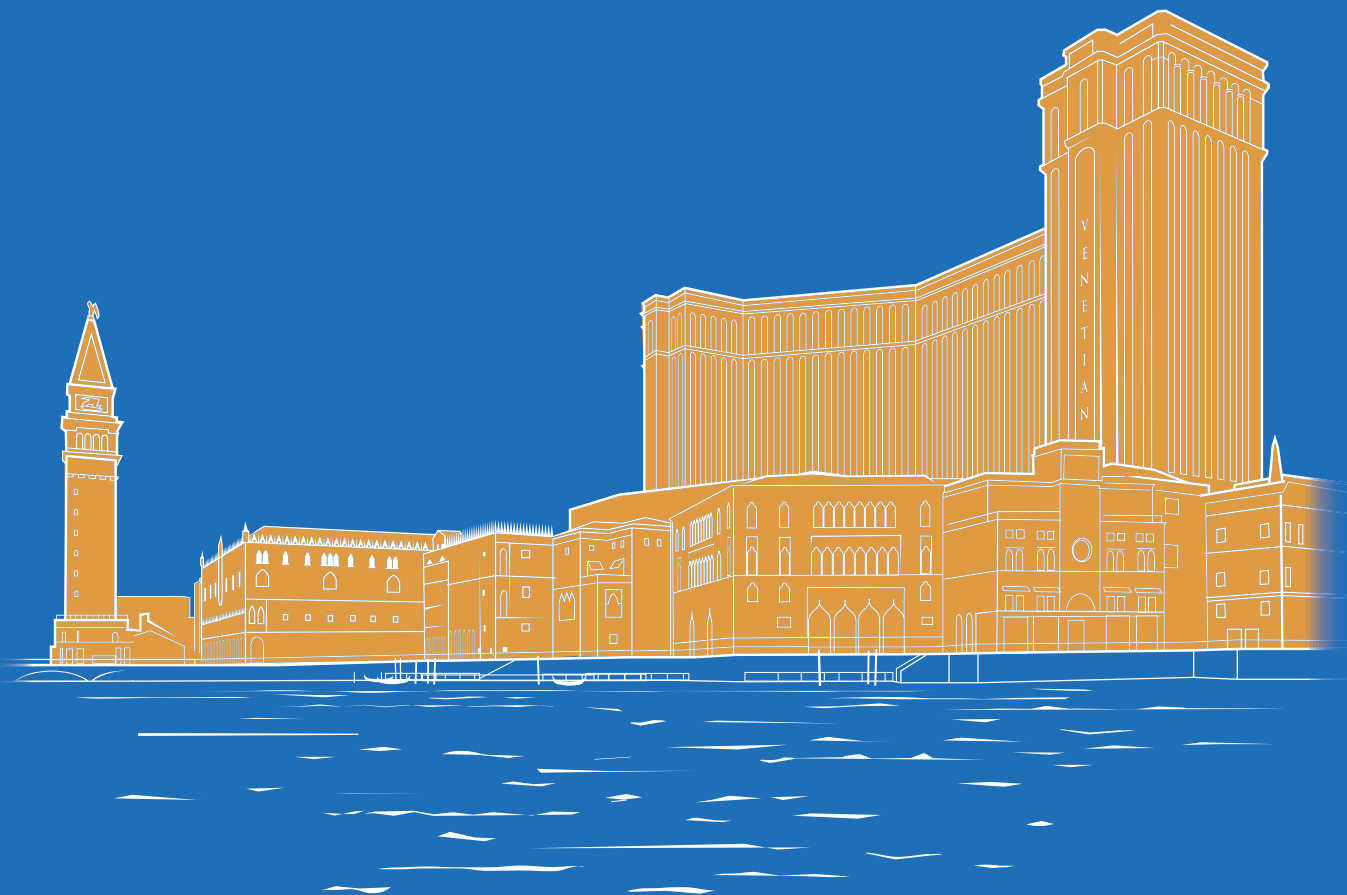




Annual Report 2007





A good opening hand. Las Vegas was yesterday. Today Macau prospers beyond its own dreams. With ever higher buildings, ever more dazzling casinos, increasingly grandiose worlds of experience. Since autumn a new landmark sparkles: The Venetian – the largest casino in the world. The gigantic casino costs USD 7 billion dollars, and will be complete by 2015. The project comprises 8 phases, of which the first one just opened. 10 000 employees will eventually cater to the guests' every care: on 54 000 m² of playing surface, in the sports stadium, congress centre, in 30 restaurants and 350 retail businesses, in cinemas and wellness areas. And of course: in the 3 000 suite hotel. Here one pilgrimages through the setting of an artificial Venice, steered through canals by gondoliers, wandering over bridges, past street performers to seat oneself in a café on the piazza. Just like in Venice.

From the foundation to the roof, the Sika concrete admixtures provide quality – creating conditions for optimal economic use of the property. The admixture Sika® ViscoCrete® stabilizes the concrete of which dreams are built – 350 000 m³ was supplied by Macau Concrete for the first construction phase. For the phases still under construction, concrete in excess of 2 million m³ will be used. Sika® ViscoCrete® is and will be used wherever high performance concrete is involved. The admixture makes thinner walls and smaller concrete joists possible and thereby optimizes the usable surface of the property. And Sika keeps guests' spirits afloat: parts of the hotel's own ferries to and from Hong Kong have been sealed with Sikaflex®.

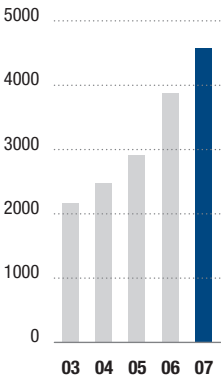
Key Data

in CHF mn	2006	as % of net sales	2007	as % of net sales
Sika Group				
Net sales consolidated	3 896		4 573	
Operating profit before depreciation (EBITDA)	515	13.2	640	14.0
Depreciation, amortization and impairment	-144	-3.7	-127	-2.8
Operating profit (EBIT)	371	9.5	513	11.2
Consolidated net profit after taxes	235	6.0	346	7.6
Consolidated earnings per share (EPS) in CHF ¹	91.4		137.1	
Cash flow from operating activities	316	8.1	363	7.9
Free cash flow	146	3.7	183	4.0
Operating free cash flow	191	4.9	191	4.2
Balance sheet total	3 064		3 311	
Shareholders' equity	1 274		1 472	
Equity-ratio in % ²	42		44	
ROCE in %	20		26	
Number of employees	11 309		11 723	
Net sales per employee in 1000 CHF ³	352		397	

¹ excluding minority interests
² Shareholders' equity divided by balance sheet total
³ calculated based on the annual average of number of employees

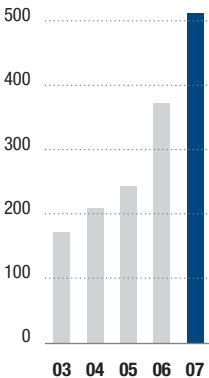
Net sales consolidated

in CHF mn



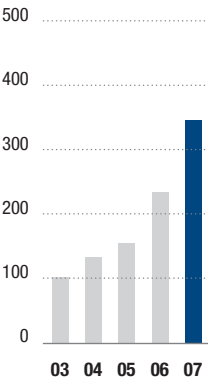
EBIT

in CHF mn



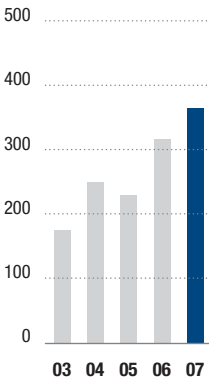
Consolidated net profit after taxes

in CHF mn



Cash flow from operating activities

in CHF mn



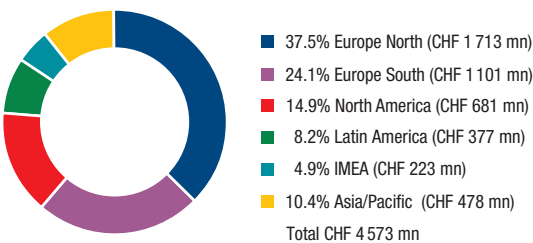
Sika Group. All key performance indicators increased substantially during the year under review. Consolidated net sales rose by 17.4% to CHF 4 573 million, while consolidated net profit rose by 47.6% to CHF 346.1 million.

Construction. The Construction Division gained market share worldwide and increased consolidated net sales by 18.4% to CHF 3 600 million.

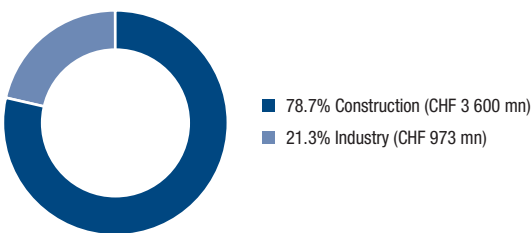
Industry. Demand for light and energy-efficient methods of construction is increasing continuously. The Industry Division profited from this and reported 13.9% higher consolidated net sales of CHF 973 million.

Outlook. The Group will grow at an average annual rate of eight to ten percent during the coming years.

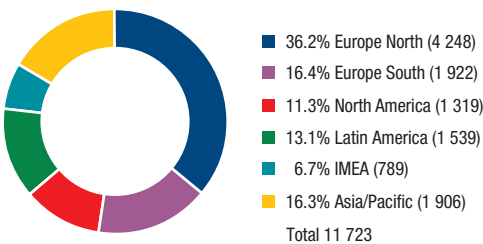
Net sales consolidated 2007 by region



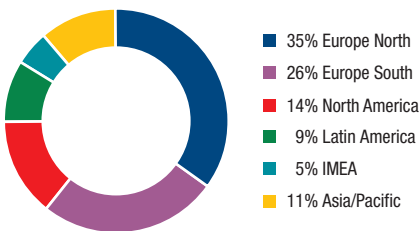
Net sales consolidated 2007 by division



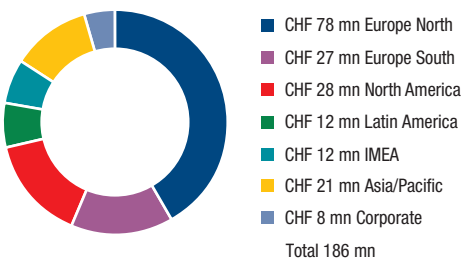
Number of employees 2007 by region



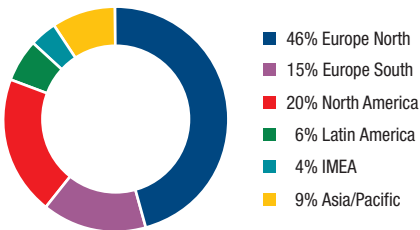
Construction Division
Net sales 2007 (consolidated)



Investments 2007 by region



Industry Division
Net sales 2007 (consolidated)



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Dr. Walter Gruebler, Chairman of the Board; Ernst Bärtschi, Chief Executive Officer

Strong profit growth

Although our strategy has enabled above average growth for years, developments in 2007 can still be characterized as extraordinary. Organic sales growth of 13%, once again considerably above the industry average, led to a remarkable increase in net profit of 48%, which so cannot be repeated year on year. It is evident that the benevolent economic climate in virtually all geographic regions and the exchange rate developments which were favorable for Sika have thereby contributed. This however does not suffice to explain the outstanding result. We succeeded on one hand in passing on increases in raw material prices to the market through raising our sales prices, and on the other in improving the efficiency of our organization, as can be seen for example in proportionally sinking personnel costs and net working capital. This increase in efficiency was possible because the Sika enterprise structure, employee focus and the supportive instruments continually were so adapted that the sought-after growth of our market share led to a profitable expansion of volume.

Focused growth

Sika has a very versatile product and solution portfolio that can be employed for various targeted customer groups according to market maturity. Without neglecting existing customers, Sika has concentrated

on promoting customer groups with great potential and on growing with them in a focused manner. In the last two years at Group level as well as in all regions and countries Sika has added four "Business Units" to the previous sales structure "Construction" and "Industry". These are oriented towards the various customer groups "Concrete," "Contractors," "Distribution" and "Industry." This has led to improved customer proximity. The supporting CRM tool (Customer Relationship Management) assists our sales personnel in customer care and in concentrating on customers who promise success. New pricing instruments facilitate the selection of main products and the setting of prices. Customer focus cannot be just a catchword, but must be filled with tangible content directly related to customer groups that is also perceived as such by customers.

Speed in research, development and market launch of new solutions

There is hardly a customer group which cannot be positively influenced through swift reaction with new products and system solutions. In this annual report, various customers from the "Concrete" segment who have been impressed with Sika solutions express themselves. Sika has substantially accelerated the market introduction process for new products through organizational measures, and has positioned a

series of new technologies in the market. In addition, through strengthened regionalization, local product adaptations can be more quickly carried out and local raw materials can be increasingly considered. This spring Sika is opening a new research center in Zurich offering space for 200 employees. The provision of new technologies is one thing – but increasing market share will only then be possible if Sika succeeds in explaining the customer benefit of our new products and solutions to concrete producers, contractors, distributors and industrial customers earlier and better than our competitors.

Speed and efficiency in the supply chain

The doubling of sales within four years was a massive challenge in some areas. In several production plants in Europe, during the last year alone, nearly 50% more roofing membranes could be delivered than in the previous year. The massive increase in production and logistical volume requires – at first in Europe and North America – new structures and processes. Without establishment of European coordination in a “Sika Supply Center” in Sarnen, Switzerland, coping with this enormous increase in volumes would not have been possible. Additionally, new manufacturing methods raise the capacity, process efficiency and the quality of our products. Sika still has great potential here, which will first be fully realized in the coming years.

Geographic market penetration

In some markets the improvement in result derived primarily from a substantially bettered market penetration. Page 15 of this Report presents how Sika USA consistently advanced market penetration in the area of concrete admixtures and today covers all economically relevant regions to their full extent. Decisive for success of these endeavors are customer-oriented products, the build-up of sufficient resources, above all in sales and logistics, focused sales personnel and a local management which keeps larger goals in sight with empathy and stamina.

Market maturity

Sika products are situated by majority in the uppermost technology sectors. In many markets – primarily in India and China – to some extent technologies are still in use that are no longer employed by Sika due to lacking technological efficiency or for environmental reasons. The education of customers and the desired higher recoverability of their investments as well as alterations in local construction and industry regulations are leading to increased use of higher-value technologies. Sika profits from such developments – especially in times of stagnation, when our customers are dependent on environmentally friendlier and more efficient solutions.

Outlook

Many of the aforementioned developments also hold true for 2008 – independently of the course of economies. Sika is convinced of growing eight to ten percent yearly on average in the coming years and of increasing our results again with mildly disproportional gain.

We expect possible critical developments – alongside the great uncertainty of the economic environment due to the financial crisis – in the appropriation of sufficiently qualified employees, particularly in the strong growth markets, as well as in the timely provision of infrastructure for production, logistics and electronic data processing.

Sika is active in global markets that are consolidating strongly, and will therefore evaluate all acquisition possibilities, purchasing companies conformant with our strategy at justifiable prices. We have the corresponding financial resources at our disposal.

Proposal by the Board of Directors

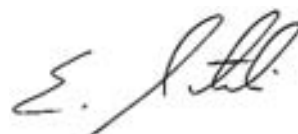
The Board of Directors proposes to the Annual General Meeting the payment of a gross dividend of CHF 45.00 (CHF 31.20) per bearer share, and respectively of CHF 7.50 (CHF 5.20) per registered share. The dividend increase correlates to the achieved increase in profit. The payout sum thereby amounts to CHF 114.3 million, representing roughly 33% of consolidated net profit.

The successes that Sika achieved in the business year 2007 are the result of close collaboration between customers, suppliers, partners, shareholders and our employees, whom we especially thank for their fully engaged efforts.

