerland, accounting for 81.5% (80.4%) of Sika's entire defined benefit pension obligations and 96.2% (96.0%) 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 prior 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.

in CHF mn	2014			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Employee benefit plans with defined benefits	13.9	246.9	233.0	15.5	242.6	227.1
Other employee commitments		56.9	56.9		56.3	56.3
Total	13.9	303.8	289.9	15.5	298.9	283.4

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

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, 2014	-742.3	595.2	-0.9	-148.0
Current service cost	-26.0			-26.0
Interest expense/interest income	-18.8	14.2		-4.6
Past service cost and gains and losses on settlements and curtailments	3.7			3.7
Total expense recognized in income statement	-41.1	14.2		-26.9
thereof Switzerland	-34.8	13.4		-21.4
thereof Others	-6.3	0.8		-5.5
Return on plan assets, excluding amounts included in interest income		19.3		19.3
Loss from change in financial assumptions	-106.5			-106.5
Loss from change in demographic assumptions	-4.2			-4.2
Experience gain	6.9			6.9
Change in asset ceiling			-1.4	-1.4
Total remeasurements recognized in other comprehensive income	-103.8	19.3	-1.4	-85.9
thereof Switzerland	-81.8	18.2	-1.4	-65.0
thereof Others	-22.0	1.1	-	-20.9
Exchange differences	2.5	-0.3		2.2
Contributions by employers		21.5		21.5
Contributions by plan participants	-11.7	11.7		-
Benefits paid	24.5	-19.9		4.6
Acquired in a business combination and others	-3.4	2.9		-0.5
At December 31, 2014	-875.3	644.6	-2.3	-233.0
thereof Switzerland	-704.1	619.1	-2.3	-87.3
thereof Others	-171.2	25.5	-	-145.7

in CHF mn	Present value of obligation	Fair value of plan assets	Impact of asset ceiling	Total
At January 1, 2015	-875.3	644.6	-2.3	-233.0
Current service cost	-30.8			-30.8
Interest expense/interest income	-13.9	9.4		-4.5
Past service cost and gains and losses on settlements and curtailments	3.1			3.1
Total expense recognized in income statement	-41.6	9.4		-32.2
thereof Switzerland	-31.9	8.7		-23.2
thereof Others	-9.7	0.7		-9.0
Return on plan assets, excluding amounts included in interest income		3.0		3.0
Loss from change in financial assumptions	-28.9			-28.9
Gain from change in demographic assumptions	28.3			28.3
Experience losses	-0.8			-0.8
Change in asset ceiling			1.4	1.4
Total remeasurements recognized in other comprehensive income	-1.4	3.0	1.4	3.0
thereof Switzerland	1.5	3.0	1.4	5.9
thereof Others	-2.9	-	-	-2.9
Exchange differences	15.5	-2.3		13.2
Contributions by employers	-	19.8		19.8
Contributions by plan participants	-11.7	11.7		-
Benefits paid	34.1	-28.5		5.6
Settlements paid	0.1	-		0.1
Acquired in a business combination and others	-3.6	-		-3.6
At December 31, 2015	-883.9	657.7	-0.9	-227.1
thereof Switzerland	-720.2	632.5	-0.9	-88.6
thereof Others	-163.7	25.2	-	-138.5

The contributions that are expected to be paid into the defined benefit pension plans for 2016 amount to CHF 17.6 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 124.8 million (CHF 129.7 million). The schemes in Germany, in particular, do not have segregated assets.

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in CHF mn	2014			2015		
	Switzerland	Others	Total	Switzer-land	Others	Total
Cash and cash equivalents	36.3	14.4	50.7	28.6	13.5	42.1
Equity instruments	214.0	2.2	216.2	238.2	2.0	240.2
Debt instruments	261.7	2.7	264.4	237.7	2.8	240.5
Real estate investments	102.8	0.5	103.3	107.7	0.7	108.4
Other assets	4.3	5.7	10.0	20.3	6.2	26.5
Total	619.1	25.5	644.6	632.5	25.2	657.7

Most of the plan assets of the pension schemes are invested in assets with quoted market prices. In the year under review, 13.4% (14.1%) of the investments in real estate and 6.8% (19.0%) of the other assets did not have a quoted market price.

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2014	2015
Shares Sika AG	15.0	19.3
Own property occupied by Sika	7.7	9.3
Total	22.7	28.6

ACTUARIAL ASSUMPTIONS (WEIGHTED AVERAGE)

	2014		2015	
	Switzerland	Others	Switzerland	Others
Discount rate in the year under review (%)	1.4	2.4	0.9	2.4

THE 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%	-30.2	-6.3
Discount rate	-0.25%	30.1	6.6

NUMBER OF PLANS AND INSURED PERSONS

	2014		2015	
	Switzerland	Others	Switzerland	Others
Number of insured employees	1,967	3,754	1,958	4,291
Number of insured retired persons	434	1,189	469	1,200
Total number of defined benefit plans	5	35	5	39
thereof number of defined benefit plans funded	4	11	4	12
thereof number of defined benefit plans unfunded	1	24	1	27
Average weighted duration in years	18.2	15.9	17.2	16.4

15. SHAREHOLDERS' EQUITY CHF 2,552.1 MN (CHF 2,383.3 MN)
Equity accounts for 51.8% (49.5%) of the balance sheet total.

CAPITAL STOCK

in CHF mn	Number	2014	2015
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 13.00 per registered share and of CHF 78.00 per bearer share, in the total amount of CHF 198.1 million, to the shareholders of Sika AG.

The capital stock is divided into the following categories:

	Bearer shares¹ nominal value CHF 0.60	Registered shares nominal value CHF 0.10	Total¹
12/31/2014 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107
12/31/2015 (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 343 units (4,261 units) which do not carry voting and dividend rights.

16. NET SALES

CHF 5,489.2 MN (CHF 5,571.3 MN)
Sales of goods account for practically all net sales. In comparison with the prior year, net sales denominated in Swiss francs decreased by 1.5%. Taking currency effects amounting to -7.7% into consideration, sales increased in local currencies by 6.2%, including a growth from acquisitions of 2.2%.

17. MATERIAL EXPENSES

CHF 2,518.4 MN (CHF 2,620.0 MN)
Material expenses decreased as a percentage of net sales by 1.1 percentage points.

18. OPERATING PROFIT BEFORE DEPRECIATION CHF 837.3 MN (CHF 798.3 MN)

In the year under review the favorable material price development and the good price and product management led to an improvement in gross result from 53.0% to 54.1%.

Operational costs were at a slightly higher level. Due to the desired expansion in growth markets and to unfavorable exchange rates the personnel expenses increased slightly above average. Other operating expenses developed disproportionately low due to disciplined cost management.

