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Sika with worldwide growth and solid income

In the first three quarters of 2008 Sika boosted sales in all regions and gained 9.5% overall in local currencies. Operating profit before depreciation (EBITDA) did not quite reach the record level of the previous year period, but the EBITDA margin of 13.7% could be maintained nonetheless despite strongly rising raw material costs.

Sales growth

In the first three quarters of 2008 Sika achieved net sales of CHF 3.543 billion. The rate of growth in local currencies amounted to 9.5%, including an acquisition effect of 1.1%. The translational currency effect was negative at -5.8%. Net sales in Swiss francs thereby lay 3.7% above the period of the previous year.

Earnings development

Despite massive increases in raw material prices, Sika maintained its EBITDA and EBIT margins at the level of its half-year result (see the comparative table below).

in CHF million	in % of net sales	6 months 2008	in % of net sales	9 months 2008
Net sales	100	2'262	100	3'543
Material expenses/subcontracting	-45.7	-1'033	-47.0	-1'666
Gross result	54.3	1'229	53.0	1'877
Operating costs	-40.6	-918	-39.3	-1'392
EBITDA	13.7	311	13.7	485
Depreciation/amortization	-2.7	-60	-2.6	-93
EBIT	11.1	251	11.1	392

The price increases for raw materials notwithstanding, the company would have exceeded its EBITDA for the third quarter of the previous year in absolute terms. Sika assumes that the apex for raw material prices has passed, as indicated by clearly declining crude oil prices and poorer economic conditions. Personnel and other operating costs could be held in the third quarter at the same level as in the previous year period although Sika invested strongly in management and service structure in growth markets.



Depreciation and amortization were slightly below the level of the same period in the previous year. Operating profit (EBIT) amounted to CHF 392.4 million, or 11.1% of net sales.

Interest expenses, interest income and financial income remained nearly unchanged, while the influence of currencies on financial expenses rose slightly. The income tax rate of 29.6% fell one percentage point below the level of the previous year. Consolidated net profit amounted to CHF 258.3 million, corresponding to 7.3% of net sales.

Regions

Sales grew in all regions in local currencies during the reporting period. At 31.2%, growth in the region IMEA (India, Middle East, Africa) was again particularly strong, followed by Latin America with 25.3%. Growth in the Asia/Pacific region amounted to 11.9% in local currencies. In North America Sika achieved sales growth of 8.6% despite the negative developments in the construction and automotive industries. In Europe North Sika grew by 7.2%, and by 3.3% in Europe South.

Divisions

Demand in Sika's significant markets of infrastructure and industrial construction remained high. The Construction Division thus grew 10.8% in local currencies in spite of distinct market slumps in various countries such as USA, England, Ireland, Spain, Japan and New Zealand. The Industry Division on the other hand grew less strongly at 5.0%, attributable to weakness in the automotive industry.

Outlook

The full effects of the financial crisis for the real economy are not yet foreseeable. Sika's midterm target for organic growth nevertheless remains unchanged at 8% - 10% per year. The company also upholds its midterm EBITDA-margin target of 12% - 14%. An anticipated weakening of various markets worldwide could result in below average growth in 2009.



Consolidated Income Statement from January 1 till September 30, 2008 (not audited)

	in % of net sales	1/1 till 9/30/2007	in % of net sales	1/1 till 9/30/2008	Changes in %
in CHF mn					
Consolidated net sales	100.0%	3'415.9	100.0%	3'543.1	3.7%
Other operating income	0.2%	5.2	0.2%	7.3	
Changes in inventory	0.1%	2.4	0.9%	30.3	
Operating revenue	100.2%	3'423.5	101.1%	3'580.7	4.6%
Material expenses	-46.8%	-1'597.1	-48.1%	-1'704.2	
Gross result	53.5%	1'826.4	53.0%	1'876.5	2.7%
Personnel expenses*	-20.1%	-688.1	-20.4%	-722.2	
Other operating expenses	-18.4%	-628.9	-18.9%	-669.4	
Operating profit before depreciation (EBITDA)	14.9%	509.4	13.7%	484.9	-4.8%
Depreciation	-2.2%	-75.1	-2.1%	-73.9	
Amortization	-0.6%	-20.1	-0.5%	-18.6	
Impairment	0.0%	0.0	0.0%	0.0	
Operating profit (EBIT)	12.1%	414.2	11.1%	392.4	-5.3%
Interest income	0.1%	5.0	0.1%	4.0	
Interest expense	-0.6%	-18.9	-0.5%	-18.1	
Other financial income	0.1%	1.9	0.1%	2.3	
Other financial expenses	-0.4%	-13.3	-0.5%	-16.1	
Income from associated companies	0.1%	2.0	0.1%	2.2	
Consolidated net profit before taxes	11.4%	390.9	10.3%	366.7	-6.2%
Income taxes*	-3.5%	-119.5	-3.1%	-108.4	
Consolidated net profit	7.9%	271.4	7.3%	258.3	-4.8%
Profit attributable to Sika shareholders	7.9%	271.0	7.3%	257.5	
Minority interests	0.0%	0.4	0.0%	0.8	

*Restatement of prior year figures due to application of IFRIC 14 (see half year report 2008, note 6)



Segment information Sika Group Consolidated net sales for the first nine month

	1/1 till 9/30/2007	1/1 till 9/30/2008	Year-on-year change (+/- in %)		
in CHF mn					
			in Swiss francs	in local currencies	Currency effect
By region					
Europe North	1'281	1'359	6.1%	7.2%	-1.1%
Europe South	830	820	-1.1%	3.3%	-4.4%
IMEA ¹	165	195	18.2%	31.2%	-13.0%
North America	519	492	-5.3%	8.6%	-13.9%
Latin America	275	321	16.8%	25.3%	-8.5%
Asia/Pacific	346	356	2.8%	11.9%	-9.1%
Consolidated net sales	3'416	3'543	3.7%	9.5%	-5.8%
By operating division					
Construction	2'681	2'811	4.9%	10.8%	-5.9%
Industry	735	732	-0.4%	5.0%	-5.4%
Consolidated net sales	3'416	3'543	3.7%	9.5%	-5.8%

¹ India, Middle East, Africa (IMEA). Regional reporting for IMEA has been established on January 1, 2007.

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Sika AG – a corporate profile

Sika AG, located in Baar, Switzerland, is a global specialty chemicals company supplying construction markets and manufacturing industries (automotive, commercial vehicle, building component manufacturing). Sika is a leader in processing materials used in sealing, bonding, damping, reinforcing and protecting load-bearing structures.

Sika's product lines feature high-quality concrete admixtures, specialty mortars, sealants and adhesives, damping and reinforcing materials, structural strengthening systems, industrial flooring as well as roofing and waterproofing systems. Subsidiaries in more than 70 countries worldwide and approximately 11'700 employees link customers to Sika and guarantee the success of all our business relationships. Striving to deliver added value to all stakeholders, Sika generates annual sales of CHF 4.6 billion. Visit our website at www.sika.com.

