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Sika Group 2008 half-year results

Positive growth clouded by currency adjustments

In the first half of 2008 sales in local currencies grew by 9.5%. This growth rate reflects a gain in organic growth of 8.9% and an acquisition effect of 0.6%. Negative currency effects of -5.9% reduced this growth to +3.6%. In absolute terms sales grew from CHF 2 182.7 mn to CHF 2 262.1 mn. The result was on a par with the previous year.

Sika has expanded in all regions. As in the previous year, the best results were achieved in the regions IMEA (India, Middle East, Africa: +33%) and Latin America (+25%). Sales in the remaining emerging markets in Eastern Europe and Asia also grew by more than 20%. The markets in the USA, Spain, the UK and Ireland displayed significant market-related declines in individual segments. Order intake in Spain and Ireland fell below the previous year's level, which has already led to cost adjustments. In the Industry Division, the slump in the US automotive industry was primarily responsible for the relatively modest local currency growth of +7.0%. The overall local currency growth of 10.2% in the Construction Division was relatively balanced across the customer groups.

Although material costs slightly increased during the period under review, the gross result as a percentage of net sales improved from 53.9% to 54.3%. In terms of income, Sika companies proceeded to further implement the focused growth strategy, meaning income rose more than costs in most countries. In contrast, Sika recorded some cost increases attributable to strong growth in recent years and to investments for the future: New management and service structures in the regions and additional research units were installed last year, and their full effect is only starting to be felt in 2008; ramp-up costs for the new adhesive plant in Düringen, Switzerland are exerting their full effect but have not yet generated the corresponding income; project costs for the new SAP platform impact financial results for the first time in 2008. In addition, extraordinary income from property gains was slightly lower than in 2007, which is why results are approximately on a par with the previous year at all levels.

Divisions

Net sales of Sika's Construction Division rose from CHF 1 692 million to CHF 1 765 million against the first half of 2007. The 4.2% growth rate reflects an organic growth – expressed in local currencies – of 9.5%, an acquisition effect of 0.7%, and a currency effect of -6.0%. Crucial success factors were newly acquired major projects, the volume strategy in selected markets and activities, and the "Roof to Floor" strategy. Furthermore, worldwide demand was very high for new technologies based on Sika® ViscoCrete® and Sikaflex® AT. Operating



profit before depreciation (EBITDA) amounted to CHF 253.8 million, an increase of 5.1% against the corresponding period in the preceding year. The EBITDA margin of 14.4% was 0.1 percentage points higher than the previous year (14.3%).

Net sales of Sika's Industry Division rose from CHF 490 million to CHF 497 million against the first half of 2007. The 1.4% growth rate reflects an organic growth – expressed in local currencies – of 7.0% and a currency effect of -5.6%. Transportation industry markets as well as the appliances and equipment, building components segment headed the advance. The markets for car and commercial vehicle manufacturers have developed differently at a regional level. While production figures in Europe and Asia continued to rise, production in the USA fell drastically. Thanks to its broad-based product portfolio and global presence, Sika was able to successfully assert itself in this environment, and considerably improve its position primarily in emerging markets. Furthermore, Sika benefited from strong demand for alternative power generation systems, where sealants and adhesives are also used. Operating profit before depreciation (EBITDA) of CHF 81.9 million was 4.2% higher than in the corresponding year-ago period. At 16.5%, the EBITDA margin was 0.5 percentage points above the previous year's level (16.0%).

Acquisitions

During the period under review, Sika acquired various companies or parts of companies in line with its growth strategy. By acquiring Tricosal GmbH, Sika has not only gained one of the leading companies in the area of waterproofing systems for buildings and civil engineering structures in Germany, but also a new technology that can be used to further expand Sika's own portfolio in this area. In the USA, the polymer-based industrial flooring businesses of both The Valspar Corporation and ICS Garland, Inc were acquired, enabling Sika to considerably expand its market presence. The fourth acquisition in the first half of 2008 was a majority holding in Sichuan Keshuai Additive Co., Ltd. located near Chengdu in the province of Sichuan. The company has access to a comprehensive distribution network in Western China.