Expenditures on research and development in the Group in the year under review totaled CHF 160.6 million (CHF 162.2 million), roughly equivalent to 2.9% (2.9%) of sales. Research and development expenses are included in operating costs.

in CHF mn	2014	2015
Gross result	2,951.3	2,970.8
Personnel expenses	-1,093.7	-1,106.5
Other operating expenses	-1,059.3	-1,027.0
Operating profit before depreciation	798.3	837.3

PERSONNEL EXPENSES

in CHF mn	2014	2015
Wages and salaries	893.6	899.7
Social charges	200.1	206.8
Personnel expenses	1,093.7	1,106.5

EMPLOYEE BENEFIT COSTS

in CHF mn	2014	2015
Employee benefit plans with defined benefits ¹	22.3	27.7
Other employee benefit plans	32.2	35.1
Employee benefit costs	54.5	62.8

1 Includes pension expense recognized in income statement (see 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). Sika Senior Management (by definition, Sika Senior Management includes the management level reporting into Group Management, approx. 160 participants) and Group Management receive shares of Sika AG as a component of their salary. The shares are granted at the average market price of the first five trading days in April of the subsequent business year. The allocated shares are subject to a blocking period of four years. The following different share plans are in place:

Sika Senior Managers may draw optionally 0%, 20% or 40% 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 2014, in 2015 they drew 960 shares at a fair value of CHF 3.4 million (CHF 3,536 per share). In 2014, the fair value of the compensation for 2013 amounted to CHF 2.3 million (719 shares at CHF 3,164).

The performance-based portion of the short-term variable remunerations for members of the top management (extended Group Management) is paid out 20% in the form of shares of Sika AG. Moreover, members of the top 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 2014, in 2015 they drew 358 shares at a fair value of CHF 1.3 million (CHF 3,536 per share). In 2014, the fair value of the compensation for 2013 amounted to CHF 1.8 million (560 shares at CHF 3,164).

LONG-TERM INCENTIVE (LTI-PLAN). The performance-based portion of the long-term variable remuneration for members of the top management is paid out in shares of Sika AG and is conditional upon a three-year vesting period and an additional four-year blocking period. In 2015, 1,533 shares at a fair value of CHF 5.5 million (CHF 3,618 per share) were allocated to the members of the top management as part of the long-term compensation program. In 2014, the fair value of the compensation for 2013 amounted to CHF 5.0 million (1,445 shares at CHF 3,479).

The performance-based long-term variable remuneration for Sika Senior Managers is granted in performance share units (PSU). The PSUs are paid out in cash after a three-year vesting period. For senior managers which change location during the vesting period, the pay-out is made immediately in form of shares for the vested part. The shares are granted at the fair value of the grant date and are blocked until the vesting period is over. In 2015, twelve shares at a fair value of CHF 40 thousands were allocated for the first time. In the prior year no long-term variable remuneration was in place.

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. In this term of office from April 2014 to April 2015 207 shares at a fair value of CHF 0.7 million (CHF 3,618 per share) were allocated to the members of the Board of Directors. In the prior year period the compensation amounted to CHF 1.1 million (322 shares at CHF 3,479).

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 2015 business year totaled CHF 25.0 million (CHF 27.0 million) of which the amount of CHF 9.0 million (CHF 10.3 million) was taken to equity and the amount of CHF 16.0 million (CHF 16.7 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 no allocation to shareholder's equity was required (CHF 1.8 million).

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

19. DEPRECIATION AND AMORTIZATION EXPENSES CHF 164.0 MN (CHF 165.1 MN)

The amount includes the regular depreciation and amortization.

20. INTEREST EXPENSES/OTHER FINANCIAL EXPENSES CHF 66.8 MN (CHF 52.1 MN)

This item consists mainly of interest expenses for bond issues outstanding in the amount of CHF 18.0 million (CHF 22.8 million) as well as gains and losses from foreign currency transactions and the hedging of loans. Other financial expenses increased to CHF 41.3 million (CHF 21.6 million) mainly due to losses on exchange and increased hedging costs.

21. INTEREST INCOME/OTHER FINANCIAL INCOME/INCOME FROM ASSOCIATED COMPANIES CHF 15.4 MN (CHF 9.5 MN)

Short-term surpluses in liquidity in various countries led to interest income of CHF 3.5 million (CHF 2.7 million). Income from associated companies is CHF 3.4 million (CHF 1.2 million). Other financial income increased to CHF 8.5 million (CHF 5.6 million), as the purchase price of an acquisition in 2011 included a contingent consideration. The contingent consideration is reviewed annually. In the year under review the liability was reduced by CHF 2.1 million and included in other financial income.

22. NON-CONTROLLING INTERESTS CHF 4.8 MN (CHF 2.2 MN)

Most important companies with non-controlling interests:

- Sika Arabia Holding Co. WLL, Bahrain (49%)
- Sika UAE LLC, UAE (49%)
- Sika Saudi Arabia Co. Ltd., Saudi Arabia (49%)
- Sika International Chemicals LLC Abu Dhabi, UAE (49%)
- Sika Gulf B.S.C., Bahrain (49%)
- Hebei Jiuqiang Construction Material Co. Ltd., China (15%)

23. EARNINGS PER SHARE CHF 181.37 (CHF 173.19)

	2014	2015
Undiluted ("basic EPS")		
Net profit (in CHF mn)	439.0	460.3
Weighted average number of shares¹		
Bearer shares ² /units	2,145,809	2,148,897
Registered shares ³ /units	2,333,874	2,333,874
Earnings per share		
Bearer share ² /CHF	173.19	181.37
Registered share ³ /CHF	28.87	30.23

1 Excluding treasury shares held in the Group.

2 Nominal value: CHF 0.60.

3 Nominal value: CHF 0.10.

Earnings per share (EPS) amount to CHF 181.37 (CHF 173.19). 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 2014 the dividend amounted to CHF 72.00 per bearer share and to CHF 12.00 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	Book value	2014 Fair value	Book value	2015 Fair value
Financial assets					
Cash and cash equivalents		898.8		1,074.4	
Loans and receivables		1,010.3		1,019.4	
Financial assets at fair value through profit and loss	1	31.6	31.6	35.8	35.8
Financial assets at fair value through profit and loss (derivatives)	2	1.2	1.2	12.1	12.1
Total		1,941.9		2,141.7	
Financial liabilities					
Bank overdrafts		5.7		9.3	
Bonds	1	947.6	989.0	948.3	994.0
Accounts payable		605.4		581.1	
Other financial liabilities		30.8		24.6	
Financial liabilities measured at amortized cost		1,589.5		1,563.3	
Financial liabilities at fair value through profit and loss (derivatives)	2	15.0	15.0	4.8	4.8
Total		1,604.5		1,568.1	

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 gain of CHF 21.1 million (net loss of CHF 23.6 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.

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

in CHF mn	2014	2015
Receivables	1.9	1.7
Property, plant and equipment	0.7	0.6
Total book value of encumbered assets	2.6	2.3

OPEN DERIVATIVES

in CHF mn	Replacement value		Contractual value upon maturity		
	(+)	(-)	Contract value	Up to 3 months	3 to 12 months
Open derivatives 2014					
Forward contracts (foreign exchange)	0.3	-0.2	5.3	5.3	0.0
Swaps (foreign exchange)	0.9	-14.8	993.8	315.4	678.4
Total derivatives	1.2	-15.0	999.1	320.7	678.4
Open derivatives 2015					
Forward contracts (foreign exchange)	2.5	-0.8	134.9	72.9	62.0
Swaps (foreign exchange)	9.6	-4.0	1,110.9	366.8	744.1
Total derivatives	12.1	-4.8	1,245.8	439.7	806.1

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 risks arise 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 assumption is that the Euro respectively US dollar changes against all other currencies by +/- 10%. The other currencies remain constant among themselves. 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.