Sincerely,



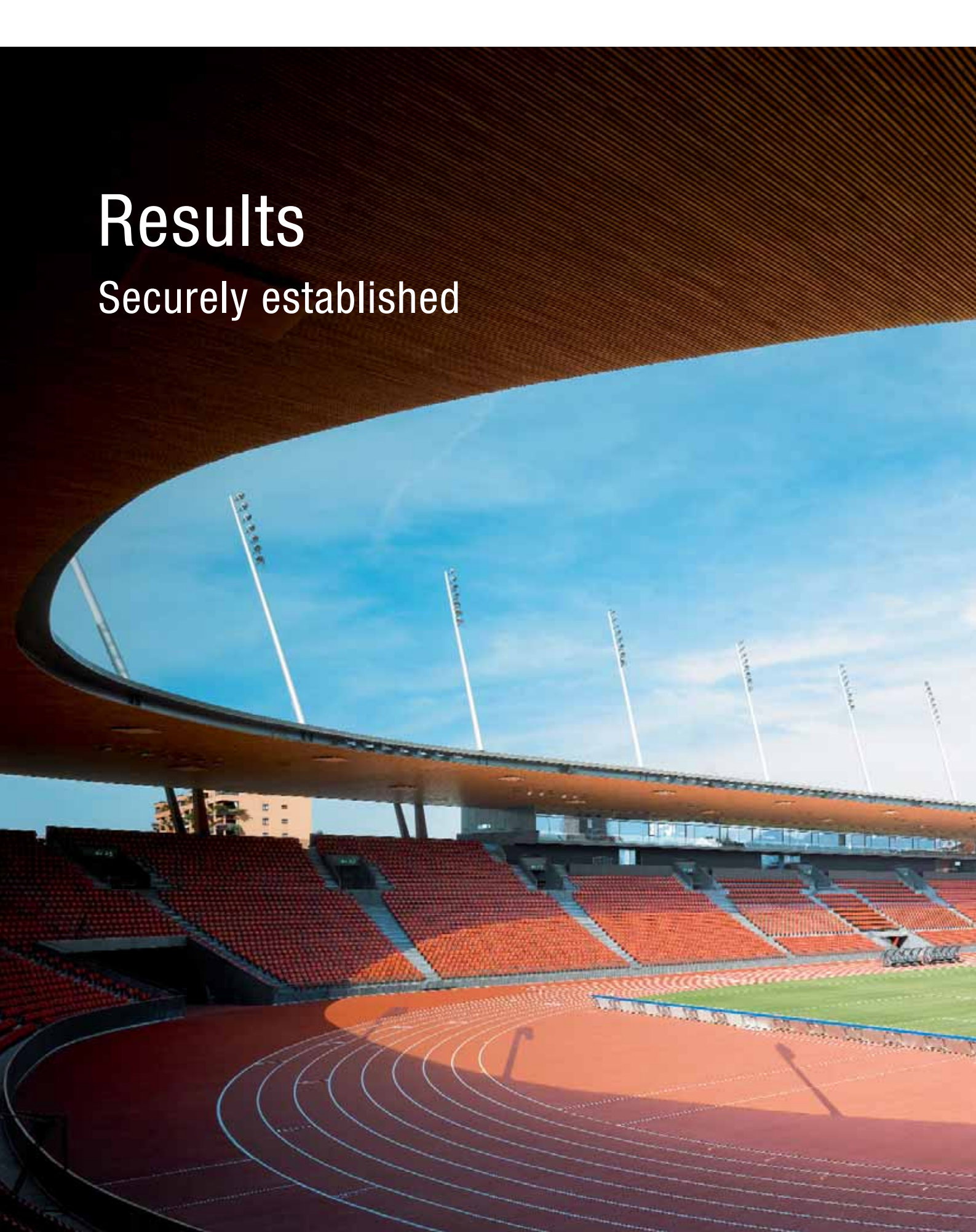
Dr. Walter Gruebler
Chairman of the Board

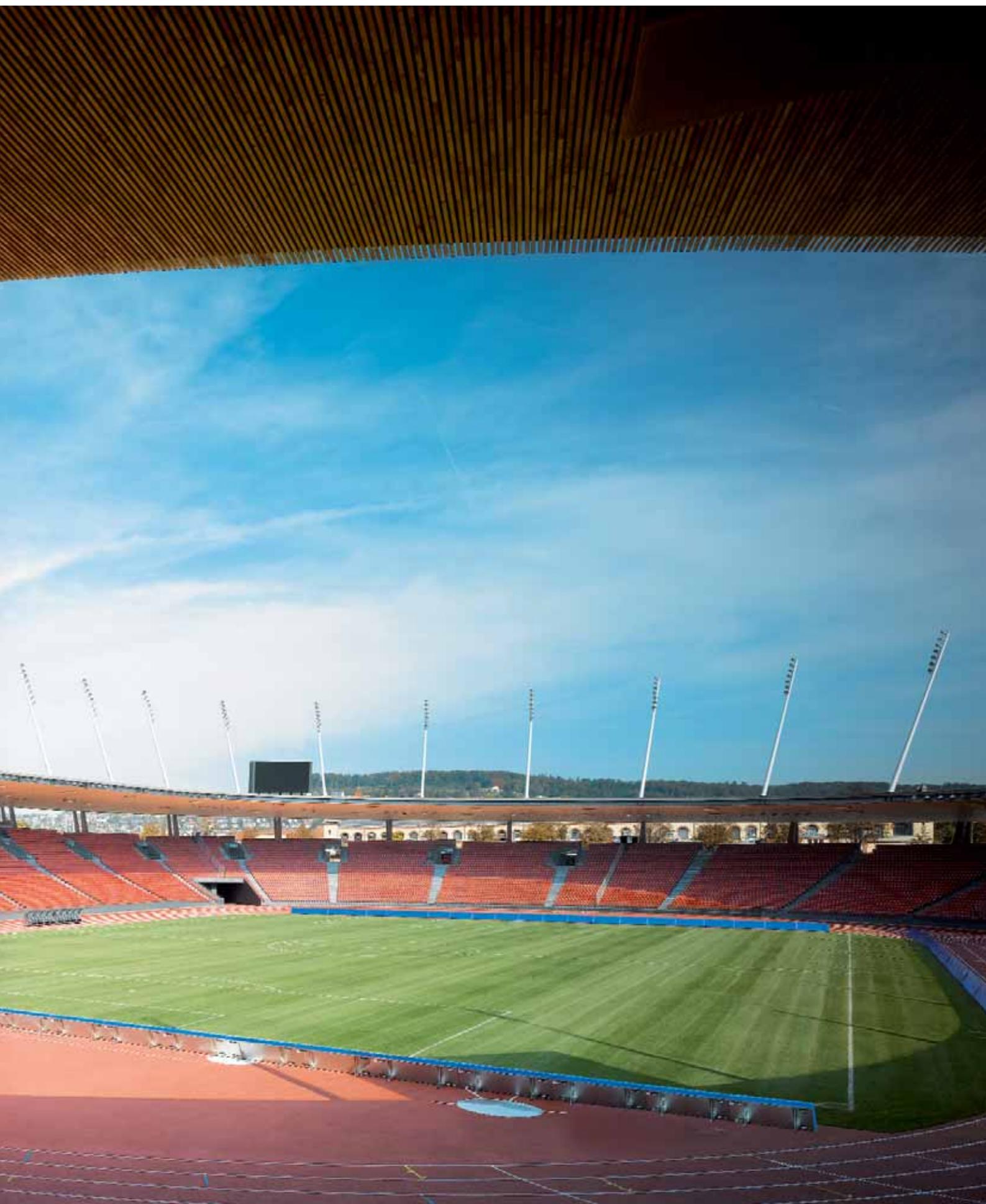


Ernst Bartschi
Chief Executive Officer

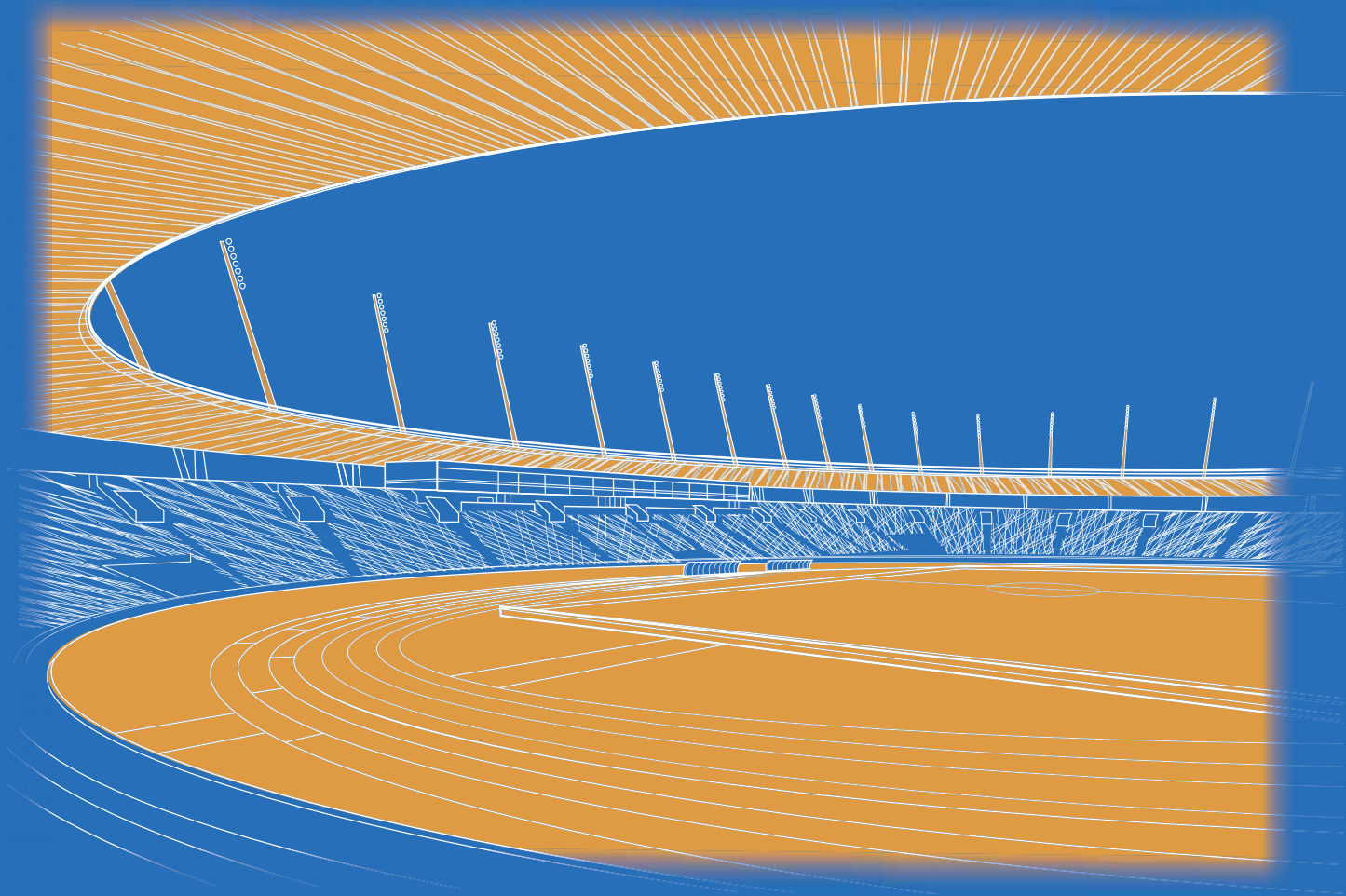
Results

Securely established





On the ball with technical skill: During the European Football Championships UEFA EURO 2008, considerable attention will be focused on the Letzigrund Stadium in Zurich: favorites France and Italy contend their group matches here, and will put their players' creativity on display. Sika also demonstrated creativity in the construction of this jewel. New constructive and environmental paths should be blazed.



Grand appearance. The new Letzigrund is more than a stadium. It is an event. Whoever enters its gates finds himself not in the belly of the arena, but rather beneath the rolling, cantilevered wooden roof above the rows of seats: instead of being erected in height, the stadium was built in depth. The playing field and the track-and-field course lie seven meters below street level. The open ramp beneath the roof has become a meeting place. One is amazed at how light the arena appears. How elegantly the shell rests in its environment. How majestically the unique roofing construction crowns the stadium: 31 lighting masts, circularly arranged, provide shadow-free illumination – and an unusual glamour for a sports complex.

Sika contributed essentially to the new environmental strides taken in Letzigrund. Only through continuous optimization of admixtures could large portions of excavated material be processed into high-quality concrete, thereby saving 6 000 trucking runs. And Sika also played in other areas of the stadium: the company supplied corrosion protection for the steel lighting fixtures and for the 22 000 m² large steel roof construction, a complete sealing system for the vegetated roof, concrete joint seals and 4 500 m² of flooring. In globally tried and tested manner, Sika was able to realize a sustainable, comprehensive solution – from the foundation to the roof.

Dynamic Development in Sales and Profit continue

The Sika Group achieved net sales in 2007 of CHF 4 573 billion, thereby reaching a growth rate in Swiss francs of 17.4%. All earnings variables increased clearly. Operating profit before depreciation (EBITDA) grew by 24.3%, operating profit (EBIT) by 38.2% and consolidated net profit before taxes by 44.4%. The return on capital employed (ROCE) improved during the year under review from 20.2% to 26.1%.

Income statement

Net sales rose in the year under review in Swiss francs from CHF 3896.1 million by CHF 677 million or 17.4% to CHF 4 573.2 million. Underlying organic growth in local currencies amounted to 13.3%. Acquisitions less divestments contributed 1.6% to sales growth. Exchange rate fluctuations resulted in growth of 2.5%. As in the previous year all regions and customer groups delivered a contribution to this dynamic growth development.

The basis for success in the Construction Division was on one hand a good market environment and on the other an effectively implemented and focused volume strategy. Global key account and key project management on the customer side, new technologies as well as strengthened market penetration and more mature markets led to improvements in volume as well as in profit. Due to its product portfolio, Sika was hardly influenced by the slowdown in residential construction activity observed in some countries. The Industry Division profited from the continually increasing use of modern damping and bonding technologies in automobile construction. With its constantly improving key account management, the division could exploit this dynamic trend and improve its customer penetration.

Prices for various raw materials continued to rise in the year under review. Overall, material expenses increased slightly and lay in relation to net sales 0.3 percentage points above the previous year. Raw material price increases could be passed on to customers. Thanks to greater efficiency particularly in personnel assignment, operating profit before depreciation (EBITDA) rose disproportionately in comparison to net sales from CHF 514.6 million by 24.3% to CHF 639.9 million. The EBITDA margin of 14.0% was 0.8 percentage points higher than the previous year.

Sika increased its operating profit (EBIT) from CHF 371.2 million by 38.2% to CHF 512.9 million. The EBIT margin rose by 1.7 percentage points to 11.2%, which can be ascribed to the high capacity utilization of production facilities.

Consolidated net profit before taxes lay 44.4% higher than that of the previous year and amounted to CHF 481.8 million. After deduction of income taxes of 28.2% (previous year 29.7%) a consolidated net profit of CHF 346.1 million remained, with corresponding growth of 47.6% in comparison with the previous year's profit of CHF 234.5 million. The profit margin of 7.6% clearly surpassed the set target of 6.0%.

Cash flow

Cash flow from operating activities rose in the year under review from CHF 316.7 million by 14.8% to CHF 363.7 million. Cash flow from investing activities, in comparison with the previous year, was influenced by CHF 50 million or 38% higher investments in property, plant and equipment, while the proportion for acquisitions dropped considerably. The operating free cash flow adjusted for investments and divestments thus remained at CHF 191.9 million nearly unchanged in comparison with the previous year. Cash flow from financing activities primarily reflects the increase in purchases of own shares on the market, for future bonus programs and as a liquidity placement, during the reporting year.

Balance sheet

The return on capital employed (ROCE), based on EBIT, improved during the year under review from 20.2% to 26.1% and thereby lay above the target corridor of 20 to 25%. Net working capital receded from 21% to 20.2% of net sales. Net debt dropped from CHF 389 million to CHF 352 million, and thereby the ratio of net debt to shareholders' equity (gearing) from 31% to 24%. Shareholders' equity as a percentage of the balance sheet total rose from 41.6% to 44.4%.

Greater volume, innovations and new markets

In the Construction Division all three customer groups brought convincing results. Market share gains were made among concrete and cement producers in the major markets, among contractors the acquisition of Sarnafil had a particularly positive effect, and among distributors innovations in adhesives contributed essentially to a good overall result.

Market environment

In its Construction Division Sika increased net sales in comparison with the previous year from CHF 3 042 million by CHF 558 million to CHF 3 600 million. The growth rate of 18.4% included 14.0% organic growth in local currencies, 1.8% due to acquisitions and disinvestments and a currency effect of 2.6%.

The basis for the division's success were on one hand the successfully implemented volume strategy in selected markets and business activities, and on the other the remarkably effective acquisition of projects based on the "Roof to Floor" strategy. In addition, markets could be further penetrated with new technologies such as Sika® ViscoCrete® or Sikaflex® AT (Advanced Technology for elastic bonding and sealing). The result before depreciation (EBITDA) amounted to CHF 530 million and thereby lay 26.2% above the previous year, reflecting a clearly disproportional increase in comparison with sales growth and the division's improved efficiency.

As was the case in the previous year, market conditions in 2007 were also very good, and Sika expanded its market share. In the USA and some European countries there was a slackening of construction activity for private residences, from which however Sika is hardly impacted due to the composition of its product portfolio. Since activity in the areas of infrastructure and industrial construction continued briskly, sales growth was pleasing in these countries also.

Concrete producers

Similarly to 2006, sales in the year under review grew strongly in the customer group concrete producers. Market share was gained in the most important markets above all with the product group Sika® ViscoCrete®. Sales growth in some countries rose up to 50 percentage points higher than the growth in cement use.

Dynamic development is unbroken worldwide. To satisfy rising demand for Sika concrete admixtures where sales development was particularly positive, additional production and management capacity were established in China, Europe and the Middle East.

Even in the USA, where demand in residential construction was lower due to the credit crisis, Sika could increase sales significantly. This growth was carried by the unchanged brisk construction activity in the areas of infrastructure and industrial construction, in which special demands are placed on concrete quality and the demand for Sika products is correspondingly high. Sika strengthened its position in the Canadian concrete market in March of the reporting year with the acquisition of MRT Construction Products in Canada.