Investments

In the first six months of 2008, Sika completed and opened two new buildings. The new Sika Technology Center was opened in Zurich. Around 180 research and development employees are now housed in this new building. The investment of around CHF 40 million made in structural expansion and innovation will prove instrumental for success and growth in the coming years. Sika also opened a new manufacturing facility in Switzerland for Sikaflex® polyurethane adhesives. Over CHF 100 million were invested in this major project in Düringen in the Canton of Fribourg. Sika is creating around 150 new jobs on the 40 000 m² factory surface. The new facility in Düringen will supply polyurethane adhesives for the entire European market.

Outlook

The markets are currently turbulent and uneven, making forecasts considerably more difficult. Key areas in IMEA, Asia, Latin America and Eastern Europe are booming, whereas the markets in the USA and parts of the region Europe South are showing clear signs of cooling off. Sika precisely monitors all markets broken down into customer groups. Furthermore, the



company endeavors to not only actively use market potential but also make rapid adjustments to structures in case negative changes occur on the markets. For the full year we predict a currency-adjusted sales increase in the lower end of our target range of 8 to 10%.

We anticipate a substantial rise in raw material costs in the second half of 2008, which we will only be able to pass on to customers with a certain time-lag.

In the absence of further changes in the economic environment and currencies, we expect EBIT and consolidated net profit to be roughly on a par with the previous year.

in CHF mn	6/30/2006	6/30/2007	6/30/2008	Change in %
Sika Group				
Consolidated net sales	1831.1	2182.7	2262.1	3.6
Operating profit before depreciation (EBITDA)	239.5	312.5	310.7	-0.6
Depreciation, amortization and impairment	-70.2	-63.2	-60.2	-4.7
Operating profit (EBIT)	169.3	249.3	250.5	0.5
Consolidated net profit after taxes	101.7	161.8	162.6	0.5
Consolidated earnings per share (EPS) in CHF ^{1,3}	39.6	63.5	65.0	2.4
Cash flow from operating activities	5.5	-58.9	2.0	103.4
Free cash flow	-65.8	-118.2	-114.6	3.0
Operating free cash flow	-46.5	-117.1	-65.1	44.4
Balance sheet total	2779.1	3258.3	3348.3	2.8
Shareholders' equity	1173.7	1383.6	1425.5	3.0
Equity ratio in % ²	42.2	42.5	42.6	0.3
Return on capital employed ⁴ (ROCE) in %	18.1	21.9	23.0	5.0

1 Excluding minority interests

2 Shareholders' equity divided by balance sheet total

3 Restatement of prior year (2007) figures due to application of IFRIC 14

4 Capital employed=operating assets./.cash and cash equivalents./.non interest bearing short term liabilities

For details on Sika's performance during the first half of this year, please see the report on the first half of 2008. The report can be downloaded on www.sika.com. For a printed version please contact the address shown above.

Conference call: please refer to next page



Conference call today July 31, 2008 at 2:00 pm (CEST)

In connection to the publication of the half-year results a conference call will be held. Please dial in approx. 15 minutes before the start via the following phone numbers.

+41 (0) 91 610 56 00 **(Europe)**
+1 (1) 866 291 41 66 **(USA)**
+44 (0) 207 107 06 11 **(UK)**

The operator will then put you through to Ronald Trächsel (CFO) and Rainer Weihofen (IR).

The conference call will be recorded and will be available during 24 hours on the following phone numbers:

+41 (0) 91 612 43 30 **(Europe)**
+1 (1) 866 416 25 58 **(USA)**
+44 (0) 207 108 62 33 **(UK)**

Please give the code ID **12841** when requested, followed by the # sign.

Sika AG – a corporate profile

Sika AG, located in Baar, Switzerland, is a globally active company supplying the specialty chemicals markets. It is a leader in processing materials used in sealing, bonding, damping, reinforcing and protecting load-bearing structures in construction (buildings and infrastructure construction) and in industry (vehicle, building component and equipment production).

Sika's product lines feature high-quality concrete admixtures, specialty mortars, sealants and adhesives, damping and reinforcing materials, structural strengthening systems, industrial flooring and membranes. Subsidiaries in more than 71 countries worldwide and approximately 11,700 employees link customers directly to Sika and guarantee the success of all of its business relationships. With this business structure Sika generates annual sales of CHF 4.6 billion. Visit our website at www.sika.com.