SENSITIVITY ANALYSIS ON EXCHANGE RATES

Impact on profit before tax in CHF mn	2014	2015
EUR: +10%	1.3	-0.2
EUR: -10%	-1.3	0.2
USD: +10%	-13.6	-3.5
USD: -10%	13.6	3.5

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 950 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 2014 nor at year-end 2015. 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, 2014				
Bank loans	5.7	0.0	0.0	5.7
Bonds	17.3	646.2	372.9	1,036.4
Accounts payable	605.4	0.0	0.0	605.4
Other financial liabilities	14.1	7.8	8.9	30.8
Financial liabilities measured at amortized cost	642.5	654.0	381.8	1,678.3
Financial liabilities at fair value through profit and loss	15.0	0.0	0.0	15.0
Total	657.5	654.0	381.8	1,693.3
December 31, 2015				
Bank loans	9.3	0.0	0.0	9.3
Bonds	267.3	385.3	366.5	1,019.1
Accounts payable	581.1	0.0	0.0	581.1
Other financial liabilities	14.2	8.8	1.6	24.6
Financial liabilities measured at amortized cost	871.9	394.1	368.1	1,634.1
Financial liabilities at fair value through profit and loss	4.8	0.0	0.0	4.8
Total	876.7	394.1	368.1	1,638.9

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, 2015 and December 31, 2014. 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	2014	2015
Raw material supply contracts ¹	233	107
Delivery contracts for finished goods ¹	276	278

1 Contracts run until 2031, 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	2014	2015
Guarantees and letters of comfort	21	16

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 prior year, cash flow was influenced by:

- higher net profit before taxes (CHF 31.3 million)
- an unchanged funding situation instead of a net cash outflow from bonds (CHF 300.0 million)
- higher dividend payment (CHF -38.2 million)
- exchange losses on cash and cash equivalents (CHF -17.8 million)

in CHF mn	2014	2015
Operating activities	554.4	585.8
Investment activities	-204.6	-206.3
Financing activities	-480.0	-186.8
Exchange differences	0.7	-17.1
Net change in cash and cash equivalents	-129.5	175.6

FREE CASH FLOW AND OPERATING FREE CASH FLOW

in CHF mn	2014	2015
Cash flow from operating activities	554.4	585.8
Net investment in		
Property, plant and equipment	-129.7	-127.4
Intangible assets	-7.2	-6.9
Acquisitions less cash and cash equivalents	-68.8	-69.5
Acquisitions (-)/disposals (+) of financial assets	1.1	-2.5
Free cash flow	349.8	379.5
Acquisitions/disposals less cash and cash equivalents	68.8	69.5
Acquisitions (+)/disposals (-) of financial assets	-1.1	2.5
Operating free cash flow	417.5	451.5

OTHER ADJUSTMENTS. Included in “Other adjustments” are:

in CHF mn	2014	2015
Non-liquidity-related interest expenses / income	-6.1	-1.2
Non-liquidity-related financial expenses / income	0.6	-2.7
Profit/loss from disposals of non-financial assets	-1.6	-2.8
Personnel expenses settled through treasury shares	10.3	9.0
Others	0.1	0.3
Total	3.3	2.6

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 45 of the download version 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.

“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.

The acquired Duro-Moza, Mozambique, Addiment Italia, Italy, as well as the companies from Axson Technologies were assigned to region EMEA. BMI Products of Northern California Inc., USA, is assigned to region North America and Construction Technologies Australia Pty Ltd (CTA), Australia, was assigned to region Asia/Pacific.

NET SALES

in CHF mn	2014			2015		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	2,734.0	110.7	2,844.7	2,600.2	102.3	2,702.5
North America	746.3	22.3	768.6	839.2	22.7	861.9
Latin America	638.6	0.3	638.9	600.2	0.1	600.3
Asia/Pacific	1,039.7	5.6	1,045.3	1,017.3	5.7	1,023.0
Other segments and activities	412.7	-	412.7	432.3	-	432.3
Eliminations		-138.9	-138.9		-130.8	-130.8
Net sales	5,571.3	-	5,571.3	5,489.2	-	5,489.2
Products for construction industry			4,506.6			4,358.9
Products for industrial manufacturing			1,064.7			1,130.3

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	2014	2015	Change compared to prior year (+/- in %)		
			In Swiss francs	In local currencies	Currency impact
By region					
EMEA	2,734.0	2,600.2	-4.9	5.6	-10.5
North America	746.3	839.2	12.4	8.4	4.0
Latin America	638.6	600.2	-6.0	9.5	-15.5
Asia/Pacific	1,039.7	1,017.3	-2.2	2.1	-4.3
Other segments and activities	412.7	432.3	4.7	11.3	-6.6
Net sales	5,571.3	5,489.2	-1.5	6.2	-7.7
Products for construction industry	4,506.6	4,358.9	-3.3	4.3	-7.6
Products for industrial manufacturing	1,064.7	1,130.3	6.2	14.0	-7.8

OPERATING PROFIT

	2014	2015	Change compared to prior year	
in CHF mn			(+/-)	(+/- in %)
By region				
EMEA	369.1	368.2	-0.9	-0.2
North America	102.8	134.0	31.2	30.4
Latin America	114.3	110.4	-3.9	-3.4
Asia/Pacific	152.9	177.2	24.3	15.9
Other segments and activities	-105.9	-116.5	-10.6	n.a.
Operating profit	633.2	673.3	40.1	6.3

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	2014	2015
Operating profit	633.2	673.3
Interest income	2.7	3.5
Interest expenses	-30.5	-25.5
Other financial income	5.6	8.5
Other financial expenses	-21.6	-41.3
Income from associated companies	1.2	3.4
Profit before taxes	590.6	621.9
Income taxes	-149.4	-156.8
Net profit	441.2	465.1

	2014			2015		
in CHF mn	Depreciation	Impairment	Capital expenditures	Depreciation	Impairment	Capital expenditures
EMEA	84.8	0.0	71.0	81.0	0.0	66.7
North America	21.5	0.0	12.1	19.9	0.0	16.0
Latin America	10.5	0.0	24.8	11.4	0.0	16.1
Asia/Pacific	23.1	0.0	23.9	23.7	0.0	24.9
Other segments and activities	25.2	0.0	20.9	28.0	0.0	18.9
Total	165.1	0.0	152.7	164.0	0.0	142.6

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			
	2014	%	2015	%	2014	%	2015	%
Switzerland	298.1	5.4	299.1	5.5	511.3	25.0	502.1	25.5
USA	731.3	13.1	863.9	15.7	224.7	11.0	227.3	11.5
Germany	710.3	12.7	649.2	11.8	270.7	13.2	243.6	12.4
All other	3,831.6	68.8	3,677.0	67.0	1,040.6	50.8	995.6	50.6
Total	5,571.3	100.0	5,489.2	100.0	2,047.3	100.0	1,968.6	100.0

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

28. RELATED PARTIES

As of the balance sheet date of December 31, 2015, Sika had received notification of three significant shareholders whose voting rights exceed 3%: (1) The Burkard-Schenker family, who, according to information provided by the family, held 52.92% of all voting shares via Schenker-Winkler Holding AG as at December 31, 2015. On December 8, 2014, the Burkard-Schenker family announced the sale of their Sika participation to the Compagnie de Saint-Gobain («Saint-Gobain»), and, on December 11, 2014, the Burkard-Schenker family and Saint-Gobain announced the formation of a group. On April 7, 2015, the Burkard-Schenker family and Saint-Gobain announced the dissolution of their group. Saint-Gobain itself announced on April 7, 2015, that it held 52.92% of all voting rights via Schenker-Winkler Holding AG. Legal proceedings are underway in connection with the planned transaction, which, as far as the company is aware, has not yet been concluded. (2) BlackRock, Inc., which owned 3.02% of all voting shares on the balance sheet date. (3) A group consisting of Threadneedle Asset Management Limited, Threadneedle Investment Services Limited, Threadneedle Management Luxembourg S.A., FIL Limited, William H. Gates III, Melinda French Gates and Bill & Melinda Gates Foundation Trust, which owned 5.23% of all voting shares on the balance sheet date.