In all regions growth was buttressed by numerous major projects. Consolidation in the construction industry continues, primarily among cement and ready-mix concrete producers. Sika observes this trend and focuses on large, international key accounts. This key account management is also of central significance among internationally active construction firms, because major projects such as new airports or bridges are generally prepared at enterprise headquarters and then locally implemented. Here Sika can leverage all the advantages of its global organization and its wide array of products. Significant additional orders in various countries are the result of this successful strategic orientation.

With an optimized toolbox, Sika made its admixture Sika® ViscoCrete®, which stems from the range of high-value concrete admixtures, marketable for mid-range quality applications and thereby extended its market penetration. This development is of substantial significance above all in the growth markets of Asia and Eastern Europe, since up-and-coming local competitors' market share can thereby be contested and conventional admixture technologies supplanted.

With its Sika® ViscoCrete® technology Sika also advanced into other markets in the period under review. The company now also supplies grinding aids, with which cement producers lower the energy consumption of their manufacturing processes while simultaneously improving cement quality. Furthermore, the use of Sika® ViscoCrete® with dry mortar is soon to be introduced into the market, which could lead to considerable additional sales.

Contractors

Within the customer group contractors the growth rate in the reporting year was again solidly double-digit. Organic growth contributed strongly, boosted by integrated businesses acquired in recent years such as Sarnafil, Covercrete and Protective Coatings from Dupont. The “Roof to Floor” strategy, with which large projects could be won, also contributed a significant portion. The Sarnafil acquisition had a

particularly positive effect, since in design and planning of modern buildings the roof as a rule receives special attention, and the Sarnafil assortment leaves architects and planners enormous freedom of design.

During the reporting year in the growth markets of China, India and Eastern Europe, Sika continued building up the market for products



“Sika’s strength is not only in the technical solution, but that they think about our business from our point of view. For example, concrete is a special construction material, subject to on-site conditions and variable raw materials. To minimize problems which may be encountered by the end user, we look for additives that can cope with variable conditions. We communicate and cooperate with Sika closely to review the best combinations of admixtures; their expert backup team with global experience and knowledge of chemical and industrial fields provides us powerful support.”

Henry Lee, Technical Manager, Macau Concrete Co Ltd.

The Macau Cement group are the largest suppliers of cement and ready mix concrete to the Macau construction market.

in the waterproofing sector. In China, where quality demands are continuously rising, Sika already has its own capacity for manufacturing roofing membranes and can thus satisfy germinating demand with local production.

Sikafloor® 263/264 proved itself a successful support in the acquisition of trade and service industry buildings. This industrial flooring system for large surfaces has a well-balanced price-to-performance ratio that creates a competitive advantage for epoxy resin contractors. Large-scale orders in the area of underground and tunnel sealing came in from the Near East as well as from Eastern Europe within the reporting year. For the major project “Niagara Falls” water tunnel the company is supplying Sikaplan® waterproofing membranes.

The key to success in the customer group contractors lies most importantly in the comprehensive system solutions that offer advantages to building owners, architects and contractors. Accordingly, Sika pursues comprehensive project and customer management in the contractors customer group that also includes building owners.

Distribution

2007 was an outstanding year for the customer group distribution in every respect. Sales as well as margins could be improved also in countries in which market penetration is already high. All ten global key accounts in the customer group distribution showed steadfast and disproportionately high rates of increase lying above the total result of the entire customer group. Our focus on the most important customers thus demonstrated its effect and confirmed Sika's strategy.

One of the most important factors driving the distribution business is the strong Sika brand. Distributors and end customers trust the

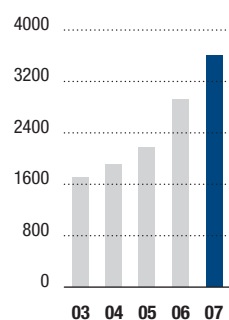
quality, performance and service that stand behind every Sika product and is embodied in the brand. A worldwide communication campaign with the banner idea “Know-how from Site to Shelf” should clarify what Sika stands for in the distribution business: Sika sells through distributors exclusively high-value, quality products that have proven their performance capability on the largest construction sites in the world, and from there find their way directly to the shelf in building material stores in convenient packaging. Customers of every magnitude worldwide profit from this quality advantage. (See also page 26)

In the reporting year all regions superseded general market growth. Sales grew above-average foremost in the emerging markets of Brazil, Russia and India. Local production of the lion's share of its distribution assortment is thereby a competitive advantage for Sika opposite international competitors. The real estate crisis in the USA and the ebbing activity in the private home sector in select European countries had no influence on the distribution business, which is based mainly on the extensions and renovations sector, itself relatively independent of economic cycles. Group investments in more efficient production of adhesives and sealants benefited the distribution business in the form of lower costs. The integration of FOS-ROC New Zealand, acquired in 2006, into the existing distribution business is now complete and showed a positive effect in the reporting year with respect to market penetration and profitability. The worldwide roll-outs of the adhesive innovations Sikaflex® AT and SikaBond® AT as well as the use of SikaBond® PU technology for wood floor bonding are in full swing and made essential contributions to the overall result. Sealant and wood flooring distributors showed great interest in both new technologies and won over their own customers for these products. In addition in the year under review Sika began incorporating volume products such as mortar and tiling adhesive in its distribution activities.

Construction Division

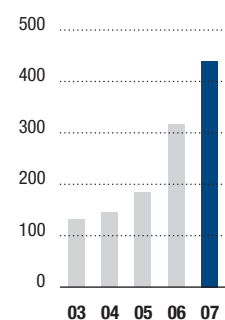
Net sales (consolidated)

in CHF mn



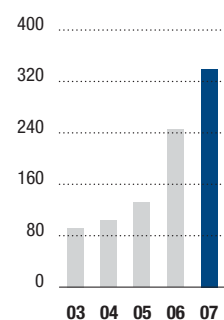
EBIT

in CHF mn

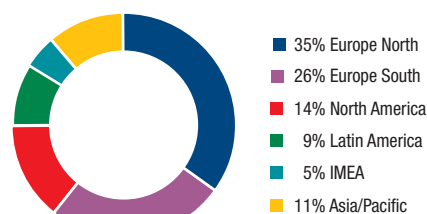


Segment profit

in CHF mn



Net sales 2007 (consolidated)



Sika's solutions for industry follow current trends

Demand for light and energy efficient construction methods continues increasing. With its comprehensive product portfolio in the Division Industry, Sika is thus very well positioned. In the market areas Automotive and Components growth was even significantly higher than that of the market. Solely in the USA could sales not yet be increased markedly, due to a restructuring.

Market environment

In the Industry Division Sika increased net sales in comparison with the previous year from CHF 854 million to CHF 973 million. The overall growth rate of 13.9% comprised 11.0% organic growth in local currencies, 0.7% contributed by acquisitions and a currency effect of 2.2%. The largest growth occurred in the transportation industry as well as in the appliance and equipment and building components markets.

As in the last year, Sika profited from increasing use of modern damping and bonding technologies in automobile construction. With its continually improved key account management, the Industry Division exploited this dynamic trend to better customer penetration. A number of new customers were won in emerging markets. Sika satisfied customers' expanded need for new system solutions with appropriate offerings.

Only in the USA was the division unable to increase sales, because particularly in the market sector automobile unattractive business was discontinued in order to focus entirely on profitability. Although this corresponding new business has nearly offset discontinued volumes, its full effect will first become manifest in two to three years. Demand in the automotive aftermarket sector in the USA remained below expectations but above that of the previous year, influenced primarily by the rather mild winter.

Operating profit before depreciation (EBITDA) amounted to CHF 169 million and thereby lay 33.1% above the previous year (CHF 127 million). The EBITDA margin of 17.4% exceeded the previous year's level (14.9%) which was affected by one-time items.

Business development in 2007 again demonstrated that in the face of worldwide consolidation in the automobile market, key account management is gaining crucial significance. Sika can pursue this development with its global organization. With its comprehensive

product portfolio, the company is very well positioned for the unbroken trend toward lighter and more energy efficient construction methods, now also more clearly recognizable in the growth markets of Asia and Eastern Europe.

Automotive

The market sector automotive encompasses direct glazing, noise damping and direct reinforcement of the load-bearing structure. Along with these come structural adhesives for automotive bodies and laminating adhesives for interiors. In 2007 Sika again grew faster than the market in the automotive sector primarily in Europe. Despite the strong drop in production in North America – particularly among the Big Three – notable successes were achieved in consolidation of the automotive business and new inroads made with the product groups SikaBaffle® and SikaReinforcer®. The successful launch of new vehicle models in which Sika products are used drove sales up clearly among auto manufacturers (OEM) in France, Germany and Italy and among system suppliers (OES) across Europe and in Asia.

Due to rising fuel costs and the continuing debate concerning carbon dioxide emissions in road traffic, technologies with which vehicle weight can be reduced are more sought after than ever. Fiber-reinforced plastics are thus being used more and more; they are considerably lighter than steel while at the same time increasing the strength of automotive bodies and thereby their safety. These composite materials can only be integrated into auto bodies with adhesives, and here the structural adhesive SikaPower® can be applied. In addition, with SikaReinforcer® the Industry Division delivers complete structural components. Sika collaborates intensively with materials specialists, simulation experts, raw material suppliers and customers' specialist departments on the reinforcer system to broaden know-how and find new application possibilities. This collaboration begins quite early in the development of a new vehicle model, because structural components must be stringently calcu-

lated, reviewed and tested, above all in crash tests. With the start of new model generations these structural reinforcements and bonds are gradually introduced into a series.

Business with Sikaflex®, a core Sika technology, could be broadened mostly in Europe and Mexico. European customers have converted further production lines to direct glazing with Sikaflex®. The new generation of booster systems with Sika's patented "Latent Hardeners Technology" for direct glazing (hardening without blister formation) was successfully introduced in the year under review. The strongly rising demand in this sector can be met through additional capacity for Sikaflex® production in Switzerland, the USA, and in future also in China and Japan.

Automotive aftermarket

In the aftermarket sector glass repair (AGR) Sika is successful with SikaTack®-MOVE GC, SikaTack®-Drive New Formulation and Sikaflex®-256 New among other products. The three products form a system with which defective auto glass can be replaced very quickly and the vehicle, depending on the product, can be driven again within an hour after a glass has been bonded. Existing key accounts in this segment were further developed and sales in additional countries were built up. New products and technologies were introduced, leading to above-average growth overall. Heavy price pressure and rising raw material prices nonetheless led to slightly reduced margins. Sales with SikaGard® products, a corrosion protection system for automotive construction, doubled during the reporting year following a new product line launch.

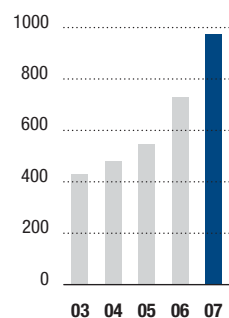
Transportation industry

In 2007 the market sector transportation industry, including busses, trucks, specialty vehicles and railroad cars as well as ships, recorded clear growth in all segments, especially among busses and ships. Growth was carried on one hand by new applications and on the other by the outstanding economic climate and resulting higher production numbers among customers, particularly in Asia. Key customers contributed decisively to the successful result, with whom the so-called full-range approach led to considerably better penetration. Full-range approach means selling not only individual products but entire system solutions with which customers can optimize their production processes. Thereby not only sales are increased, but at the same time customer loyalty is strengthened. In the marine segment the continuously growing number of cruise ships boosted demand markedly. The customer base in the trucks segment expanded during the year under review, particularly in Europe and China.

Industry Division

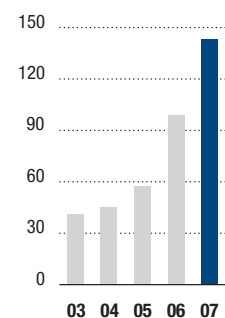
Net sales (consolidated)

in CHF mn



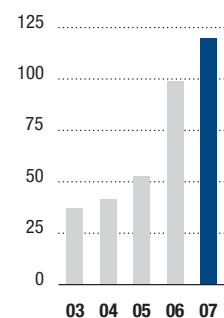
EBIT

in CHF mn

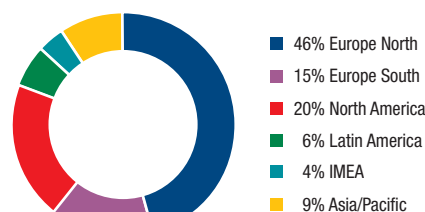


Segment profit

in CHF mn



Net sales 2007 (consolidated)



Appliance and equipment, building components

Sales grew nearly 30% in the appliance and equipment and building components sector in the year under review. Sales development was extraordinarily positive above all in the areas of windows and façades, the market cultivation of which was fused in the reporting year. The acquisition of the German Proxan Dichtstoffe GmbH at the end of 2006 also contributed to the good result. In Eastern Europe and the Middle East sales with silicon products for construction of

glass façades increased strongly. Volumes could be greatly expanded with key customers from the wind energy segment because construction of wind energy installations has increased noticeably in some countries due to higher energy prices and government subsidizing. To satisfy this demand Sika installed a production facility for SikaForce® at its new factory in Suzhou, China, from where the world's largest producers of wind energy installations are supplied.



“Holcim has in Sika an exceedingly reliable and innovative construction partner. In the laboratory in mutual development of specialty cement as well as on construction sites, where customer-oriented concrete solutions are required, we can always rely on a professional team of Sika employees. Our partnership, always oriented towards mid to long-term goals, also rests on the outstanding relationships between contact persons in the two companies.”

Kaspar E. A. Wenger, Country Manager Switzerland, Holcim (Schweiz) AG
Holcim (Schweiz) AG is a subsidiary of the globally active building materials Group Holcim Ltd.,
which is a leading supplier of cement, aggregates and concrete.

Market share gained in key markets

The strongest momentum for growth for Sika came from the East. In Europe, business boomed especially in Russia and Romania. But very high rates of growth were also achieved in Asia and the newly created region India, Middle East and Africa. In North America the mortgage crisis in the USA had no impact on business.

Europe North

Construction markets in the region developed above expectations just about everywhere in the year under review. On one hand this development could be attributed to weather conditions beneficial for construction activity in the first months of the year. On the other hand the investment climate was very good, resulting in numerous new projects in the segments infrastructure and industrial construction. In Germany residential construction activity dropped off during the second half of the year because the governmental first-home buyer allowance, with which the creation of property ownership had been subsidized, was discontinued.

As in the previous year Sika attained the highest growth rates in Russia and Romania. In addition in the roofing and waterproofing segments large acquisitions occurred in the second half of the reporting year.

In the region Europe North Sika achieved sales growth of 19.1%. Eastern Europe (+36%) and Central Europe (+24%) were the areas with the strongest organic growth, as was so in 2006. Gross margin pressure due to rising raw material costs could be closely compensated with price increases.

In the year under review the brand strategy for roofing membranes formulated following the Sarnafil acquisition was successfully expanded in Europe North. In Scandinavia the AT-technology based on Sikaflex® products was particularly successful.

The setup of the Sika Supply Center (SSC) in Swiss Sarnen in Canton Obwalden represented a special challenge for Sika's management in Europe North. First the production planning and logistics for the product group roofing membranes for Europe were combined in order to optimize supply chain management. An additional practical test was the increase in sales quantity by 50% at unvaried production capacity.

The joint-venture part GmbH founded in the previous year with Sika Abrasives developed successfully. Part stands for Premium Automotive Repair Technologies and is a distribution model with which the joint-venture partners offer a combined product palette for automotive repair.

In Romania construction began during the year under review of a production facility for admixtures including a respective quality laboratory; these should be completed in March 2008. With the purchase of an appropriate land parcel near Moscow the first step has been taken towards construction of new capacity in Russia.

Europe South

In the most important countries in Europe South economic development in the reporting year 2007 was just as dynamic as in the previous year, and growth rates for gross national product lay in part well above the European average. Though in some countries weakening demand was expected as a result of sharpened credit conditions, investments in infrastructure projects and industrial construction remained on a high level. In Spain, Great Britain, Ireland and France, where prices for private homes rose strongly, the trend reversed and demand for construction services in this segment relaxed.

In the reporting year Sika extended its market share further in Europe South. Measures for sales growth focused on customer groups demonstrated clear effect. Broad training opportunities for contractors improved knowledge of the use of Sika products and generated new business. In the roofing segment Sika succeeded in attaining market leadership with its brand strategy that has also worked in other regions. In Europe South the flooring segment was extended such that all regional needs for industrial flooring systems can now be fulfilled. Strongly rising sales in this segment also showed the success of corresponding key account management. Demand development for bonding systems for wooden floors was pleasing, stimulated by more frequent use of in-floor heating. In the customer group distribution the assortment at existing sales points as well as market penetration broadened.

