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Robust growth – net sales at CHF 4 556 million, net profit at CHF 215 million

In the 2011 business year, Sika increased sales by 15.5% in local currencies. Owing to the huge rise in prices of raw materials, gross profit declined to CHF 2 304.6 million (previous year: CHF 2 384.9 million), which corresponds to a gross margin of 50.6%. Operating profit fell to CHF 347.1 million (previous year: CHF 439.2 million). Sika is confident that in the 2012 business year it will generate continued growth and improve margins.

Growth in all regions

In the 2011 business year, Sika lifted sales by 15.5% in local currencies. This figure includes an acquisition effect of 3.9%. Due to the negative exchange rate effects (- 12.3%), sales in Swiss francs were only 3.2% up year-on-year, from CHF 4 416.0 million to CHF 4 556.4 million.

Sika expanded in all regions and witnessed strong growth in the emerging markets of Asia/Pacific and Latin America. Sika also increased sales in the Region North America, gaining additional share in a fiercely competitive market. Europe North reported double-digit growth due to a mild winter and strong sales in Germany, Poland and Russia, while Europe South was able to maintain growth in the single-digit range on the back of the markets in France and Great Britain. Broken down by region, Sika expanded as follows in 2011 in local currencies: Europe North + 11.3%, Europe South + 4.2%, North America +21.5%, Latin America +21.0%, IMEA (India, Middle East, Africa) + 12.9%, Asia/Pacific +28.1%. Growth in North America and Asia/Pacific was significantly boosted by acquisitions, which accounted for 5.1% and 14.0% respectively.

Acquisitions

In 2011 Sika acquired eight firms. Together these companies generated annual sales of about CHF 233.6 million in 2011. Sika usually targets companies for acquisition which provide it with better market access or which possess technologies that are easy to market through Sika's global sales network.

In the year under review Sika generated 36% of its sales in emerging markets. Sika increased sales of products for the building and construction industry by 16.3% in local currencies, with an acquisition effect of 4.2%. Sales of products for industrial manufacturing increased 12.1% in local currencies, including an acquisition effect of 2.3%.



2011 alone the impact of exchange rate developments in the Swiss franc cost Sika around CHF 545 million in sales (- 12.3%). This corresponds almost exclusively to conversion effects. The Groups decentralized organization and the fact that as a rule purchasing, production, and sales occur in the same currency area provide a natural exchange rate hedge.

Profit development

2011 material prices rose once again. As these can be passed on through sales prices only with a time lag, gross margins remained under pressure. Thus, gross profit declined to CHF 2 304.6 million (previous year: CHF 2 384.9 million), which corresponds to a gross margin of 50.6% (previous year: 54.0%). Accordingly, operating profit fell to CHF 347.1 million (previous year: CHF 439.2 million), which resulted in an operating profit margin of 7.6% (previous year: 9.9%). Further efficiency improvements had a favorable effect of 0.8 percentage points on the items personnel expenses and other operating expenses, which partially mitigated the impact of high raw material prices.

At CHF 214.8 million, net profit was down 30.8% on the previous year (CHF 310.6 million). Furthermore, exchange rate effects had a negative impact of about CHF 35 million owing to the fact that headquarter costs are incurred in Switzerland.

Investments, liquidity and balance sheet

Sika's unchanged investment strategy is geared to further consolidating the global presence it has established in recent years, developing new markets, and expanding existing activities. To support growth in the year under review, Sika expanded its investment volume year-on-year to CHF 117.1 million (2010: CHF 99.9 million).

Primarily due to foreign exchange effects, net working capital as percentage of net sales increased from 18.2% (previous year) to 19.9%. Operating free cash flow of CHF 186.1 million in the year under review (previous year: CHF 332.2 million) coupled with higher acquisition activity resulted in lower cash and cash equivalents of CHF 536.0 million as of the end of the year (previous year: CHF 938.4 million). As a consequence, net debt rose to CHF 338.7 million, whereby a bond to the amount of CHF 275 million was repaid at the end of October and, in view of Sika's solid cash position, was not renewed.