As of December 31, 2014, Sika had two significant shareholders with a share of voting rights of over 3.0%: the group formed by the Burkard-Schenker family and Compagnie de Saint-Gobain, Courbevoie, which according to information provided by the family, holds 52.9% of all share votes, mainly through the Schenker-Winkler Holding AG, Baar; and BlackRock Inc., New York, which holds 3.25% of all share votes.

ASSOCIATED COMPANIES. In the year under review goods and services totaling CHF 13.5 million (CHF 17.5 million) were delivered to associated companies. These transactions occurred on the usual conditions between wholesale partners.

EMPLOYEE BENEFIT PLANS. In Switzerland, employee benefit plans are handled through independent foundations, to which a total of CHF 22.5 million (CHF 22.7 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 2015 amounted to CHF 0.6 million (CHF 0.6 million).

MEMBERS OF THE BOARD OF DIRECTORS. In the year under review no transactions took place. In the prior year property, plant, and equipment in the amount of CHF 0.3 million were acquired from a company of a member of the Board of Directors.

All transactions were conducted at market conditions.

29. REMUNERATION OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

The Board of Directors and Group Management are entitled to the following remuneration:

in CHF mn	2014	2015
Current benefits	8.9	7.4
Share-based payments ¹	9.7	8.7
Pension benefits	1.2	1.2
Total	19.8	17.3

1 Refer to note 18, employee participation plan – share-based payments.

Detailed information regarding remuneration of the Board of Directors and Group Management are included in the compensation report (as of page 62 of the download version of this report). Information regarding participations of the Board of Directors and Group Management of Sika AG can be found in the Sika AG's Financial Statements (on page 143 of the download version 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 24, 2016. The financial statements will be submitted for approval to the Annual General Meeting on April 12, 2016.

31. EVENTS AFTER THE BALANCE SHEET DATE

No relevant events occurred between December 31, 2015, and the release of these Consolidated Financial Statements.

LIST OF GROUP COMPANIES

Country	Company ¹		Capital stock in thousands	Voting- and capital share in %	Certifi- cation
EMEA (Europe, Middle East, Africa)					
Albania	❖ Sika Albania SHPK, Tirana	ALL	40,471	100	
Algeria	❑ Sika El Djazair SpA, Eucalyptus, Algiers	DZD	313,400	100	◆
Austria	○ Sika Österreich GmbH, Bludenz	EUR	2,500	100	◆ ★
Azerbaijan	○ Sika Limited Liability Comp., Baku	AZN	153	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	USD	300	100	
Belgium	○ Sika Belgium NV, Nazareth	EUR	10,264	100	◆ ★
	○ Sika Automotive Belgium SA, Saintes	EUR	1,649	100	◆ ★ *
Bosnia- Herzegovina	❖ Sika BH d.o.o. Sarajevo	BAM	795	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	◆ ★
Denmark	❖ Sika Danmark A/S, Farum	DKK	6,000	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	❖ Sika Estonia Oü, Tallinn	EUR	3	100	
Ethiopia	❖ Sika Abyssinia Chemicals Manufacturing PLC., Addis Ababa	ETB	12,560	100	
Finland	○ Oy Sika Finland Ab, Espoo	EUR	850	100	◆ ★
France	○ Sika France SAS, Paris	EUR	18,018	100	◆ ★
	○ Axson France SAS, Saint-Ouen-l'Aumône	EUR	1,343	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*	
	❖ Axson GmbH, Ditzgenbach	EUR	332	100*	
Greece	○ Sika Hellas ABEE, Athens	EUR	9,000	100	◆ ★ *
Hungary	❖ Sika Hungária Kft., Budapest	HUF	483,000	100	◆ ★
Iran	❖ Sika Parsian P.J.S. Co., Teheran	IRR MN	3,000	100	
Iraq	○ Sika for General Trading LLC, Erbil	IQD	1,000	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	◆ ★ *
	❖ Axson Italia S.r.l., Saronno	EUR	50	100*	
	○ Addiment Italia S.r.l., Peschiera Borromeo	EUR	10	100*	
Ivory Coast	❖ Sika Côte d'Ivoire SARL, Abidjan	XOF	262,380	100	
Jordan	❖ The Swiss Construction Chemicals Co. Ltd., Aqaba	JOD	50	100	
Kazakhstan	○ Sika Kazakhstan LLP, Almaty	KZT	690,394	100	◆ ★

Country	Company ¹		Capital stock in thousands	Voting- and capital share in %	Certifi- cation
Kenya	○ Sika Kenya Ltd., Nairobi	KES	50,000	100	
Kuwait	✦ Sika Kuwait, Kuwait City	KWD	55	51*	
Latvia	○ Sika Baltic SIA, Riga	EUR	1,237	100	
Lebanon	○ Sika Near East SAL, Beirut	LBP	400	100	◆
Mauritius	○ Sika Mauritius Ltd., Plaine Lauzun	MUR	2,600	100*	
Morocco	○ Sika Maroc, Casablanca	MAD	55,000	100	◆ ★ *
Mozambique	○ Sika Moçambique Limitada, Maputo Cidade	MZN	630	100	
Netherlands	○ Sika Nederland B.V., Utrecht	EUR	1,589	100	◆ ★ *
Nigeria	○ Sika Manufacturing Nigeria Limited, Lagos	NGN	47,000	100	
Norway	○ Sika Norge AS, Skjetten	NOK	42,900	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 – Produtos 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	535,340	100	◆
Saudi Arabia	○ Sika Saudi Arabia Co Ltd., Riyadh	SAR	41,750	51	◆ ★
Serbia	○ Sika d.o.o. Beograd, Belgrad-Batajnica	EUR	373	100	
Slovakia	✦ Sika Slovensko spol. s.r.o., Bratislava	EUR	1,131	100	◆ ★
	○ Axson Central Europe s.r.o. Zlaté Moravce	EUR	7	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	◆ ★ *
	✦ Axson Technologies Spain S.L., Barcelona	EUR	80	100*	
Sweden	○ Sika Sverige AB, Spånga	SEK	10,000	100	◆ ★
Switzerland	○ Sika Schweiz AG, Zurich	CHF	1,000	100	◆ ★ *
	▲ 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	◆ ★
	○ Sika Automotive AG, Romanshorn	CHF	3,000	100	◆ ★
	▲ Sika Europe Management AG, Zurich	CHF	100	100	
	○ Klebag AG, Ennetbürgen	CHF	100	100*	
	▲ Axson Services GmbH, Basel	CHF	20	100*	
Tanzania	✦ Sika Tanzania Construction Chemicals Limited, Dar es Salaam	TZS	15,000	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	
	✦ Sika International Chemicals LLC, Abu Dhabi	AED	300	51*	
	✦ Axson Middle East FZE, Dubai	AED	150	100*	