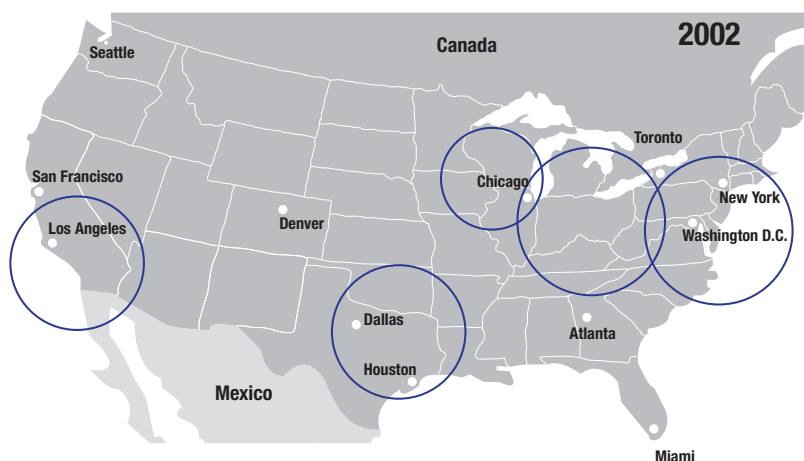
Overall sales in Europe South rose 16.3%. Growth rates in smaller markets such as Tunisia or Serbia in parts registered well above 40%, but growth was also remarkable in established markets like Great Britain (+23%) or Portugal (+29%). Sika lowered costs in the region still further with projects for supply chain improvement or for increase in production efficiency. Higher prices for raw materials could in large part be passed on to customers.

North America

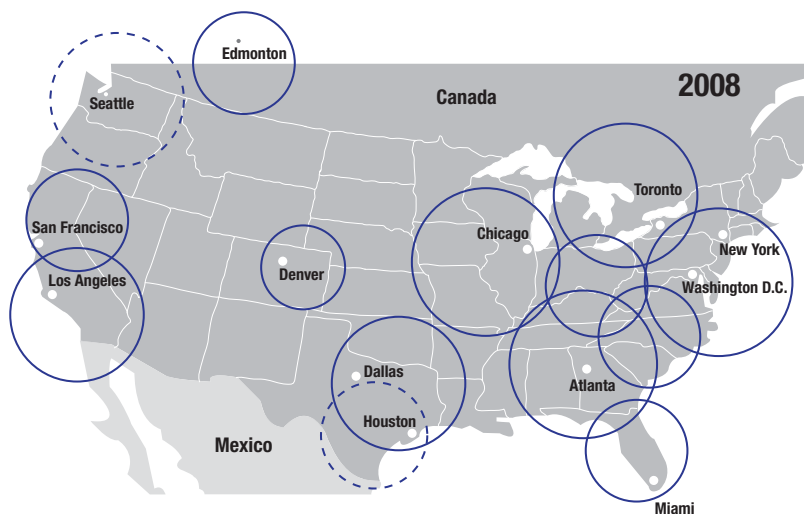
While in Canada the economic environment consistently developed in a positive manner due to continued high demand for raw materials, the economic situation in the USA was influenced by the mortgage crisis, with a dramatic downswing in residential construction as a consequence. In the automotive industry the weak market development carried over from the previous year, and local producers continued to lose market share to foreign competitors.

Sika held its own well in this generally difficult environment, with clear gains in market share in a number of key markets. In the customer group concrete producers, investments in new production facilities paid off and led to considerable volume growth, though concrete production in the USA was reduced overall and a hard pricing battle was carried out on the part of competition. The industrial flooring segment developed with sales growth of some 20% very well, among other reasons due to the acquisition of the Canadian Covercrete in 2006.

Despite regressive automobile production above all among the so-called Big Three, Sika could maintain sales in this market and achieved important successes in consolidation of the automotive business. New orders were acquired primarily for the products SikaBaffle® and SikaReinforcer®. New platforms were won for SikaReinforcer® technology also in the commercial vehicles segment.



In North America, Sika was at first represented primarily in the eastern states of the USA. But to be successful with concrete admixtures, geographic proximity between the production facility and the customer is decisive. Since 2002 Sika has therefore systematically expanded its geographic penetration in North America, and can today deliver competitively in nearly all relevant areas of North America. The success of these investments, which will also be continued in 2009 (dotted circles), is demonstrated in the continuous growth among the customer group concrete producers.



Overall, sales in North America rose from CHF 637 million by 7.0% to CHF 681 million, whereby the Construction Division clearly grew more than the Industry Division. Margins could be improved slightly, because on one hand sales prices could be increased, while on the other new regional production capacity made product import superfluous in part.

In the year under review Sika took over MRT Construction Products in Edmonton, Canada, active in the area of concrete admixtures. With this takeover, Sika rounded out its activities geographically in the region North America. The capacity for the Sikaflex® product palette at the Lyndhurst, New Jersey location has been considerably extended on the basis of a continuous process. In January 2008 Sika bought the polymer-based industrial flooring business of The Valspar Corporation, decidedly building up its position in this important market.

Latin America

Economic conditions in Latin America were pleasantly positive, as in the previous year. The political situation remained stable despite new elections in some countries and inflation stayed largely under control with the exceptions of Venezuela and Argentina. The appreciation of some countries' currencies opposite the U.S. dollar made the import of products and raw materials from the USA easier.

In the entire region the construction sector retained the dynamism observed during recent years. Major projects such as the subways in Sao Paulo and Caracas and other wide-ranging infrastructure measures in Colombia, Chile and Argentina set special accents. Distribution is growing evermore important in Latin American countries; it consistently shows double-digit growth rates and Sika has attained market leadership nearly everywhere. In the Industry Division Sika achieved notably higher growth rates in comparison with the previous year, primarily due to delivery of complete solutions for efficiency improvement to bus manufacturers.

Sika's sales in total in the region grew by 24.7% and thereby clearly faster than in the previous year; profit also rose markedly. In Brazil a concrete admixture developed on the basis of Sika® ViscoCrete® for producers of precast elements was introduced into the market. In addition a number of countries have launched Sika's wood floor bonding technology.

In Colombia Sika has started with the construction of a new production facility in order to be able to satisfy the country's high demand also in the future. The new plant will replace existing capacity in Bogota. Also in Peru, existing facilities in Lima will be relocated to another factory with higher capacity. In the reporting year Sika established throughout Latin America the management structures necessary for the customer group approach.

IMEA

In the region India, Middle East and Africa per capita gross domestic product varies extremely from country to country and the different economies are correspondingly disparate in their development. Many national currencies are either directly coupled to the U.S. dollar or closely linked to it, meaning the region had to accept notable price increases on imports from Europe and Asia.

The large and rapidly growing population in many countries in the region and their need for promising employment positions determines growth in the construction and industrial sectors similarly to the enormous need for modern infrastructure.

Sika is known in the region as a supplier of qualitatively high-value products and is participating in various major projects, for example with concrete admixtures for the new metro system in Dubai. In 2007 sales grew by 35.8% with an average growth in gross domestic product of 8 to 10%. This means that Sika made remarkable gains in market share, though the absolute value remains low.

Sika established the region IMEA on 1 January 2007 in order to be able to concentrate on the rapidly growing markets primarily in India, Saudi Arabia and the United Arab Emirates as well as to satisfy the close ties between India and the Middle East. The essential task during the year under review consisted consequently in establishing the necessary management structures. Key positions in the regional management and in customer group areas were occupied and a regional headquarters set up in Dubai, from which the region should be developed further. In spring of 2007 a new production facility began operation in Turkey, from which location large parts of the region can be supplied.

Asia/Pacific

Growth rates in Asia are unwaveringly high and the economy boomed in almost all sectors. All Asian countries have large foreign currency reserves at their disposal, which lend them control of exchange rates. Growth of the leading national economies of Asia, particularly China, is increasingly being carried by investments in infrastructure as well as by consumer spending. A central question for the region remains whether qualified workers can be found, and perhaps more difficult, how to retain them.

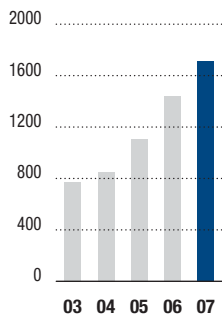
In the region Sika profits from major infrastructure projects and from the continuously rising quality demands in the industrial and commercial construction segment. In addition the topic of energy efficiency is increasingly gaining importance, particularly in China, which stimulates demand for Sika products additionally. The success of newly-launched products in the roofing and flooring sectors were above expectations. The Industry Division profited in the year under review from growth in the Asian automobile industry, and es-

pecially of busses and trucks. The automobile industry in China increased its production numbers markedly and offered Sika additional sales potential.

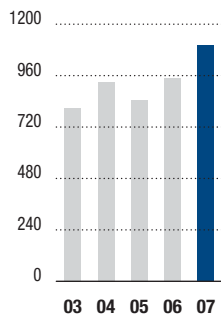
Sika increased sales in Asia by 17.3%. Solely in Japan could volume not be expanded, although the market there has substantial potential for the Construction Division as well as for the Industry Division. One reason for the absence of success is the loyalty of Japanese customers toward their suppliers, a hurdle that is difficult to surmount. Nevertheless in order to make progress in Japan Sika undertook important changes in personnel during the reporting year and improved market knowledge further.

In the year under review Sika opened its sixth production plant in China. This is situated in Suzhou, outside of Shanghai, and produces polyurethane adhesives (Sikaflex®) adapted to local needs, concrete admixtures (Sika® ViscoCrete®) and mortar. Located in Suzhou are also a technology center and development laboratory as well as the headquarters of Sika China. In order to leverage further growth opportunities in the region optimally, Sika has adjusted its organization to market needs and built up resources. The search for qualified new employees stood thereby in focus.

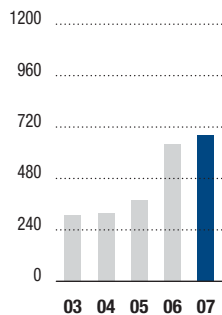
**Net sales
Europe North**
in CHF mn



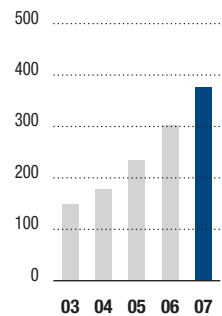
**Net sales
Europe South**
in CHF mn



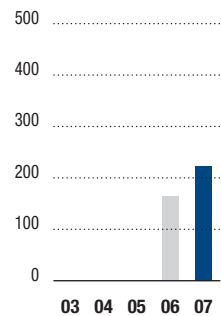
**Net sales
North America**
in CHF mn



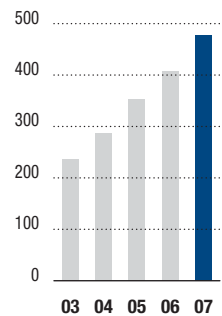
**Net sales
Latin America**
in CHF mn



**Net sales
IMEA**
in CHF mn



**Net sales
Asia/Pacific**
in CHF mn



Investments as key to potential growth

Due to continuously growing demand Sika has invested substantially in the expansion of production capacity for the product groups with the greatest growth potential. A new research and development center underscores again the significance of innovation for the future of the enterprise.

Growing demand requires investments

Due to continuously growing demand for Sika® ViscoCrete® and Sikaflex® products as well as for roofing and flooring systems, Sika has ongoing need of additional production capacity, because existing plants are in large part operating at capacity and have only limited potential to increase production through higher efficiency. As a result the company has invested in the year under review, as it did in the previous year, in considerably more property, plant and equipment than it did earlier. Investments flowed on one hand into new plants and on the other into the expansion or modernization of existing production facilities.

The largest single investment in the reporting year was the new Sikaflex® production facility in Düringen, Switzerland, the construction of which began in 2006 and was largely completed in the year under review. The entire investment volume for this plant amounted to CHF 100 million. Production capacity for Sikaflex® products in Europe is thereby doubled, and at the same time a new, distinctly more profitable production process based on continuous operation has been introduced. With this new capacity, large-volume products can be manufactured for customers in automobile, façade and window construction. The new facility should take up operation in the first quarter of 2008. The capacity of this plant can be doubled in a second stage if necessary with an investment in the range of CHF 60 million.

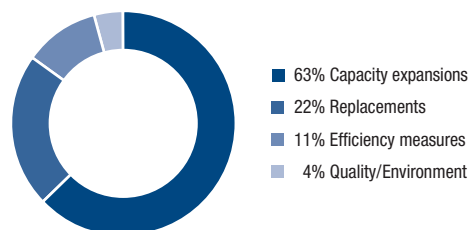
A new Sika research and development center, of which construction also started in 2006, made great strides in the reporting year and will be given over to its purpose in spring of 2008. With this investment of CHF 40 million at the location of Zurich in Switzerland, Sika again underscores the significance of research and development for the future of the enterprise.

In the year under review expansion of capacity for the highly successful roofing membranes commenced in Düringen, Switzerland. In all Sika is investing through 2008 some CHF 30 million in this project for a new production line. In Colombia, Russia and Belgium the starting signal was also given for construction of new production facilities.

During the reporting period two new production plants assumed operation. In March, Sika opened its sixth production facility in China. This lies in Suzhou, outside of Shanghai, and produces the polyurethane adhesives Sikaflex® and SikaForce® as well as concrete admixtures (Sika® ViscoCrete®) and mortar. Sika supplies mainly the Chinese Eastern Coast from the respective warehouse. Located in Suzhou are also a technology center and a development laboratory as well as the headquarters of Sika China.

In June a new production plant went into operation in Turkey. The factory is part of a modern industrial park in Tuzla in the Asian part of Istanbul. There Sika manufactures concrete admixtures, mortar

2007 Investments



and coatings as well as resins for flooring. The modern facilities substantially expand production capacity in Turkey. For Sika, Turkey is a significant sales market and an important manufacturing location, from which Central Asia and the Golf Region are supplied. The opening thus marks a further step in Sika's expansion in the growth markets of the region IMEA (India, Middle East, Africa).

Investments in property, plant and equipment

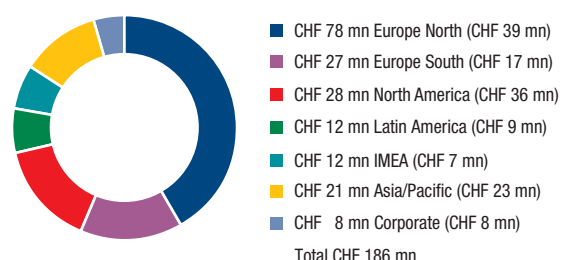
In the reporting year investments in property, plant and equipment increased from CHF 140 million to CHF 186 million, which corresponds to 4.1% of net sales. As in the previous year, the focus of investments targeted the worldwide expansion of Sikaflex® and Sika® ViscoCrete® production, since these product groups exhibit the highest growth potential.

The portion of investments dedicated to capacity extension rose from 60 to 63%, reflecting the sustainable growth of the company. Although remaining investments increased in absolute terms, they dropped slightly on a relative basis in comparison with the previous year: 11% (14%) were put into rationalization, 22% (22%) were necessary for the replacement of existing plants and 4% (4%) went into the areas of quality and environment.

To preserve liquidity Sika financed large investments of CHF 44 million on an operational leasing basis.

Investments in property, plant and equipment in the regions

Investments were distributed as follows throughout the regions:



Future investments

In the coming years Sika will continue investing in the extension of production capacity for the especially high-growth product groups Sikaflex®, Sika® ViscoCrete® and membranes. Regions in which new markets are opened up stand thereby in focus. Belonging among these are Eastern Europe, China, the USA, India and the Middle East. With an overall investment quotient of 3–5% of net sales, production facilities not being especially capital-intensive, a yearly growth of 8–10%, as envisioned in the “Strategy 2010”, can be ensured.

Acquisitions

For Sika, organic growth is at the center of enterprise strategy. The acquisition strategy derived from this therefore targets above all the purchase of new technologies that strengthen or compliment the core business and can be applied worldwide. Thus the volume of investments generally lies below CHF 100 million per year. Acquisition of market share is then attractive for Sika if strategically significant geographic gaps can thereby be filled (for example in North America and Asia) or fragmented markets consolidated.

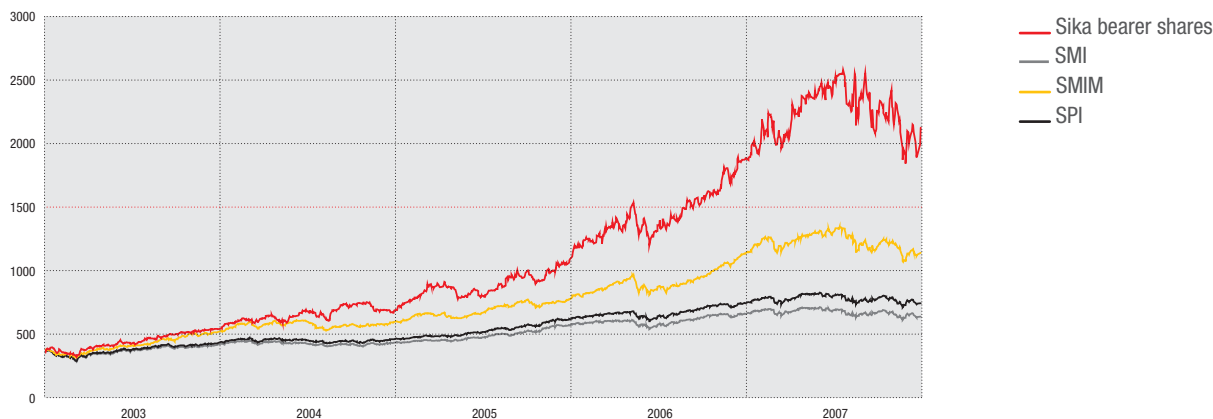
In the year under review Sika took over MRT Construction Products in Edmonton, Canada. The company is active in Canada in the area of concrete admixtures and generated sales of roughly CHF 3 million in 2006. With this takeover Sika accelerated the geographic rounding out of the concrete admixtures sector in the region North America.