Proposals of the Board of Directors

The Board of Directors proposes to the Annual General Meeting payment of an unchanged gross dividend of CHF 45.00 per bearer share and CHF 7.50 per registered share. The payment is divided into an ordinary gross dividend of CHF 24.00 per bearer share and CHF 4.00 per registered share that is subject to withholding tax and, in keeping with the capital contribution principle that Sika applies, a payment of CHF 21.00 per bearer share and CHF 3.50 per registered share that is not subject to withholding tax and for natural persons resident in Switzerland not subject to income tax either. The proposal is an expression of



Sika's solid balance sheet and the consistency of its dividend payout policy.

Furthermore, it is recommended to the Annual General Meeting to re-elect current Board members Paul Hälg, Daniel J. Sauter, and Ulrich W. Suter and to newly elect Frits van Dijk, former Executive Vice President and Member of Executive Board of Nestlé responsible for Asia, Oceania, Africa and Middle East. Thanks to his experience in business with emerging markets, in the rollout of new products and in the management of a major conglomerate, Dutch national Frits van Dijk (born 1947) is ideally equipped for his future role on Sika's Board of Directors. Fritz Studer is not standing for re-election.

As previously announced, after the Annual General Meeting in April Walter Gruebler will be stepping down after about 15 years of service to the Sika Group. His successor, Paul Hälg, unites in his person the necessary specialized market and technological knowledge and experience.

Outlook

Sika is cautiously optimistic about 2012. Developments in Europe are still overshadowed by uncertainty. Sika will counter this uncertainty with an enhanced focus on customers and, where necessary, strict cost controls. The economy in North America has stabilized at a low level; Sika forecasts renewed growth driven by infrastructure and refurbishment contracts. The emerging markets, with isolated exceptions, will continue to grow rapidly. In addition, the significance of the Asian markets continues to rise; their potential for structural growth has not been exhausted by a long way.

Toward the end of 2011 the upward trend in raw material prices started to tail off. Moreover, Sika's price increases started to bear fruit in the second half of 2011. These two factors will positively impact the company's operating profit margin in 2012. Sika will continue to consistently pursue its acquisition strategy in 2012 by focusing on expanding market access and acquiring special technologies which can be globally marketed through its network.

Sika affirms that its medium-term growth targets remain unchanged in 2012. These envisage an increase in sales in local currencies of between 8 and 10% annually with an EBITDA margin of between 12 and 14%. Sika seeks to gain market share in its key sales markets, with the longer-term goal of becoming the market leader in all target markets.



Key figures 2011

in CHF mn	as % of net sales	2010	as % of net sales	2011	Δ in %
Net sales		4'416.0		4556.4	3.2
Gross result	54.0	2'384.9	50.6	2'304.6	-3.4
Depreciation/amortization/ Impairment	-3.1	-137.5	-2.9	-130.3	
Operation profit before depreciation (EBITDA)	13.1	576.7	10.5	477.4	-17.2
Operating profit (EBIT)	9.9	439.2	7.6	347.1	-21.0
Net profit	7.0	310.6	4.7	214.8	-30.8
Net profit per share (EPS) in CHF		124.48		85.06	-31.7
Cash flow from operating activities	9.6	424.8	6.6	299.3	-29.5
Operating free cash flow	7.5	332.2	4.1	186.1	-44.0
Balance sheet total		3'940.8		3'830.4	-2.8
Shareholders' equity		1'759.6		1'839.1	4.5
Equity ratio in %		44.7		48.0	
NWC	18.2	803	19.9	906	13.0
ROCE in %		21.3		15.6	
Number of employees		13'482		15'254	13.1

The Annual Report and the presentation held at the media conference and analyst meeting covering business in 2011 can be retrieved at www.sika.com.

Link Annual Report:

<http://www.annualreport.sika.com>

Link Presentation/Follow the conference online:

<http://www.sika.com/en/group/investors/presentations.html>

Sika AG Corporate Profile

Sika AG, located in Baar, Switzerland, is a globally active specialty chemicals company. Sika supplies the building and construction industry as well as manufacturing industries (automotive, bus, truck, rail, alternative energies, building components). 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. Worldwide local presence in 76 countries and some 15,300 employees link customers directly to Sika and guarantee the success of all partners. Sika generates annual sales of CHF 4.556 billion. Visit our website at www.sika.com.