Country	Company ¹		Capital stock in thousands	Voting- and capital share in %	Certifi- cation
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	◆ ★ *
	✦ Axson UK Ltd., Suffolk	GBP	1	100	
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	
	○ Axson Tech US Inc., Madison Heights	USD	4,602	100	
	○ BMI Products of Northern California Inc., Milpitas	USD	5,750	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	193,435	100	◆ ★ *
	○ Sika Automotive Ltda., São Paulo	BRL	19,224	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	◆ ★
	○ Axson Mexico S.A. de CV, Texcoco de Mora	MXN	700	100	
Panama	✦ Sika Panamá SA, Ciudad de Panamá	USD	200	100	
	▲ Sika Latin America Mgt. Inc, Ciudad de Panamá	USD	10	100	
Paraguay	○ Inatec S.R.L., Asunción	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	21,648	100	

Country	Company ¹		Capital stock in thousands	Voting- and capital share in %	Certifi- cation
Asia/Pacific					
Australia	○ Sika Australia Pty. Ltd., Wetherill Park	AUD	4,000	100	◆ ★ *
	○ Construction Technologies Australia Pty Ltd (CTA), Seven Hills	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	30,010	100*	◆
	○ Jiangsu TMS Concrete Admixture Co. Ltd., Zhengjiang	CNY	31,000	100*	◆ ★ *
	○ Hebei Jiuqiang Building Material Co. Ltd., Zhengding County	CNY	30,000	67*	◆ ★ *
	○ Axson Technologies Shanghai Co. Ltd., Shanghai	CNY	2,666	100*	◆
Hong Kong	○ Sika Hong Kong Ltd., Shatin	HKD	30,000	100	◆ ★
India	○ Sika India Private Ltd., Mumbai	INR	45,000	100	◆ ★
	❖ Axson India Private Limited, Pune	INR	3,000	100*	
Indonesia	○ Sika Indonesia P.T., Bogor	IDR MN	3,282	100	◆ ★
Japan	○ Sika Ltd., Tokyo	JPY	490,000	100	◆ ★
	❖ Dic Proofing Co. Ltd., Tokyo	JPY	90,000	100*	
	○ Dyflex Co. Ltd., Tokyo	JPY	315,175	100	◆ ★
	■ DCS Kyoshin Co. Ltd., Tokyo	JPY	30,000	100*	
	○ Axson Japan K.K., Okazaki-shi	JPY	10,000	100*	
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	
	○ LCS Optiroc Sdn Bhd, Johor Bahru	MYR	100	100	
Mongolia	○ Sika Mongolia LLC, Ulaanbaatar	MNT	270,000	100	
Myanmar	○ Sika Myanmar Limited, East Dagon Township	MMK	541,363	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	
	○ LCS Optiroc Pte Ltd, Singapore	SGD	1,000	100	◆
Sri Lanka	○ Sika Lanka (Private) Limited, Colombo	LKR	129,100	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.

* Company indirectly held by Sika AG.

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 consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and appendix (pages 81 to 129 of the download version of this report) for the year ended on December 31, 2015.

BOARD OF DIRECTORS' RESPONSIBILITY. The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, 2015 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.

Zurich, February 24, 2016

ERNST & YOUNG LTD



CHRISTOPH MICHEL
Licensed audit expert
(Auditor in charge)



DANIELLE MATTER
Licensed audit expert

FIVE-YEAR REVIEWS

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

in CHF mn	2011	2012	2013	2014	2015
Cash and cash equivalents	536.0	994.2	1,028.3	898.8	1,074.4
Accounts receivable a	875.3	871.5	912.7	1,006.0	1,014.5
Inventories b	530.6	521.6	539.0	591.3	584.9
Other current assets ¹	109.8	110.4	110.9	100.0	104.3
Current assets	2,051.7	2,497.7	2,590.9	2,596.1	2,778.1
Property, plant and equipment	860.6	873.3	920.2	958.3	924.3
Intangible assets	771.0	742.3	1,066.9	1,074.6	1,037.9
Other non-current assets ²	154.0	166.9	157.9	188.9	183.5
Non-current assets	1,785.6	1,782.5	2,145.0	2,221.8	2,145.7
ASSETS	3,837.3	4,280.2	4,735.9	4,817.9	4,923.8
Accounts payable c	501.0	492.1	557.9	605.4	581.1
Bond	0.0	249.9	299.7	0.0	249.9
Other current liabilities ³	319.8	301.5	334.6	345.7	332.1
Current liabilities	820.8	1,043.5	1,192.2	951.1	1,163.1
Bonds	796.0	847.1	946.9	947.6	698.4
Non-current provisions, employee benefit obligation	322.9	329.2	282.6	373.3	360.8
Other non-current liabilities ⁴	157.4	150.6	178.0	162.6	149.4
Non-current liabilities	1,276.3	1,326.9	1,407.5	1,483.5	1,208.6
LIABILITIES	2,097.1	2,370.4	2,599.7	2,434.6	2,371.7
Capital stock	1.5	1.5	1.5	1.5	1.5
Treasury shares	-55.7	-27.6	-13.7	-10.8	-0.9
Reserves	1,781.4	1,921.0	2,132.3	2,376.4	2,530.2
Equity attributable to Sika shareholders	1,727.2	1,894.9	2,120.1	2,367.1	2,530.8
Non-controlling interests	13.0	14.9	16.1	16.2	21.3
SHAREHOLDERS' EQUITY d	1,740.2	1,909.8	2,136.2	2,383.3	2,552.1
LIABILITIES AND SHAREHOLDERS' EQUITY e	3,837.3	4,280.2	4,735.9	4,817.9	4,923.8

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.

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	2011	2012	2013	2014	2015
Net sales	4,563.7	4,828.9	5,142.2	5,571.3	5,489.2
Material expenses	-2,259.1	-2,309.6	-2,446.6	-2,620.0	-2,518.4
Gross result	2,304.6	2,519.3	2,695.6	2,951.3	2,970.8
Personnel expenses	-959.9	-1,037.2	-1,031.1	-1,093.7	-1,106.5
Other operating expenses	-867.3	-909.0	-988.6	-1,059.3	-1,027.0
Operating profit before depreciation	477.4	573.1	675.9	798.3	837.3
Depreciation/amortization/impairment	-130.3	-140.1	-152.4	-165.1	-164.0
Operating profit	347.1	433.0	523.5	633.2	673.3
Interest income/interest expense	-28.4	-31.1	-30.9	-27.8	-22.0
Financial income/financial expense/income from associated companies	-3.2	-12.1	-15.9	-14.8	-29.4
Profit before taxes	315.5	389.8	476.7	590.6	621.9
Income taxes	-100.7	-111.3	-132.0	-149.4	-156.8
Net profit	214.8	278.5	344.7	441.2	465.1
Free cash flow	35.4	288.3	19.0	349.8	379.5
Gross result as % of net sales	50.5	52.2	52.4	53.0	54.1
Operating profit as % of net sales	7.6	9.0	10.2	11.4	12.3
Net profit as % of net sales (ROS)	4.7	5.8	6.7	7.9	8.5
Net profit as % of shareholders' equity (ROE)	12.3	14.6	16.1	18.5	18.2

KEY BALANCE SHEET DATA

in CHF mn	Calculation	2011	2012	2013	2014	2015
Net working capital	(a+b-c)	904.9	901.0	893.8	991.9	1,018.3
Net working capital as % of net sales		19.8	18.7	17.4	17.8	18.6
Net debt ¹	f	338.7	155.5	271.4	82.5	-94.0
Gearing in %	(f : d)	19.5	8.1	12.7	3.5	-3.7
Equity ratio in %	(d : e)	45.3	44.6	45.1	49.5	51.8

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).