On 9 January 2008, meaning after the balance deadline date, Sika acquired the business of the German Tricosal GmbH & Co. KG in Illertissen, one of the leading companies in the area of watertight sealing of buildings and civil engineering works. Included thereby are also the production and distribution activities of Tricosal BBZ AG in Hauptwil in Switzerland. With this purchase Sika expands its product palette and know-how in structural sealing, and with Tricosal's area-wide distribution comprising four branches, also strengthens construction site services and project business in the German market. Alongside the waterproofing activities Sika also acquires the product area gypsum. Completion of the transaction is still dependent on approval by the relevant anti-trust authorities and is expected by mid-2008. Tricosal generated an annual turnover in the last year of some EUR 22 million.

Also after the balance deadline date, Sika acquired the polymer-based industrial flooring business of The Valspar Corporation in the USA. The transaction also took place on 9 January 2008. With this acquisition the company has strengthened its position in the flooring systems sector. The acquired flooring business encompasses a broad product portfolio based on epoxy and polyurethane technologies and is an outstanding fit for Sika's growth strategy in North America, where its position in the flooring market has previously been weak for historical reasons. The established product palette of the purchased business and its network of employees, applicators and distributors improve Sika's present position sustainably. The turnover of the acquired activities in the last year amounted to USD 17 million.

Performance of Sika AG bearer shares in Swiss francs (1/1/2003–12/31/2007)

Bearer shares, nominal value CHF 9.00 (Share price as of 12/31/2007: CHF 2 136.–)



Acquisition of Sika stock

All legal entities and individuals are entitled to acquire Sika stocks. The Board of Directors is authorized to restrict the registration per shareholder to 5% of all bearer shares. Sika AG bearer shares are listed on SWX, the Swiss stock exchange.

Standard & Poor's Credit Rating

long-term: A-/stable short-term: A-2

Stock price development

From January 1 to December 31, 2007 the Sika stock rose 13.0% from CHF 1 890 to CHF 2 136. The absolute high reached by shares during the period under review was already achieved in mid-July with a price of some CHF 2 600. Following this, also Sika shares were ensnared in the increasing nervousness of financial markets and murky prognosis for the global economy.

On January 11 the Group published sales figures that lay somewhat above analysts' expectations. On January 16 Sika announced the sale of Sarna Plastec AG in Sarnen, Switzerland, within the framework of a management buyout. In March the Group published its profit figures for 2006. These were 51 percent higher than in the previous year. An outlook judged as conservative led to profit-taking among some market participants. In the same month it was announced that Sika purchased MRT Construction Products, a Canadian manufacturer of concrete admixtures, and that it would sell its business for manufacture of bituminous coatings in Germany in the associated market segment of the cast piping industry. Also in that month, Sika opened its sixth production plant in China. In April the Group announced a good start in the new year (increase of sales by 19 percent) and a positive outlook. At the Annual General Meeting shareholders approved the payment of a gross dividend

of CHF 31.20 per bearer share and CHF 5.20 per registered share. In the following months Sika stock experienced high demand on share markets. The price rose to new records. In June the company announced the opening of a new production facility in Turkey. On August 10 Sika made public its profit increase of 63 percent in the first half year and a boost in sales of 19 percent. Nonetheless at this time the mortgage crisis in the USA cast its first shadows over the construction industry. Broad losses in share prices were the consequence.

In September it was announced that CFO Markus Zenhäusern would leave the Group and be replaced by Ronald Trächsel. The result in November after three quarters with a gain of 18.3 percent in net sales surpassed the expectations of analysts. The strong increase in the price of oil and the reputed slowdown in the world economy led however to further wide scale share price drops until a temporary rebound set in shortly before Christmas.

Overall, two contrary poles shaped the year: the global economic boom manifested primarily in Asia, and the financial market crisis in the USA that afflicted almost all large banks. As of 1 June the barometer Swiss Market Index (SMI) achieved a new high with 9 531 points. But shortly thereafter the first negative reports from the U.S. real estate sector reached the financial markets. From this point waves went mostly downward. In the course of the year the SMI forfeited in total 3.5 percent. The more broadly composed Swiss Performance Index (SPI), on the other hand, closed the year on the same level at which it had begun. The Dow Jones Industrial Average rose by 7 percent and the German DAX by even 22 percent.

¹ of which, in 2007, Sika AG owned 34 020 (1 994) bearer shares not entitled to dividend or voting rights.

² pursuant to proposal to Annual General Meeting

³ average daily volume traded on SWX, the Swiss stock exchange (Source: Swiss Stock Exchange SWX, Zurich)

⁴ of which, in 2007, Sika AG owned none (0) registered shares not entitled to dividend or voting rights.

⁵ excluding minority interests

⁶ for EPS calculation, see note 32 on page 103 (IAS 33)

⁷ The registered shares were delisted from the Swiss stock exchange in 2003. In our calculation these are taken into account with 1/6 of the bearer share price December 31, 2007.

		2003	2004	2005	2006	2007
Per share data						
Bearer shares¹: Nominal value 9.00						
Number of shares as of December 31		2 151 021	2 151 199	2 151 199	2 151 199	2 151 199
of which entitled to dividend		2 115 223	2 149 766	2 149 202	2 149 205	2 117 179
of which entitled to vote		2 115 223	2 149 766	2 149 202	2 149 205	2 117 179
Gross dividend or repayment of nominal value, resp.	CHF	15.00	16.80	19.20	31.20	45.00²
Stock quotations						
high	CHF	537	750	1 090	1 900	2 595
low	CHF	312	540	683	1 108	1 850
year-end	CHF	534	682	1 090	1 890	2 136
Stock price performance	%	49.6	27.7	59.8	73.4	13.0
Average daily trading volume ³	Share	2 284	5 034	5 827	4 757	8 870
Security no. 58797 / ticker symbol: SIK (Telekurs AG), SIKZ (Reuters)						
Registered shares⁴: Nominal value CHF 1.50						
Number of shares as of December 31		2 333 874	2 333 874	2 333 874	2 333 874	2 333 874
of which entitled to dividend		2 325 402	2 333 874	2 333 874	2 333 874	2 333 874
of which entitled to vote		2 325 402	2 333 874	2 333 874	2 333 874	2 333 874
Gross dividend or repayment of nominal value, resp	CHF	2.50	2.80	3.20	5.20	7.50²
The registered shares of Sika AG were delisted in the SWX, the Swiss stock exchange, on September 4, 2003.						
Key data per bearer share⁵						
Consolidated net profit per share (EPS)⁶						
basic EPS	CHF	37.2	47.8	60.1	91.4	137.1
diluted EPS	CHF	37.2	47.8	60.1	91.4	137.1
EPS development	%	17.7	27.6	25.8	52.0	50.0
Cash flow per share	CHF	81.1	91.4	104.3	152.5	198.3
Equity per share	CHF	339	369	428	498	582
Price earnings ratio (P/E), year-end	CHF	14.4	14.4	18.1	20.7	16.8
Dividend/repayment of nominal value yield	%	2.8	2.5	1.8	1.7	2.0²
Other information						
Market capitalization ⁷ (year-end)	CHF million	1 356	1 732	2 769	4 801	5 426
in % of equity	%	160	185	255	380	369
Total dividend/repayment of nominal value amount ⁵	CHF million	38.1	42.7	48.8	79.3	114.3²
in % of consolidated net profit (payout ratio)	%	41	35	32	34	33

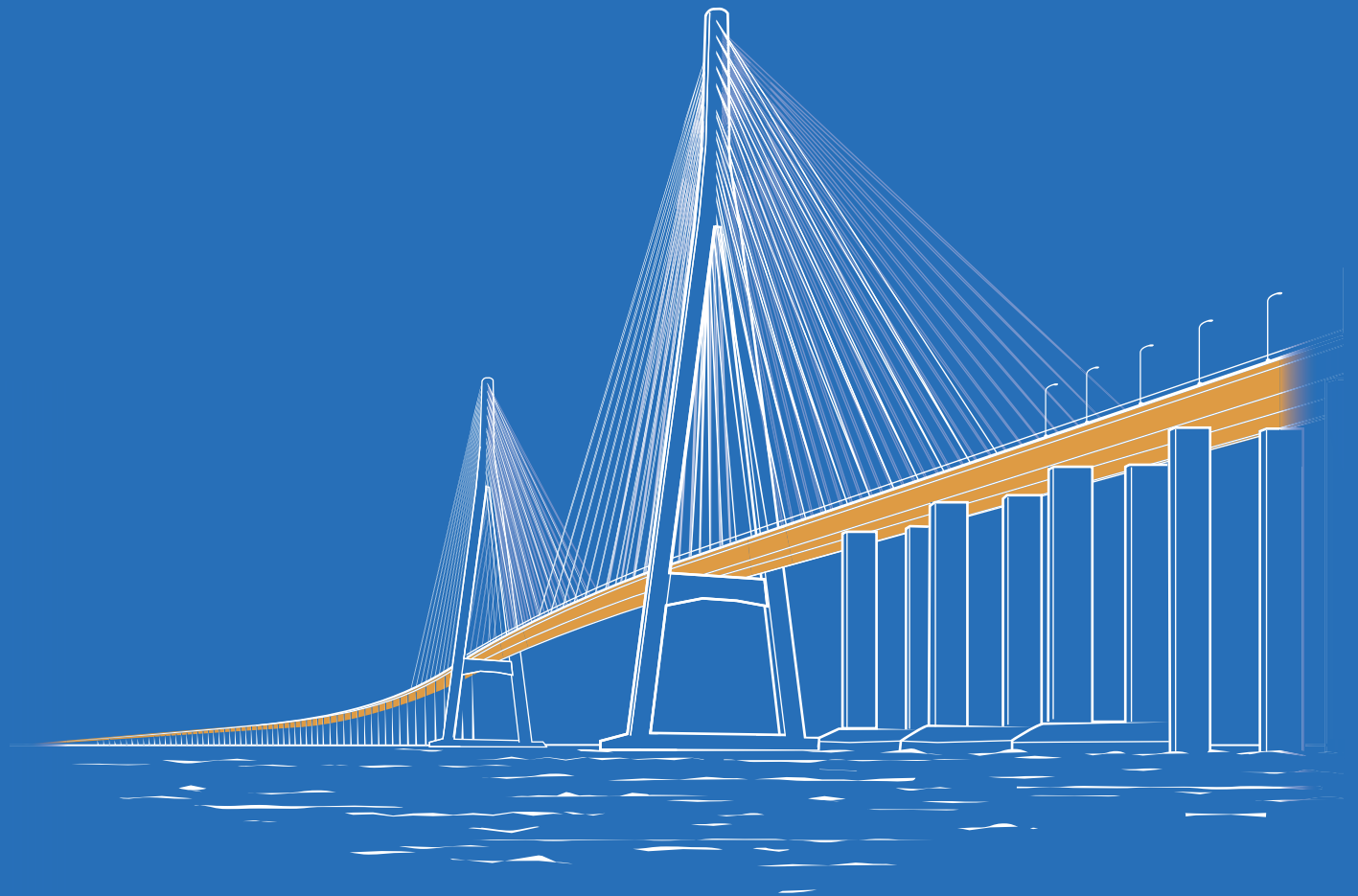
Competencies

Constantly innovative





Bonded by strong ideas: The Sutong Bridge across the Yangtze is the longest cable-stayed bridge in the world, and is considered an architecturally outstanding, highly complex project. The bridge's official opening is in Spring 2008. Sika supplied admixtures for the gigantic concrete elements and the adhesive that holds them together.



All things in flow. With a span of 1 088 meters, the Sutong Bridge opens a new chapter in the construction of cable-stayed bridges. The previous record holder extended 890 meters, and 1 000 meters were considered the “sound barrier.” This has now been broken, with a project the data of which are truly impressive: the bridge measures 8.2 kilometers, the entire new construction 32.4 kilometers. 200 000 tons of steel were used, 1 000 000 m³ of concrete and 3 000 000 m³ of filling earth. The six-lane expressway is supported by 143 pylons, of which 92 stand in water. And the central pylons from which the roadway is suspended are at 306 meters the highest in the world. The bridge does not span just any river: the Yangtze, also called Yangtze Kiang, is the longest river in Asia.

It was an honor for Sika to assume a major role in this project. More than 1 000 precast concrete parts were poured. The concrete admixture Sika® ViscoCrete® thereby ensured quality and efficiency. Modified concrete is thus on one hand quickly and easily processed, hardening rapidly in the casting mold, and on the other hand lends the finished part high strength and a smooth surface. The parts of the bridge are held together, among other things, with the adhesive mortar Sikadur®. Only Sika was able to deliver products which allowed optimal processing during the bridge construction independent of prevailing temperatures.

The best solution with combined competencies

More safety, comfort and quiet, greater stability and load-bearing capacity – every day presents tasks and demands. Where human spirit challenges the laws of physics and asks for the seemingly impossible, innovative solutions are required. Sika accepts these challenges and focuses its engagement on the needs and requirements of customers. Our core competencies lie in sealing, bonding, damping, reinforcing and protecting load-bearing structures in construction and industry.

Intelligent solutions

Sika's core competencies of sealing, bonding, damping, reinforcing and protecting load-bearing structures find broad possibilities for application in construction as well as in industry, for example in automobiles, commercial vehicles, ships and machines of all types. As intelligent solutions, Sika applications almost always combine a number of competencies, thereby fulfilling various tasks simultaneously. In the bonding of parquet flooring for example, the adhesive at the same time also dampens the sound of foot fall. Or in the construction of windows, the bonding technique increases structural rigidity, also eliminating undesired thermal bridges. And in vehicle manufacturing, damping materials shut out not only noise, but also dust and moisture, thereby protecting load-bearing structures long term. In this way a single product unifies a number of core competencies, delivering – in combination with expert advice – the best solution for the customer. That's why more and more partners rely on Sika competence.

Sealing

Sealing minimizes the flow of gases and liquids between cavities and interstices as well as the dissemination and transfer of heat or cold. Large flat roofs, difficult tunnel constructions, easily damageable water reservoirs and challenging façades are durably impervious to wind and rain, resistant to temperature, age and vibration. The functionality and comfort of rooms within is thereby enhanced.

Bonding

Bonding joins different materials permanently, elastically and securely. Vehicles, windows and even concrete elements for bridges weighing many tons are bonded using new processes. Sika bonding technologies increase the safety of end products and enable greater freedom of design. These applications also optimize the manufacturing process through reduction of cycle times.

Damping

In fixed and moving objects, damping reduces vibrations of all wavelengths, resulting in fewer reverberations and noise emissions in load-bearing structures and cavities. Noise in interiors for example is abated, thereby significantly increasing comfort – whether in a vehicle, in convention centers or a majestic sailing yacht like the Athena.

Reinforcing

Reinforcing targets the increased carrying capacity of statically as well as dynamically stressed load-bearing structures, from light window frames to crash-resistant automotive bodies to imposing concrete bridges. Solutions for reinforcing improve existing load-bearing structures and optimize new ones.

Protecting

Protecting boosts the durability of load-bearing structures and preserves the substance of new and renovated objects. Sika solutions guarantee sustained protection against climatic conditions, chemical influence and pollution for concrete structures, water reservoirs and historical buildings.

Brand Sika guarantees quality

The Sika brand stands for innovation, quality and service, and is a solid bond between the company and its customers – worldwide, whether on large construction sites or in building material stores. In order to preserve the high value of the brand, its protection holds high priority.

The Sika logo – proven through 90 years

Since the company's founder Kaspar Winkler invented the Sika name and also created the triangular Sika logo, brand protection at Sika holds high priority. Thanks to the farsightedness of that time, the Sika brand has been able to develop to what it is today. The logo that since its first creation has practically not changed thereby embodies continuity and solidity, and is recognized all over the world as a sign of quality, innovation and service.

Through the continuous expansion of the Sika Group throughout the world over decades, the more than ninety-year old trademark has become well established. The word "Sika" as well as the logo and its red and yellow colors are applicable in all the cultural circles in which Sika is active. Because Sika possesses a high degree of recognition primarily as a trademark, the company places great value on consistent and standardized use of the logo and checks compliance with the corresponding design guidelines. Customers in the whole world can thus rely on receiving Sika quality and service wherever the Sika logo appears. And the attempts observed to copy the trademark during the last few years prove in the end what great immaterial value Sika has with its logo.

Trademark protection

The Sika family brand as well as 556 Sika trademarks such as Sikaflex®, Sika® ViscoCrete® or SikaBond® create essential market advantages for the company. Accordingly, trademark protection is an important management responsibility, administered globally at the Group level as well as locally at the country level. In total Sika holds over 12 654 trademark registrations in 148 countries. Sika monitors its trademarks constantly and immediately initiates pertinent legal measures in cases of infringement.

Trademark ambassadors

In sponsoring the Swiss bobsled, luge and skeleton federation, the Sika triangle is represented internationally by the Swiss national bobsled team as well as Gregor Stähli in the discipline skeleton. In addition, some country subsidiaries have their own trademark ambassadors, for example in motorcycle racing or cross-country skiing.