VALUE-BASED KEY DATA

in CHF mn	Calculation	2011	2012	2013	2014	2015
Capital employed ¹		2,351.5	2,334.2	2,662.6	2,782.0	2,760.2
Annual average of capital employed	g	2,218.9	2,342.9	2,498.4	2,722.3	2,771.1
Operating profit	h	347.1	433.0	523.5	633.2	673.3
Return on capital employed (ROCE) in %	(h : g)	15.6	18.5	21.0	23.3	24.3

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

SEGMENT INFORMATION

in CHF mn	EMEA					North America				
	2011	2012	2013 ¹	2014	2015	2011	2012	2013 ¹	2014	2015
Net sales	2,339	2,275	2,470	2,734	2,600	617	706	711	746	839
Operating profit	171	223	281	369	368	51	69	89	103	134
in % of net sales	7.3	9.8	11.4	13.5	14.2	8.3	9.8	12.5	13.8	16.0
Depreciation/amortization	59	70	79	85	81	22	24	23	21	20
Impairment	1	0	0	0	0	0	0	0	0	0
Capital expenditures	58	58	75	71	67	13	14	11	12	16

in CHF mn	Latin America					Asia/Pacific				
	2011	2012	2013 ¹	2014	2015	2011	2012	2013 ¹	2014	2015
Net sales	507	586	623	638	600	838	932	974	1,040	1,017
Operating profit	94	107	116	114	110	98	116	138	153	177
in % of net sales	18.5	18.3	18.6	17.9	18.3	11.7	12.3	14.2	14.7	17.4
Depreciation/amortization	6	6	9	11	11	20	20	21	23	24
Impairment	0	0	0	0	0	0	0	0	0	0
Capital expenditures	19	24	27	25	16	19	24	25	24	25

in CHF mn	Other segments and activities					Total				
	2011	2012	2013 ¹	2014	2015	2011	2012	2013 ¹	2014	2015
Net sales	263	330	364	413	433	4,564	4,829	5,142	5,571	5,489
Operating profit	-67	-82	-101	-106	-116	347	433	523	633	673
in % of net sales						7.6	9.0	10.2	11.4	12.3
Depreciation/amortization	22	20	20	25	28	129	140	152	165	164
Impairment	0	0	0	0	0	1	0	0	0	0
Capital expenditures	8	11	16	21	19	117	131	154	153	143

1 Restated.

A change in internal reporting practice was implemented effective January 1, 2014. Certain internal allocations were no longer charged to the segment results. Essentially, these internal allocations are understood to be the charges for central marketing as well as production support. In keeping with internal reporting practice, the segment reporting presented here has been adjusted accordingly. The prior-year figures have been restated to allow like-for-like comparison. Figures for earlier years have not been adjusted.

EMPLOYEES

	2011	2012	2013	2014	2015
Employees by region (at December 31)					
EMEA	8,059	7,956	8,658	8,708	9,079
Switzerland	2,312	2,164	2,012	2,029	2,022
Germany	1,417	1,440	1,784	1,777	1,832
France	595	582	643	637	754
North America	1,491	1,437	1,438	1,488	1,653
USA	1,256	1,218	1,216	1,275	1,432
Latin America	2,101	2,170	2,329	2,609	2,437
Brazil	530	508	504	755	617
Asia/Pacific	3,603	3,670	3,868	4,090	4,112
China	1,331	1,286	1,287	1,220	1,083
Japan	608	615	614	629	670
Total	15,254	15,233	16,293	16,895	17,281
Personnel expenses (in CHF mn)					
Wages and salaries	789	837	849	894	900
Social charges, other	171	200	182	200	207
Personnel expenses	960	1,037	1,031	1,094	1,107
Personnel expenses as % of net sales	21	21	20	20	20
Key data per employee (in CHF 1,000)					
Net sales	318	317	326	336	321
Net value-added ¹	92	96	98	103	103

1 See next page, Value-Added Statement.

VALUE-ADDED STATEMENT

in CHF mn	2011	2012	2013	2014	2015
Source of value-added					
Corporate performance (net sales)	4,564	4,829	5,142	5,571	5,489
Intermediate inputs	-3,127	-3,212	-3,440	-3,691	-3,572
Gross value-added	1,437	1,617	1,702	1,880	1,917
Non-liquidity related expenses					
Depreciation and amortization	-130	-140	-152	-165	-164
Change in provisions	8	-12	-8	0	2
Net value-added	1,315	1,465	1,542	1,715	1,755
Distribution of value-added					
To employees					
Wages and salaries	789	837	849	894	900
Social charges	171	207	188	205	212
To governments (income taxes)	101	111	132	149	157
To lenders (interest expenses)	39	31	28	26	22
To shareholders (dividend pay-out, incl. minority interests)	134	114	130	146	183
To the company					
Net profit for the year	215	279	345	441	465
Less dividend pay-out	-134	-114	-130	-146	-183
Net value-added	1,315	1,465	1,542	1,715	1,755
Number of employees					
End of year	15,254	15,233	16,293	16,895	17,281
Annual average	14,368	15,244	15,763	16,594	17,088
Net value-added per employee (in CHF 1,000)	92	96	98	103	103

SIKA AG, BAAR

FINANCIAL STATEMENTS

SIKA AG BALANCE SHEET AS OF DECEMBER 31

in CHF mn	Notes	2014	2015
Cash and cash equivalents	1	591.9	563.8
Securities		0.1	0.1
Other current receivables from subsidiaries	2	448.4	1,258.3
Other current receivables from third parties	2	2.9	2.9
Prepaid expenses and accrued income		0.3	0.4
Current assets		1,043.6	1,825.5
Investments	3	2,109.1	1,285.6
Property, plant and equipment		0.5	0.4
Intangible assets	4	19.8	14.5
Other non-current assets	5	5.6	8.8
Non-current assets		2,135.0	1,309.3
ASSETS		3,178.6	3,134.8
Accounts payable to subsidiaries	6	3.0	10.4
Accounts payable to third parties	6	0.7	2.6
Current interest-bearing liabilities to subsidiaries	7	192.8	151.0
Current interest-bearing liabilities to third parties	7	-	250.0
Other current liabilities to third parties		0.2	-
Accrued expenses and deferred income	8	18.2	19.8
Current provisions	10	3.2	0.3
Current liabilities		218.1	434.1
Non-current interest-bearing liabilities	7	950.0	700.0
Other non-current liabilities	9	3.6	3.1
Non-current provisions	10	170.2	2.3
Non-current liabilities		1,123.8	705.4
LIABILITIES		1,341.9	1,139.5
Share capital		1.5	1.5
Legal capital reserves		56.5	56.5
Legal retained earnings		4.0	4.0
Voluntary retained earnings		121.7	121.7
Profit brought forward		1,663.5	1,812.5
Treasury shares	11	-10.5	-0.9
Shareholders' equity	12	1,836.7	1,995.3
LIABILITIES AND SHAREHOLDERS' EQUITY		3,178.6	3,134.8

SIKA AG INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	2014	2015
Dividend income	13	266.9	314.1
Financial income	14	30.9	32.3
Trademark licenses income	15	65.0	64.2
Other income	16	29.3	35.4
Income		392.1	446.0
Financial expenses	17	-45.4	-48.4
Personnel expenses		-15.5	-14.6
Other operating expenses	18	-21.3	-39.8
Operating result before depreciation		309.9	343.2
Impairment losses on investments		-40.0	0.0
Depreciation and amortization expenses		-6.2	-6.4
Extraordinary, non-recurring or prior period income	19	0.5	2.2
Net profit before taxes		264.2	339.0
Direct taxes		-5.5	-7.2
Net profit for the year		258.7	331.8

NOTES TO THE SIKA AG FINANCIAL STATEMENT

PRINCIPLES

GENERAL

The financial statements 2015 were prepared for the first time according to the new Swiss Law on Accounting and Financial Reporting. The prior year was restated to the new disclosure requirements to ensure the comparability of the balance sheet, the income statement, and the notes.

The significant accounting and valuation principles applied are as described below.

SECURITIES

Securities are valued at historical costs.

RECEIVABLES

The receivables are recorded at nominal value. If necessary an allowance for doubtful debts is made on receivables from third parties, whereas for receivables from subsidiaries no allowance for doubtful debts is considered.

INVESTMENTS

Investments are initially recognized at cost. On an annual basis the investments are assessed individually and adjusted to their recoverable amount if required.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and other intangible assets are valued at acquisition cost less accumulated depreciation and impairment losses. Depreciation under the straight-line method is based on the useful life of the asset.

CURRENT AND NON-CURRENT INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Discounts and issue costs for bonds are recognized as other non-current assets and amortized on a straight-line basis over the bond's maturity period. Premiums (less issue costs) are recognized in the other non-current liabilities and amortized on a straight-line basis over the bond's maturity period.

PROVISIONS

Provisions are recognized to cover general business risks based on the most probable cash outflow, considering the principle of prudence.

TREASURY SHARES

Treasury shares are recognized at acquisition cost and disclosed as a negative position of shareholders' equity. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expenses.

SHARE-BASED PAYMENTS

For treasury shares used for share-based payment programs, the difference between the acquisition cost and the value at vesting date is recognized as personnel expenses.

INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

1. CASH AND CASH EQUIVALENTS CHF 563.8 MN (CHF 591.9 MN)

All bank deposits are held in interest-bearing accounts, whereof CHF 512.8 million (CHF 564.6 million) are invested in Swiss francs and CHF 51.0 million (CHF 27.3 million) in foreign currencies.

2. OTHER CURRENT RECEIVABLES FROM SUBSIDIARIES AND THIRD PARTIES CHF 1,261.2 MN (CHF 451.3 MN)

Receivables consist of short-term loans to subsidiaries in the amount of CHF 1,233.8 million (CHF 402.2 million). Efforts made to simplify the group structure led to an increase in short-term loans to subsidiaries.

In addition Sika AG has receivables of CHF 24.5 million (CHF 46.2 million) from Sika subsidiaries and receivables from third parties in the amount of CHF 2.9 million (CHF 2.9 million).

3. INVESTMENTS CHF 1,285.6 MN (CHF 2,109.1 MN)

The change in shareholdings is essentially attributable to the acquisition of new subsidiaries, foundation of subsidiaries, capital increases and to the simplification of the group structure. Furthermore, the investments were impaired in the amount of CHF 163.1 million, due to the first adaption of the new Law on Accounting and Financial Reporting. As a result the existing general provision in the amount of CHF 165.3 million was utilized.

Major participations are indicated on the list of group companies beginning on page 126 of the download version of this report.

4. INTANGIBLE ASSETS CHF 14.5 MN (CHF 19.8 MN)

The intangible assets exclusively contain trademarks.

5. OTHER NON-CURRENT ASSETS CHF 8.8 MN (CHF 5.6 MN)

The other non-current assets contain the discounts and issue costs for bonds as well as non-current receivables from subsidiaries.

6. ACCOUNTS PAYABLE TO SUBSIDIARIES AND THIRD PARTIES CHF 13.0 MN (CHF 3.7 MN)

The total includes liabilities to subsidiaries in the amount of CHF 10.4 million (CHF 3.0 million) and liabilities to third parties in the amount of CHF 2.6 million (CHF 0.7 million).

7. INTEREST-BEARING LIABILITIES CHF 401.0 MN CURRENT/CHF 700.0 MN NON-CURRENT (CHF 192.8 MN/ CHF 950.0 MN)

The current interest-bearing liabilities include loans to subsidiaries in the amount of CHF 151.0 million (CHF 192.8 million), resulting from the worldwide cash management concept.

This position also includes the following current bond:

2.875%	fixed-interest bond	2006 to 3/23/2016	CHF 250.0 MN
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The following bonds are disclosed in the non-current interest-bearing liabilities:

1.000%	fixed-interest bond	2012 to 7/12/2018	CHF 150.0 MN
1.125%	fixed-interest bond	2013 to 11/14/2019	CHF 200.0 MN
1.750%	fixed-interest bond	2012 to 7/12/2022	CHF 150.0 MN
1.875%	fixed-interest bond	2013 to 11/14/2023	CHF 200.0 MN

8. ACCRUED EXPENSES AND DEFERRED INCOME CHF 19.8 MN (CHF 18.2 MN)

Accrued expenses and deferred income include pro rata interest, employee-related accruals as well as other accrued expenses.

9. OTHER NON-CURRENT LIABILITIES CHF 3.1 MN (CHF 3.6 MN)

The other non-current liabilities contain the premium, less issue costs of the bonds in the amount of CHF 2.7 million (CHF 3.2 million).

10. PROVISIONS CHF 0.3 MN CURRENT/CHF 2.3 MN NON-CURRENT (CHF 3.2 MN/CHF 170.2 MN)

The current provisions contain liabilities concerning forward contracts in the amount of CHF 0.3 million. In the prior year this position included conditional purchase price obligations in the amount of CHF 3.2 million.

The non-current provisions contain accruals for long-term employee retention and bonus programs as well as jubilee payments. In the prior year this position contained a general provision for risks related to participations and credits in the amount of CHF 165.3 million.