Know-how from Site to Shelf

The concept "Know-how from Site to Shelf" clarifies what Sika stands for in the distribution business: Sika sells through distributors exclusively high-value, quality products that have proven their performance capability on the largest construction sites in the world, and from there find their way directly to the shelf in building material stores in convenient packaging. Customers of every magnitude worldwide profit from this quality advantage.



Innovation is the key to success

The capacity to innovate is a key factor for success in rapidly changing markets. Sika continuously takes the pulse of customers, investing consistently in new and advanced development of solutions. These should protect people and the environment, fulfill the highest safety requirements and at the same time generate value added for customers. This strategy bore fruit also in 2007.

R&D strategy

Innovation is the key to growth and sustainable increase in profitability. Sika is conscious of the significance of research and development and has always undertaken great efforts to attain first-class results. The budget has risen continuously during recent years, which is reflected in a large number of patents and new products. The research and development (R&D) strategy adopted in 2000 and modified in 2005 within the framework of the general enterprise strategy revision has proven highly successful.

R&D strategy includes centralized and decentralized components that complement each other perfectly. The centrally organized research handles long term research programs, delivers analytical services and establishes R&D management for the entire Sika Group. These responsibilities are bundled in the subsidiary Sika Technology AG. The objective of a long term research program is, for example, to analyze, explain and optimize the interaction between components of concrete and Sika admixtures. Improvements in product properties and progress in the manufacturing of admixtures are based on this. Sika works similarly in the area of sealants and adhesives. The Group places its focus on the development of new binding materials and innovative additives. Furthermore, new binding material technologies are developed for use in highly structured adhesives and structural reinforcements for automotive construction.

The second component in R&D strategy is the regional adaptation of products, solutions and applications. Nine technology centers in America, Europe and Asia take on this challenge. In collaboration with regional support centers proximal to customers the technology centers additionally adapt Sika products to local conditions and the individual needs of customers. In this way the support centers can

adjust for example concrete admixtures from the Sika® ViscoCrete® assortment better and more quickly to local climatic conditions or to locally sourced aggregates such as gravel and sand. The support centers are also responsible for finding suitable local raw materials to cost-optimize onsite product manufacturing. In the year under review Sika generated 34% (33%) of net sales with products launched within the last five years.

R&D management

Spending for research and development in the Group amounted to CHF 62.3 million in the year under review (2006: CHF 52 million) or some 1.4% of sales (2006: 1.4%). The R&D budget was apportioned in accordance with strategic priorities. So as in previous years roughly three-fourths of the budget went into product development and maintenance.

The Sika Group's R&D organization was adapted in 2005 to the requirements of the revised enterprise strategy and since then concentrates increasingly on research in technology platforms and strategically important R&D projects. The product development process is now uniform worldwide in order to be as quick as possible to market with new and patented products. Sika does not want to be only quick, but also especially efficient, and therefore strives for cost leadership for its products in all target markets.

In collaboration with corporate operations the R&D organization also works to tighten the comprehensive product assortment and thereby to simplify processes in marketing, production and distribution and lower costs.

As also in previous years Sika participated in the reporting year in various international projects and was active in the NanoCem Consortium among other organizations. This European research network studies phenomena occurring in nano and micro dimensions that can influence the performance of cementitious materials and products and structures made from them. Sika Technology AG also actively took part in various projects sponsored by the European Union, listed here as follows.

- FUTURA: modular concept for automotive construction of the future
- MUST: interactive pigments for adhesives and sealants as well as coatings
- I-SBB: safe and intelligent construction for earthquake-endangered areas
- TunnelConstruct: new tunnel concepts for urban areas

Since this reporting period Sika Technology AG is also active within the United Nations Sustainable Building & Construction Initiative.

Because Sika has limited capacity for basic research, the company collaborates with first-class universities, among others in Switzerland, the USA, in Germany, Spain, France, China and India. Professional and geographic proximity often lead to fruitful cooperation offering unbureaucratic solutions that are quickly found, bringing advantages for both parties. In addition Sika attempts through its engagement to counteract the prevalent shortage of engineers and chemists in some countries by attracting candidates suitable for the company.

Product development and market introduction process

On the way from an initial idea to market introduction new developments traverse a clearly defined, seven-stage “Product Creation Process” (PCP), and must thereby repeatedly fulfill very stringent standards for cost-effectiveness and environmental, health and safety protection. The PCP has the objectives of reducing risks, minimizing costs, shortening time-to-market (TTM) and continuously improving product quality.

Due to the great significance of the PCP for the innovation capability of Sika AG, the responsible employees in the regional companies are regularly schooled in the application of the process. In addition an interactive training program is available for all Sika employees; this is actively used and thus sensitizes all participants for Sika's high standards.

The regional technology support centers are responsible for observance of the PCP in their region and review the quality of processes regularly with the help of PCP audits. It is thereby ensured that employees' standard of knowledge is always current and corresponds to the Sika norm. Local chemists are made conversant with the newest technologies while in parallel innovative ideas from the regions are recorded and leveraged for the Group's benefit. In the year under review PCP audits were conducted in a number of European countries as well as in the regions Asia/Pacific and Latin America.

The revised PCP 2007, binding for all Sika employees, was introduced in all departments during the reporting period following the principle “Train the Trainer.” PCP workshops took place in China, South America and Europe.

Patents and market introductions

Sika filed for 60 patents in 2007 (2006: 52). The number of invention disclosures rose from 59 in the previous year to 90 in the reporting year. As in the previous year both divisions introduced numerous new, promising products into the market. Some examples of these follow:

Innovations for the Construction Division

In 2007 Sika focused on the formulation of cost-optimized products for volume business and brought the first of an entire series of new polymers to market in China. Sika® ViscoCrete® flakes and various polymer powders were sold or made ready for market, including Sika® ViscoCrete® 225 powder, targeted for use in the area of dry mortar. The powder provides for shorter mixing times and reduces the sensitivity of the mix as compared with cement properties. The Sika® ViscoCrete® technology is also the basis for new grinding aids, with which cement manufacturers can lower the energy consumption of their production processes while simultaneously improving cement quality.

Within the European research initiative Eureka, Sika has worked during recent years on the development of a new generation of concrete. With Ceracem, an ultra-high performance, fiber-reinforced concrete introduced in 2007, a great advancement has been made. Use of Ceracem offers architects and engineers new possibilities for very slender but durable structures. Among other things, elegant, light, broadly-strained beams can be manufactured with Ceracem, giving enhanced significance to constructive design. Sika is one of five European industry partners, through whose collaboration the project was realized. Ceracem is not only especially resistant to

chemicals, water and fire, but also withstands extreme mechanical strain. In addition, considerably less concrete is required for construction than is the case with conventional building materials. Although this new material was originally developed foremost for construction of bridges, tunnels and buildings, it is in the meantime also favored among furniture designers and interior decorators.

The successful product palette for wood floor bonding was supplemented in the period under review with the silane-terminated adhesives SikaBond® AT-82 and SikaBond® AT-84.

Sikaflex®-650 WT-1A is a new polyurethane-based (PUR) adhesive for bonding glass panes into window frames. The product is compatible with SikaGlaze® IG-50, used for production of insulating glass panes. Sika can thus now offer the window industry a complete PUR-based package.

In the market segment flooring Sika introduced a number of new flooring systems, among others for parking decks, for the electronic industry and for the automotive industry.



"High Concrete Group is a recognized industry leader in manufacture of precast concrete structures, headquartered in Denver, Pennsylvania and awarded for excellence in Architectural and Engineering Design. Sika offered us a cost effective solution for increasing productivity in a marketplace that continually demands quality improvement. The solution came not only in the form of innovative products, but also in hands-on service. In the fast-paced world of Precast Concrete, you need to be partnered with suppliers who can respond to change immediately: Sika has proven that ability."

Paul Ramsburg, Director of Quality, High Concrete Group, USA
High Concrete Group is one of the world's leaders in the precast concrete industry.

With the integration of the protective coatings business unit from DuPont in Germany, Sika was in position to supplement its own product line and to develop a sprayable, flame-retardant liquid membrane.

Sika also presented new products in the market segment roofing during the reporting year, among them two new membranes for gabled roofs and a self-adhesive membrane with a foamed back-side for roof gardens.

Innovations for the Industry Division

In the year under review the company succeeded in winning over various automobile manufacturers as new customers, and brought new applications to market for automotive construction as well as the aftermarket. Following a one year test phase with two large, German manufacturers a new generation of adhesives for direct glazing was introduced which measurably shortens processing times and thereby reduces manufacturing costs.

In the area of hot-melt adhesives, SikaMelt® was developed, a new, reactive polyolefin for the bonding of laminates in automobile construction.

In water-based bonding systems the mono-component (1K) SikaTherm® technology entered the market in 2007, also for bonding of laminates. Sika won a technology prize in Germany with this innovation: in the wake of the symposium "Bonding in Manufacturing Technology" 2007, organized among others by the Fraunhofer Institute for Manufacturing Technology and Applied Materials Research, a Sika Automotive GmbH employee won first prize in a young talent competition with a contribution to the new, isocyanate-free, mono-component lamination technology. Evaluated in the competition among other criteria were the degree of innovation of the technologies presented and their significance for the bonding technology as a whole. With the newly patented 1K SikaTherm® product family, Sika sets new standards in the area of lamination technology and thereby for bonding technology.

Sika brought a second generation of structural adhesives (Sika Power®) on the market in the year under review which was required beforehand to prove its performance in comprehensive crash tests. SikaForce® for bonding of mounted parts not only for automobiles but also in the busses, trucks and railcar segment entered the market in advanced quality.

The reinforcer technology is a promising, structural reinforcement system for automobile construction. The lightweight construction elements serve the stiffening of automotive bodies and contribute essentially to the fulfillment of increasing requirements placed on vehicles regarding economy, safety and driving comfort. SikaReinforcer® was further developed in 2007 and worldwide product introduction was continued.

In Aftermarket Glass Repair (AGR), Sika® Aktivator PRO was developed. With this activating agent the bond for an auto glass reaches a high strength within the shortest length of time, including in winter at very low temperatures. A customer can thus leave the body shop with the vehicle already after just a few minutes.

The modernization of the product palette for pre-treatment made further progress in the year under review. The new bonding agent Sika® Primer-209 thus replaces two older products in the area of plastics and coatings. A new bonding agent was also introduced for wood applications, used in the installation of teak decks in ship construction.

Sika – 11 723 employees make a strong team

Sika is and remains a popular employer. Surveys reflect high employee satisfaction and a low rate of fluctuation. The cooperative management style, targeted employee development and systematic knowledge transfer are reasons for good team spirit.

The Sika Group wants to expand successfully. This is also evident in our workforce. The number of employees has continually increased over the last years. Again in 2007, new positions could be created at almost all locations. Worldwide in the year under review, the Group employed 11 723 people, 414 more than in the previous year (2006: 11 309). In the year under review divestments and acquisitions resulted overall in a reduction of 92 employees.

The regional distribution of employees is as follows: Europe North 4 248 employees (2006: 4 151), Europe South 1 922 (2006: 1 869), North America 1 319 (2006: 1 330), Latin America 1 539 (2006: 1 365), IMEA¹ 789, Asia/Pacific 1 906 (2006: 2 098). New jobs were created primarily in Eastern Europe and in the Middle East.

Together all Sika employees in 2007 generated a net added value of CHF 1 437 million (2006: CHF 1 217 million). Relative to total compensation they produced a net value added of 156% (144%). The net value added achieved per employee rose by some 13.7% from CHF 109 800 to CHF 124 800 (see page 135 in this Report).

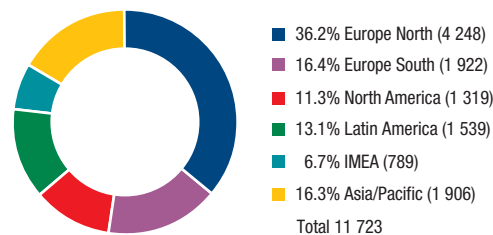
Employee satisfaction and management philosophy

Sika promotes an operating climate in which employees can develop in accordance with their professional qualifications and personal capacities. A cooperative management style with delegation of responsibility to the lowest level possible favors participation of employees at all levels. No form of discrimination is tolerated.

The company upholds continuity and the preservation of ethical values, whereby mutual respect as well as trust in management and colleagues are of central significance. Sika's dynamic development at the same time requires new forms of collaboration and readiness for change. Important in this are the integration of widely differing people and the global exchange of knowledge and experience, promoted by line and human resource managers through various new platforms and committees, for example through a "Sounding Board" for exchange of so-called "Best Demonstrated Practices." The company is proud to have created a work and management environment which encourages individual freedom of action and decision-making as well as enthusiasm for one's own work, openness to change

and genuine employee commitment. Sika desires that employees experience satisfaction in their work and in the success of the company. The slogan "Be proud of Sika and let Sika be proud of you!" bears witness to this.

Number of employees by region

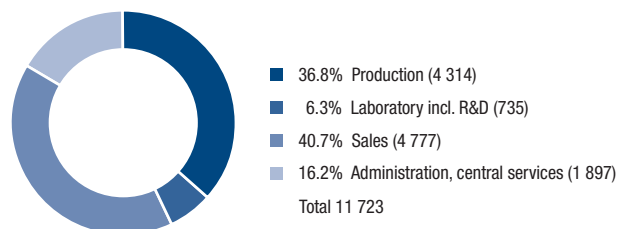


National companies conduct detailed analyses of employee satisfaction on a local level. At the global level the employee fluctuation rate serves as an indicator for employee satisfaction. In the year under review this amounted to 13.4% (2006: 11.8%). The increase in the fluctuation rate had various causes. On one hand, successful managers at Sika are increasingly targeted in external headhunting attempts. On the other hand the booming economy worldwide in developed industrial nations as well as in the emerging markets of Asia makes it easier for employees to find new challenges outside Sika. Simultaneously, managers are confronted with considerable internal changes brought on by growth and the new Group organization. Sika is therefore undertaking great efforts above all in Asia to offer employees prospects that will improve their company loyalty.

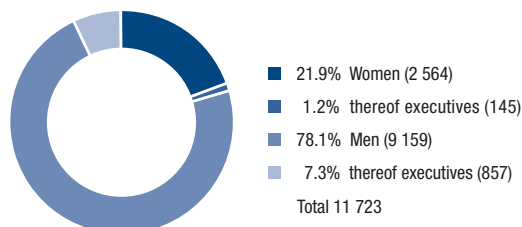
¹ India, Middle East, Africa (IMEA). Separate reporting for the region IMEA was instituted on January 1, 2007.

To raise the attractiveness as an employer still further, Sika relies on global human resources management, at the core of which lies a modern system for identification and further development of performance and capability. The system supports employee succession planning and assists the company to identify additional talented individuals and consciously promote them in view of its own growth. In the year under review various talent pools for different management functions were created in this way, in which some 150 talent pool members are being prepared for possible new responsibilities. In the current business year the talent search will be extended into lower levels of management to include some 800 employees.

Number of employees by area of activity 2007



Women/Men/Executives 2007



Adjusted for growth, Sika employees could be considered for almost one third of all newly staffed positions. At the management level this proportion lay at 50 percent. In the year under review more than 700 Sika employees found a new challenge within the company.

As a globally operating company Sika also sees to it that potential leaders can gather multifaceted experience in other countries and cultures. Group-internal guidelines create security and transparency for employees that leave their home country on behalf of Sika as well as a fair contract adapted to the specific circumstances of the host country. At the same time Sika grants all delegates so-called "home harbor rights," guaranteeing employment upon return to their country of origin.

Knowledge transfer

The rapid growth of the Group along with concomitant changes in the organization and in working processes require a continuous and systematic flow of information and knowledge transfer on all levels. At the global level during the reporting year the first so-called Executive Management Training sessions took place at the Institute for Management Development IMD in Lausanne, Switzerland. Heavily promoted by Group Management, this training gives executives deep insight into Sika's strategy process, conveying necessary resources for coming change processes.

Employee development and advancement

Committed, competent and responsible employees are crucial for achieving the company's goals. The "Training and Development" function positioned at Group level is responsible for the systematic education and advanced training of employees.

In the year of report the "Sika Business School," mandated to realize the idea of a learning organization, was developed further. All study units were revised and updated, and new units were developed for independent, online training and made available worldwide through the Intranet. In the current business year the Business School will also be expanded further. Systematic and targeted schooling and advancement in various subjects such as management, systems, applications and technology will thereby receive foremost attention.

During the year under review Sika spent in all some CHF 9.2 million (2006: CHF 7.2 million) for employee development. Included thereby are specific training sessions organized on a decentralized basis in regions and countries as well as worldwide sales training.

Compensation policy

In the reporting year a comprehensive functional evaluation and salary analysis was conducted for various functions and organizational units with the objective of formulating a globally uniform compensation policy, thereby ensuring the marketability of the company as well as internal justification of salaries.

The compensation model for Sika's management is performance-based. Group Management, the senior management and other top executives are compensated in accordance with delivered performance and goals achieved. The variable portion of compensation depends upon the management level. In 2007 the target salary (base salary and bonus) of the CEO was nearly 50% dependent upon the degree of achievement of the Sika Group's goals. The variable portion of compensation for members of Group Management amounted to approximately 35%.

Variable compensation is dependent to one third each on the result of the entire Group, of the executive's business division as well as on personal goals achieved. Operating free cash flow and operating profit (EBIT) at Group level and in the executive's own area of responsibility and influence are taken as key indicators. Members of Group Management receive at least 20% of their variable salary in the form of Sika shares that are restricted from sale during a period of four years.



"Argos was founded more than 70 years ago and has grown to one of the largest cement and concrete suppliers in Latin America, with substantial foreign operations. Sika partnered in product innovations like Fast Track concrete for heavily-used urban roads, low-shrinkage concrete for refurbishment, or in major infrastructure projects such as the La Linea tunnel in the Andes Mountains. Sika also works closely together with the Argos subsidiary Southern Star Concrete, one of the largest ready-mix suppliers in the USA, jointly developing and implementing new and better solutions."

José Alberto Vélez, CEO, Cementos Argos SA, Colombia

Argos is one of the largest cement and concrete suppliers in Latin America, exporting to 27 countries and having a strong presence in the USA.

Trust in Sika products creates the bond with customers

The customer is king. For Sika employees it is thus imperative to attain the highest quality in their work. Manufacturing and business processes in all business units are continuously improved and further developed to produce more quickly, better and more cost effectively for our customers.

Quality and customer satisfaction are for Sika always and everywhere the measure of all things. All over the world on construction sites and in industry, the Group's specialty chemicals are put to work. With these products, load-bearing structures are sealed, bonded, damped, protected and reinforced. The quality of the products is decisive in securing the trust of customers. Sika's quality concept comprises three aspects: the individual product quality, the quality of the relationship to customers and partners, and the quality of service. Comprehensive service and competent advice is especially important in customer relationships because Sika products are process materials that undergo changes in use. The damping material SikaBaffle® for example foams when an auto body is heated. The epoxy adhesive Sikadur® becomes rock hard upon application, thereby durably bonding concrete components weighing tons. Sika® ViscoCrete® enables the user to control the consistency and curing time of concrete precisely, adjusting it optimally to specific requirements.

Integrating product and advice

Sika understands itself not just as a product supplier, but rather offers the customer complete solutions that consist of products, advice and onsite service. Customer consultants begin by analyzing the customer's needs precisely and suggesting a solution that best suits the application area. The company places great value on product documentation that is readily understandable for the user. Sales representatives in the field, usually chemical or construction engineers, support customers on a construction site or in a production facility to ensure trouble-free application of process materials. Through an instrument for Customer Relationship Management, now introduced internationally, Sika records customer relationship assessments quantitatively in order to derive continuous improvements.

Long-standing development partnerships in the automobile industry or the implementation of innovative Sika solutions for prestigious construction projects throughout the world, for example the Sutong Bridge in China or the Letzigrund Stadium in Switzerland, bear testimony to the trust that customers worldwide place in Sika.

Global quality standards

Ceaselessly high product quality at competitive prices – this is the goal of all Sika production plants. In order to attain this Sika sets obligatory standards for raw materials, formulations and processes as well as in equipment and quality requirements. Business area-related expert teams ensure at local and also at Group level that standards are upheld, offering the necessary support to this end. These interdisciplinary teams are made up of Sika specialists from research and development, engineering and quality assurance as well as marketing.

Highest quality is a Group obligation. Sika products are therefore only released for market entry after their properties both in application as well as in durability have been examined comprehensively and tested under realistic conditions according to defined procedures. Internal and external standards and audits thereby assure a uniformly high quality of testing.

Audits and certifications

In 2007 Sika passed all repeat audits: 14 in accordance with ISO 9001:2000 (quality) and 14 in conformance with ISO 14001 (environment). Of the 62 (55) producing companies (acquisitions and reorganizations included), 55 (51) received a quality certification and 47 (46) an environmental certification by the end of the year under review. It is our goal to have two further companies ISO 9001-certified and at least two others obtain the environmental certification by the end of 2008.

Sika's management system for optimization of process cycles and product quality also conforms to the detailed guidelines of the automobile industry. The six locations that supply the automobile industry passed their annual monitoring audits for certification according to the process-oriented TS 16949 of the automobile industry as well as numerous demanding customer audits. Certification and successful customer audit completion are prerequisites for Class A supplier status, which Sika holds with all leading automobile manufacturers.

Learning from the best

The company continuously optimizes its manufacturing processes with the objective of producing faster, better and more cost-effectively for our customers. To do this, engineers and economists simplify and make the existing processes more flexible. Oftentimes small adjustments lead to significant improvements. In addition Sika pursues new technical solutions that advance productivity and quality still further. External and internal comparisons and process analyses demonstrate further potential for improvement. Sika also takes unconventional paths. We try to learn from industries that at first glance do not have much in common with our own. For example, Sika analyzes procedures and processes in the food industry, which mixes, kneads, fills and packs, just as Sika does.

Learning from the best also holds true internally. Internal communication measures promote the exchange of know-how and see to it that success stories and experiences are made available as far as possible to all Sika employees.

The “Sounding Board” is also a great success, at which specific themes can be discussed and experiences exchanged between the best employees and decision makers in the Group. In addition, selected leading indicators for each company help to compare the individual Sika units and the efficiency of manufacturing facilities at different production locations in order to align with the best in the Group.

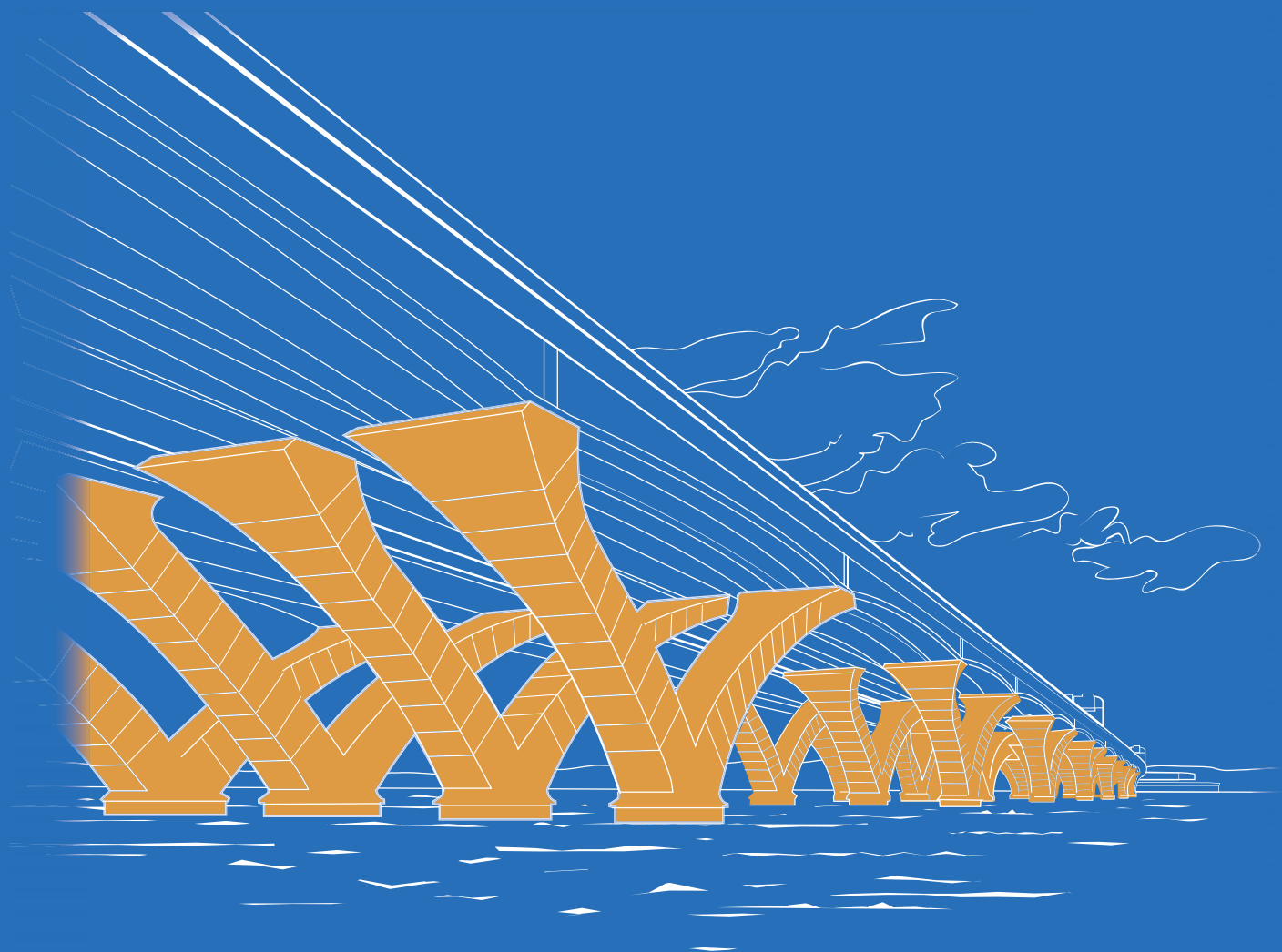


Responsibilities

Ideally interlinked



Trusted with complex demands: Old Wilson Bridge near Washington D.C. threatened to collapse under its heavy load of traffic. A new bridge now spans the Potomac River, 16 years after the start of the project. Knowledge and product solutions from Sika, who have further plans in the USA, stood the test in this large-scale project.



Lovely drive. Officially, the span is called Woodrow Wilson Memorial Bridge, named after the 28th president of the United States, who hailed from Virginia and drove two hours daily as a form of relaxation. However, commuters between Maryland and Virginia speak only of Wilson Bridge – and the decades of traffic chaos caused by the bottleneck. Designed in 1961 for 75 000 vehicles, the original bridge had been clogged daily with 250 000 cars, which became especially dramatic whenever the draw-bridge section was raised to enable passage for large ships. The new bascule bridge has been under construction for eight years; it is twelve lanes wide and somewhat higher than the old bridge, remaining passable for most ships even when the draw-bridge section is closed. Inauguration will take place in May 2008. Many commuters between Maryland and Virginia have circled this date on their calendars.

Sika's solution, a total bridge product package for precast, post-tensioned, segmental construction, included: concrete admixtures to improve flow characteristics, reduce water, retard, entrain air and inhibit corrosion as well as adhesives for segment bonding and two types of grout for cable duct post-tensioning and anchorage protection. Local representation provided invaluable service support for this landmark project. The expansion of American infrastructure and the massive need for renovation of existing structures are opportunities for Sika to grow in the American market. Thanks to new production facilities in the USA, Sika can serve the entire North American market and is well-equipped for anticipated growth.

Commitment, Respect and Responsibility

Sika's mission statement is the foundation for an environmentally-conscious strategic management. Sika takes on responsibility for the environment and for safety along the entire value-added chain. Shaping this foundation are goals for continuous improvement, the high individual responsibility of every Sika employee, respect for regulations and norms, and constant dialogue with relevant authorities and communities.

Environmental management

Sika puts a variety of resources to work for environmentally-conscious management. Since 1992 manufacturing subsidiaries in some 40 countries have participated in the chemical industry's Responsible Care Program. Sika is also committed to introducing and maintaining an environmental management system according to ISO 14001 worldwide. In the year under review Sika achieved ISO 14001 certification in Ecuador. Today 47 Sika companies, generating roughly 90% of Group sales, produce and sell according to ISO 14001 norms. 14 Sika companies passed the certification board's repeat audit during the reporting year.

Another important basis for environmentally-conscious management is internal and external training and continued education of employees. The palette of themes is extensive: raw materials handling, work safety, packaging, labelling, transport of products, legal foundations. Frequent internal audits and controls ensure that rules and procedures are observed.

Investments in safety and environmental protection

In the year under review Sika invested CHF 7.9 million (CHF 5.8 million) in safety and environmental protection, an increase of 36% above the previous year. Thereby primarily factory security, preventive fire protection and alarm systems were improved and optimized. The number of full time employees in environmental protection and safety rose in view of Sika's expansion from 67 to 70 people. Due to optimizations and efficiency increases, costs for environmental protection and safety per 1 000 tons of production were reduced further from CHF 12 457 to CHF 11 065. The costs per franc of sales sank correspondingly from 0.56% to 0.48%. Overall the costs for maintenance of current projects, installations and systems rose from CHF 21.9 million to CHF 22.0 million.

Energy efficiency

In comparison with total production output that rose 13% (previous year 19%), energy consumption fell slightly in the year under review by 1.5% (+17%), dropping from 1 253 TJ* to 1 234 TJ, since the particularly inefficient coal-based power generation in China was shut down. Energy efficiency per ton sold thereby improved by 13% (previous year -9%) from 713 MJ to 621 MJ. Europe accounted for 70% (66%) of energy consumption, North America 18% (16%) and the Far East for 8% (13%). The remainder was distributed among other regions.

During the past year Sika drew 53% (48%) of its energy consumption in the form of electricity. The natural gas portion rose to 29% (27%), while the percentage in heating oil dropped to 12% (13%). The Sika Chinese subsidiary decommissioned its coal-based power generation. District heating accounted for 4% (5%) of overall energy consumption.

Emissions to the atmosphere

Emissions to the atmosphere are closely connected to the use of fossil fuels such as gas, heating oil and coal. With the discontinuation of emissions-intensive coal combustion for power generation in the production plant in Dalian, China, as well as the increased portion of electrical energy, emissions to the atmosphere dropped in the year under review. The CO₂ output fell as a result by 18% from 37 000 t to 30 200 t (previous year +13%). NO_x emissions dropped by 27% (+11%) from 62 t to 45 t. SO₂ emissions also sank by 45% (+7%) from 29 t to 16 t.

The quantity of VOC emissions increased due to the greater need for volatile organic solvents for cleaning of production facilities by 10% (+22%) from 78 t to 86 t. Due to the discontinued coal incineration in China, dust emissions fell by 20% (+12%) from 96 t to 77 t.

*1 TJ = 1 Terajoule = 10¹² Joule

Water consumption

Parallel to increased production of 13%, water consumption rose 19% from 1 780 000 m³ to 2 110 000 m³. Cooling water accounts for 64% (63%) of the overall quantity. Only 13% (14%) was consumed for sanitary purposes, as well as 4% (5%) as process water in production. The remaining 19% (18%) was consumed in the composition of formulations.

Emissions to water

The quantity of organic carbon compounds transported through wastewater to the treatment plant decreased further in the year under review by 3% (–13%) from 35 t to 34 t. The dissolved inorganic salt content in wastewater fell by 11% (–7%) from 130 t to 116 t. Further optimized, Sika-own wastewater treatment facilities were the reason for these regressive emissions values.

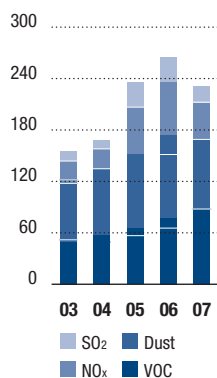
Heavy metal emissions to wastewater have been monitored for years at all Sika companies; values at all locations lie below officially allowed levels.

Solid waste

In comparison with the overall increased production output of 13% (previous year 19%), the entire solid waste quantity rose by just 6% (22%) from 32 200 t to 38 500 t. Thereby the average waste quantity per sold ton amounted to 19 kg (21 kg). At the same time the portion of hazardous waste sank by 3% from 11 040 t to 10 750 t. The quantity of remaining waste rose almost in parallel with the overall increase in production by 10% (36%) from 25 150 t to 27 700 t.

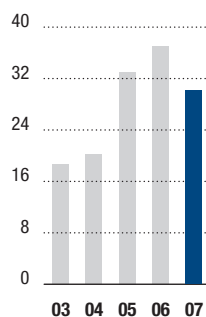
Emissions to atmosphere

in tons



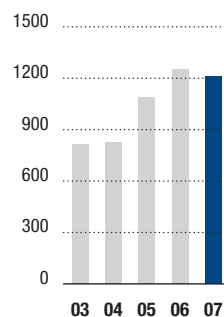
CO₂-emissions

in 1 000 tons



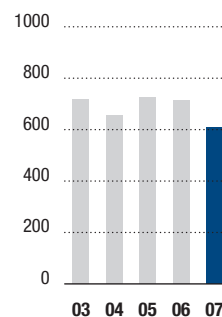
Energy consumption

in TJ



Energy consumption

in MJ per ton of sales

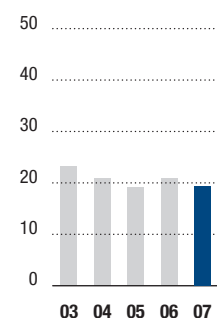


Abbreviations

CO₂ carbon dioxide
 NO_x nitrogen oxide
 SO₂ sulfur dioxide
 MJ/TJ megajoule / terajoule
 VOC volatile organic compounds

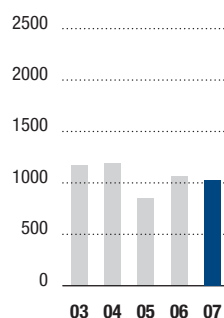
Safety

Reportable accidents
per 1 000 employees



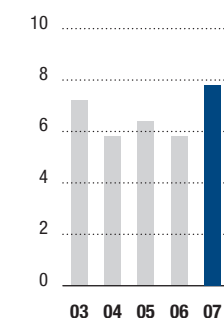
Safety

Working days lost
per mn working days



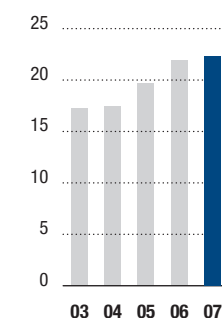
Investments

in Environment and Safety
in CHF mn



Operating expense

for Environment and Safety
in CHF mn



Safety

Efforts to prevent accidents at work and to lower the number of lost workdays were rigorously continued in the year under review and remain a safety focus in the current business year. The number of accidents at work could be slightly reduced during the reporting year. In the entire Group the number of at-work accidents with a workday loss of greater than one day dropped from 21 to 19 acci-

dents per 1 000 full-time employees. 62% (69%) of all at-work accidents treated in Sika occurred in Europe, 42% (52%) in Sika companies in Switzerland and Germany.