11. TREASURY SHARES CHF -0.9 MN (CHF -10.5 MN)

Treasury shares are appropriated for Group-wide share-based payment plans and used to invest liquid assets. The shares are traded at market price; in 2015 the average trading price was CHF 3,235.

in CHF mn	Units	Bearer shares nominal value CHF 0.60
At January 1, 2014	6,519	13.7
Reductions	-9,671	-27.2
Additions	7,413	24.3
Valuation adjustment		-0.3
At December 31, 2014	4,261	10.5
At January 1, 2015	4,261	10.5
Reductions	-9,837	-28.9
Additions	5,919	19.0
Valuation adjustment		0.3
At December 31, 2015	343	0.9

12. SHAREHOLDERS' EQUITY CHF 1,995.3 MN (CHF 1,836.7 MN)

The shareholders' equity exceeds prior year's level. The ratio of shareholders' equity to balance sheet total increased from 57.8% to 63.6%.

in CHF mn	Capital stock	Legal capital reserves ¹	Retained earnings ²	Treasury shares	Share- holders' equity
January 1, 2014	1.5	56.5	1,675.1	-13.7	1,719.4
Dividend payment			-144.6		-144.6
Transactions with treasury shares				3.2	3.2
Net profit for the year			258.7		258.7
December 31, 2014	1.5	56.5	1,789.2	-10.5	1,836.7
January 1, 2015	1.5	56.5	1,789.2	-10.5	1,836.7
Dividend payment			-182.8		-182.8
Transactions with treasury shares				9.6	9.6
Net profit for the year			331.8		331.8
December 31, 2015	1.5	56.5	1,938.2	-0.9	1,995.3

1 Thereof CHF 0.3 mn capital contribution reserves.

2 Retained earnings: legal retained earnings, voluntary retained earnings, and profit brought forward.

The capital stock remains unchanged. Net profit for the year reflects the regular business activities. The increase was mainly due to increased income from subsidiaries. A dividend of CHF 182.8 million was distributed to shareholders in April 2014.

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 shares¹ nominal value CHF 0.60	Registered shares nominal value CHF 0.10	Total¹
12/31/2014 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107
12/31/2015 (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.

13. DIVIDEND INCOME CHF 314.1 MN (CHF 266.9 MN)

Dividends from subsidiaries are recognized in this position.

14. FINANCIAL INCOME CHF 32.3MN (CHF 30.9 MN)

Financial income includes interest income and gains from foreign exchange transactions.

15. TRADEMARK LICENSES INCOME CHF 64.2 MN (CHF 65.0 MN)

Sika AG receives license fees for the use of trademarks from subsidiaries.

16. OTHER INCOME CHF 35.4 MN (CHF 29.3 MN)

Other income mainly includes the compensation from Sika Finanz AG of CHF 12.4 million (CHF 11.8 million) for the OECD transfer pricing risks which are covered by Sika AG as well as other valuation adjustments and other income.

17. FINANCIAL EXPENSES CHF 48.4 MN (CHF 45.4 MN)

Financial expenses mainly include the interest costs on bonds as well as foreign currency losses on loans to group companies.

18. OTHER OPERATING EXPENSES CHF 39.8 MN (CHF 21.3 MN)

This position includes the holding company's general expenses. The increase of the operating expenses are mainly attributable to higher legal- and consulting fees, higher costs related to management training, increased marketing expenses, and additional costs in connection with the extraordinary shareholders' meeting.

19. EXTRAORDINARY, NON-RECURRING OR PRIOR PERIOD INCOME CHF 2.2 MN (CHF 0.5 MN)

The income mainly derives from the reversal of the general provision for risks related to participations less the impairment on investments. In the prior year the reversal of the provision for credit risks was disclosed.

OTHER INFORMATION

FULL-TIME EQUIVALENTS

The annual average number of full-time equivalents for the reporting year is 41 employees (40 employees).

CONTINGENT LIABILITIES

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

in CHF mn	2014	2015
Letters of guarantee		
Issued	109.3	102.5
Used	0.0	0.0
Letters of comfort		
Issued	2.6	4.7
Used	0.2	0.3
Credit lines to subsidiaries		
Issued	4.0	3.6
Used	0.1	0.0

NET RELEASE OF HIDDEN RESERVES

Investments were impaired by CHF 163.1 million due to the first adaption of the new Law on Accounting and Financial Reporting. The existing general provision (hidden reserves) in the amount of CHF 165.3 million was utilized. This results in a release of hidden reserves in the amount of CHF 101.5 million (CHF 0.0 million). Both transactions are disclosed as prior year income.

MAJOR SHAREHOLDERS

On December 31, 2015, the company had 50 (56) registered shareholders. Information regarding major shareholders can be found on page 124 of the download version of this report.

PARTICIPATIONS IN SIKA AG

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

	Number of shares	
	2014	2015
Board of Directors		
Paul Hälgi, Chairman	490	577
Urs F. Burkard ¹	770	67
Willi K. Leimer	52	67
Monika Ribar	74	89
Daniel J. Sauter	2,052	2,067
Ulrich W. Suter	52	67
Christoph Tobler	252	267
Frits van Dijk	77	92
Jürgen Tinggren	84	99
Group Management		
Jan Jenisch, CEO	1,400	1,350
Silvio Ponti, deputy CEO	1,309	1,237
Christoph Ganz	374	404
Thomas Hasler	153	197
Ernesto Schümperli	695	860
Paul Schuler	861	621
José Luis Vásquez	1,103	1,006
Heinz Gisel	287	357
Adrian Widmer	123	173
Total	10,208	9,597

1 Urs F. Burkard also has an interest in Schenker-Winkler Holding, which holds 2,330,853 registered shares and according to information provided by the Burkard-Schenker family 42,634 bearer shares in Sika AG.

In connection with share-based compensation plans the following number of shares were allocated. The shares are granted at the average market price of the first five trading days of April of the subsequent business year. In the year under review the average market price was CHF 3,603 (CHF 3,414).

in CHF thousands	2014		2015	
	Units	Nominal	Units	Nominal
Board of Directors	322	1,120.2	207	748.9
Group Management	605	2,051.6	451	1,621.0
Employees	277	938.8	289	1,041.7
Total	1,204	4,110.6	947	3,411.6

PROPOSED APPROPRIATION OF PROFIT BROUGHT FORWARD

THE BOARD OF DIRECTORS PROPOSES TO THE ANNUAL GENERAL MEETING THE FOLLOWING APPROPRIATION OF PROFIT BROUGHT FORWARD:

in CHF mn	2014	2015
Composition of the profit brought forward		
Net profit for the year	258.7	331.8
Results carried forward from prior year	1,404.8	1,480.7
Profit brought forward	1,663.5	1,812.5
Dividend payment		
Dividend payment out of the profit brought forward ¹	182.8	198.1
Results carried forward	1,480.7	1,614.4

1 Dividend payment for shares entitled to dividends (without treasury shares as per December 31, 2015).

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	2014	2015
Bearer share¹ nominal value CHF 0.60		
Gross dividend	72.00	78.00
35% withholding tax on gross dividend	25.20	27.30
Net dividend	46.80	50.70
Registered share nominal value CHF 0.10		
Gross dividend	12.00	13.00
35% withholding tax on gross dividend	4.20	4.55
Net dividend	7.80	8.45

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 Monday, April 18, 2016, upon presentation of coupon no. 26 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 12, 2016.

Baar, February 24, 2016

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 136 to 145 of the download version of this report) for the year ended December 31, 2015.

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, 2015 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 the profit brought forward complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, February 24, 2016

ERNST & YOUNG LTD



CHRISTOPH MICHEL
Licensed audit expert
(Auditor in charge)



DANIELLE MATTER
Licensed audit expert

FINANCIAL CALENDAR

SALES FIRST QUARTER 2016	Tuesday, April 12, 2016
48TH ANNUAL GENERAL MEETING	Tuesday, April 12, 2016
DIVIDEND PAYMENT	Monday, April 18, 2016
HALF-YEAR REPORT 2016	Friday, July 29, 2016
RESULT FIRST NINE MONTHS 2016	Thursday, October 27, 2016
NET SALES 2016	Tuesday, January 10, 2017
MEDIA CONFERENCE / ANALYST PRESENTATION FULL-YEAR RESULTS 2016	Friday, February 24, 2017

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