The number of lost workdays per million workdays remained at roughly the same level of 1 060 (1 067). This yields an average workday loss of 13 workdays (12 workdays) per at-work accident.



"I have known Sika with its customer-oriented and project-specific solutions since 1976. I am pleased that there is a Swiss corporation of international reputation that today still distinguishes itself through customer proximity and personal contact up to the highest levels. For us in the Tunneling and Mining Division as well as in the area of concrete, Sika is an integral partner. So global – and yet so nearby in Switzerland."

Luzi R. Gruber, Member of Executive Board Implenit Ltd. – Group Division Tunnel+Total Solutions, Switzerland
Implenia is the largest construction group in Switzerland.

Public service commitments

In 2005 the Board of Directors founded the “Romuald Burkard Foundation” in honor of Dr. Romuald Burkard. The Foundation provides financial support to social and ecological projects in emerging markets in which Sika has subsidiaries. Areas of project focus include:

- Buildings and infrastructure installations that serve a social or ecological purpose such as water reservoirs, wastewater treatment facilities etc.,
- Technical education in building professions,
- Water projects with ecological and social goals.

Sika seeks to promote self-help locally. Sika subsidiaries must therefore apply for support and see projects through to completion along with local partners.

Projects supported in the year under review

Iran: Support of research in the area of strengthening masonry with locally available natural fibers. This application increases buildings' resistance to earthquakes at low cost. People in earthquake-endangered regions should thereby be provided with an affordable solution to reinforce their homes. Sika supports the project with technical consultation (structural reinforcement), material and a financial contribution (overall supportive contribution: CHF 51 000).

India: Support of schoolhouse renovation for underprivileged children, particularly in the areas of water and corrosion protection (CHF 200 000).

Lebanon: Commitment to involvement in sport and playground projects for children and teens affected by military conflict to promote long-term dialogue between young Christians and Muslims, and to provide recreational facilities for teens in the suburbs of Shiah, which was heavily damaged during the war in the summer of 2006 (CHF 156 000).

Peru: Promotion of milk production, cheese-making cooperatives and cheese sales in the Alpachaka sector, Ayacucho Region (CHF 150 000).

Romania: Reconstruction in the village Sacuieni of the school that was entirely destroyed in the floods of the summer of 2005 (CHF 340 000).

Mexico: Expansion of the infrastructure of the orphanage “Pan de Vida,” where abused or abandoned children live and learn in a safe environment. The project consists of various measures: expansion of the school, renovation of the gymnasium roof, improvement of the water supply and renovation of the playground and the access road (CHF 245 000).

Greece: Expansion of protection against forest fires. In the community of Kryoneri the “Romuald Burkard Foundation” is financing a new fire-fighting vehicle with four-wheel drive and ten additional water tanks to support the efforts of the residents to protect the densely wooded environment (CHF 50 000).



Children from the orphanage “Pan de Vida” supported by Sika in Mexico.

In addition Sika supports the Global Nature Fund (GNF) within the framework of the international lake network “Living Lakes.” This global network with some 70 partner organizations from lake regions around the globe is committed to sustainable development and protection of potable water, lakes and wetlands. Concrete models of successful projects demonstrate how environmentally compatible developments in different climatic zones and societies are practiced, and at the same time are able to protect nature and the environment. Local populations are thereby always expressly involved. GNF, a non-profit foundation with its headquarters in Radolfzell on Lake Constance in Germany, coordinates “Living Lakes.” Since 1998 the network has promoted dialogue between representatives of public and private interests involved in water protection. This enables a valuable exchange of knowledge, technology and experience between NGOs and businesses.

Sika supported four GNF project areas in the year under review:

Colombia: Reforestation of the cloud forests in the watershed area of the naturally diverse Laguna Fúquene in the Eastern Andes. Networking with local communities in the area of ecological tourism via inclusion of all representative interests. Establishment of an ecotourism plan as well as realization of first ecotouristic travel packages. Distribution of learning material on ecotourism and on environmental education. Construction of a facility for marketing of artisan crafts and organic compost.

Sri Lanka: Reforestation of mangrove forests on Lake Maduganga and Lake Madampe on the southwest coast. Nets and tools for fishing families. Training in two newly built environmental education centers. Post-tsunami conference.

Baleares: Support of the United Nations campaign “Year of the Dolphin” for protection of whales and dolphins in the Mediterranean, where seven whale and four dolphin species live and suffer the over-fishing and pollution of the Sea. Development of a new protection concept with volunteer assistance, development of alternative, environmentally compatible fishing methods.

South America: Support for preservation of Pantanal, the largest wetlands region of the world, located between Bolivia and Paraguay. The region is threatened by deforestation, slash and burn, gold and diamond mining, monoculture agricultural practices and intensive livestock raising. Environmental education and public information in Brazil and Germany.



“Hanson Australia commenced a major business relationship with Sika in 2004 after Sika impressed our concrete technical staff with the speed with which new admixtures could be created to solve pressing issues. Since then, Sika has met all the challenges of the diverse Australian environment from in-situ concrete to architectural Precast applications. In Precast, consistency of the concrete mix is of utmost importance, and through the use of Sika’s admixtures we are able to pour, strip and lift within 18 hours, six days a week, all year round.”

Chris Parsons, Manager, Hanson Precast, Australia

Hanson is one of the world's leading heavy building materials companies.

The company is a part of the HeidelbergCement Group, which employs 70 000 people across five continents.

Risk management at Sika is part of our compulsory program, not a freestyle exercise

Risks are part of every business. Therefore it is all the more important to limit imponderabilities as much as possible through appropriate measures. Risk management is this instrument. For Sika this has long been a component of enterprise management at all levels.

The housing mortgage crisis in the USA and the emerging consequences for some banking institutions have illustrated how significant risk management is for international corporations. If risks are assessed in a manner that is systematically false, this can lead to large financial losses and can damage a company's reputation sustainably. Because of this Sika instituted a comprehensive risk management for the Group and all subsidiaries a number of years ago.

Risk management is thereby not simply a means of avoiding risks, but rather the possibility to recognize dangers and to integrate them in business procedures and the strategic decision process. Taking provisions for risk serves not merely risk avoidance, but also helps to recognize chances and create value. The risk management process thus passes through four basic steps: risk identification, risk assessment, risk monitoring and risk controlling.

Group Management responsibility

While Group Management regularly reviews the processes that form the basis of risk management for Sika, the Board of Directors is the highest authority for risk assessment. Among its responsibilities is the annual assessment of risks at every level of the Group. Those strategic and operative risks that could lead to a material endangerment of the Group stand thereby in the forefront. The risks are assessed by means of fundamental questions:

- Is this a global or a regional issue?
- How significant is this issue for the Group?
- How high is the probability of damage?
- Which measures have to be taken to confront the risk?

If the overall assessment of a risk is critical, measures are then planned and implemented.

Suppliers and raw materials

The cost of raw materials is one of the largest cost factors for Sika. They therefore constitute a main factor in risk assessment. As has been demonstrated in previous years, the price of crude oil has a certain influence on purchase prices. Crude oil is the basis for the semi-finished materials used by Sika for its own production. But alongside this are numerous other factors that influence prices, such as the interplay of supply and demand, the general economic environment or sporadic interruptions in the processing and logistics chain from crude oil to purchased material. Cost increases of base materials during the past year can be traced primarily to exceedingly strong worldwide demand. Some materials were temporarily not obtainable on the world market because all existing production capacity was fully utilized. But thanks to solid alliances Sika succeeded in mastering these difficult situations and experienced only a brief suspension of production in a manufacturing facility. The Group limits the market price risk of raw materials for important products through suitable warehousing and Group contracting (lead buying). The most important raw materials for Sika are polymers such as polyurethanes, epoxy resins, polyvinyl chloride and cementitious base materials. Other measures for safeguarding prices such as hedging are not employed, because a market for these semi-finished materials does not exist for Sika.

Production and logistics

Risk management in the areas of production and logistics includes the systematic annual analysis of possible operational risks that could lead to breaks in production or other operational disturbances, and the corresponding preventive measures. The practical and organisational implementation in the handling of operational or any other risks is laid down in the "Sika Risk Management Policy." This policy is based on compulsory EHS Standards (Environment, Health, Safety). The risk analyses of external specialists, in many cases in close collaboration with insurance companies, complement internal examinations. In large factories external inspections take place on average every three years. Sika factories worldwide are analyzed within the framework of an insurance program. Together with local safety officers and their teams, external specialists record during the course of inspections the dangers that could lead to interrup-

tions in production or to property or liability damage. The probability and impact of these occurrences are subsequently assessed and measures are established to reduce this risk potential as much as possible. Every organization conducts an annual, routine and internal risk analysis in the areas of production and logistics with the same methodology. Agreed measures help improve fire prevention above all: quicker fire detection using smoke and flame detectors, installation of automatic fire doors for limitation of damage and/or sprinkler installation for more effective fire fighting.

Product risk factors

The risk factors ecology, safety, raw materials, market and success probabilities as well as patents and know-how are considered in the mandatory procedures of product development and product advancements, the so-called "Product Creation Process" (PCP) and the "Product Maintenance Process" (PMP). Both processes are subject to strictest controls. Since 1999 a worldwide program has existed with the objective of minimizing risks in our consultation and sales business. A number of measures including consistent and regular training of employees, clear standards and improved controls continuously lower expenses for product damage claims.

Customer and market diversification

Sika limits its dependence on particular markets and customers through targeted diversification based on various aspects. On one hand geographic diversification in construction is of great significance, since construction business tends to be locally oriented, and markets in distant global regions in part demonstrate contrary development. On the other hand diversification among customers – no single customer yields more than 1.5% of Sika sales – in the Construction as well as the Industry Division also has a stabilizing effect on business. In order to cushion economic fluctuations as far as possible, Sika is in addition active in its core areas – Construction and Industry – not only in new developments business but also in the largely cycle-independent repair and maintenance business.

Finance

The objective of the financial risk management is optimal capital procurement as well as a liquidity position oriented towards payment obligations. Liquidity assurance is provided by three long-term, staggered (5, 7 and 10 year) bonds, two in the amount of CHF 250 million and another for CHF 275 million, as well as a CHF 450 million credit facility through 2010, made available through a bank syndicate. An optimal liquidity position results from cash pooling. For selected activities in the treasury area Sika relies on additional third party services.

Financial risk management is described in detail on page 104 of this Report.

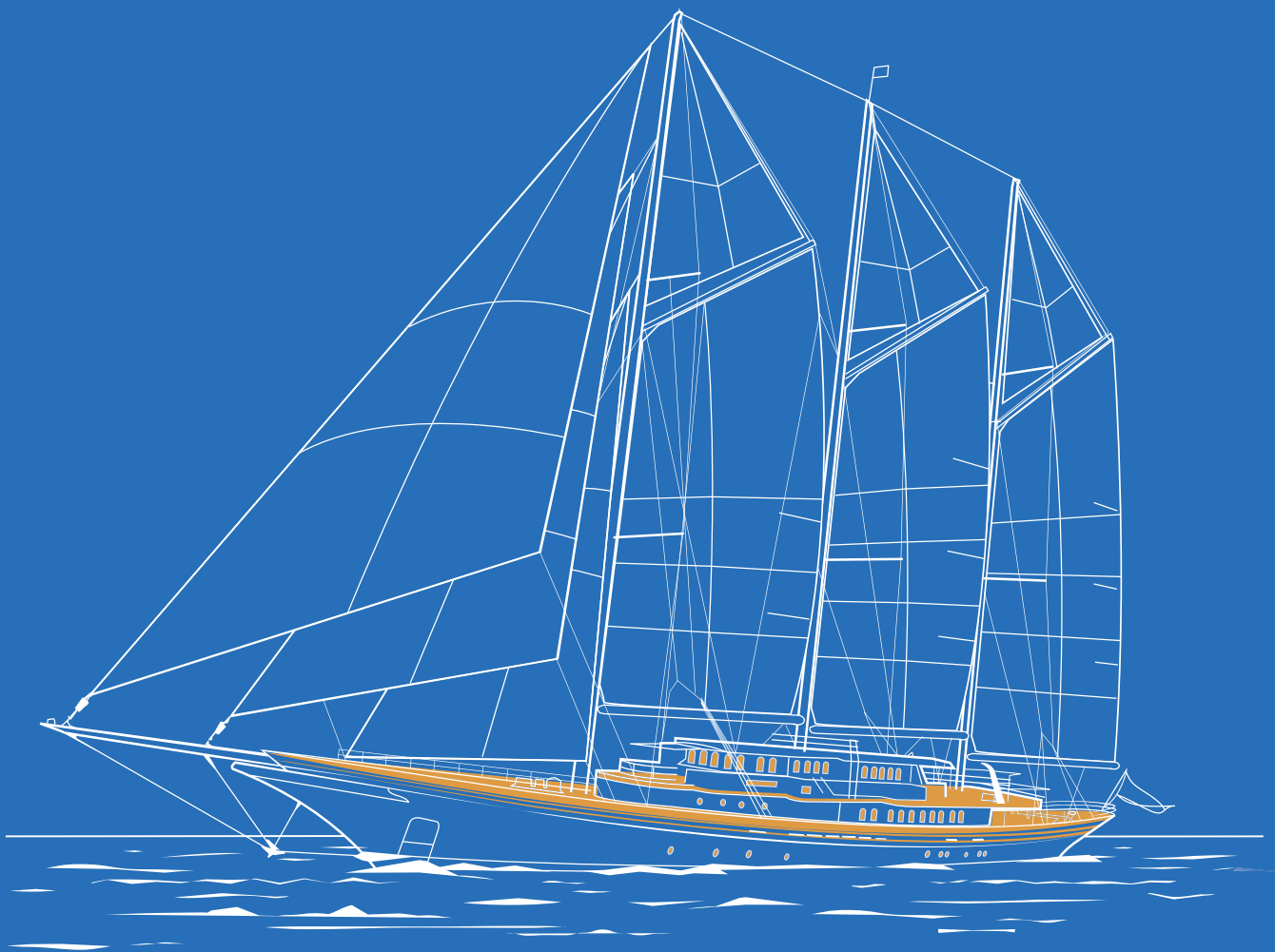
Management

Dynamically en route





On course with full sails: Wherever the Athena appears, admiring looks are assured her: at 90 metres from bow to stern she is the largest private sailing yacht in the world – and with her elegant, stylish exterior she is also one of the most beautiful. Sika supplied among other components 11 000 linear meters of caulking for Athena's teak deck.



Idolized icon. The combination of nostalgic charm and modern technology, traditional materials and all contemporary comforts make the Athena the queen of the seas. More than 2 500 m² of sailcloth billow in the wind and drive the yacht with up to 19 knots through the waves. But mostly one takes life easy on board the Athena. She is, after all, dedicated to enjoyment with her mahogany-clad salons, soft upholstery, stately library and marble-floored bathrooms. An 18-member crew attends to fresh flower arrangements, gourmet cuisine and up to ten guests. The Royal Huisman Wharf is proud of this marvel, to which some of the best known boat designers have contributed.

Sika is also proud of the Athena, one of the largest projects of the Marine department. With a comprehensive solution for everything on board that needs bonding and sealing, Sika employees accompanied Athena's construction from the planning phase to the launch. Large parts of the interior decoration, windows, cable ducts and various applications on deck withstand wind, weather and the roughest state of the seas thanks to Sikaflex®.

With focus towards the goal

In its clearly defined target markets in construction and industry with process materials for sealing, bonding, damping, reinforcing and protecting, Sika strives for technology and cost leadership, and the market leadership derived from it. This goal of growth overrides the importance of profit maximization. That enterprise growth be harmonic is nonetheless aspired and will be evaluated in targets for growth, EBITDA, consolidated net profit, operating free cash flow and return on capital employed (ROCE).

Long term potential

Sika's long term growth potential is significant: markets are still fragmented in almost all enterprise technologies and in some customers groups. With better market penetration and advancement of market maturity, especially in emerging markets, Sika can grow as well as with innovation and convincing customer solutions. Comprehensive (single-source) solutions and global key-customers and key-projects lie in the trend of contemporary globalization. Sustainable growth is contingent on optimally attuned management and highly motivated employees. With these it can be assured that sales will grow more strongly than the corresponding necessary costs.

Special attention falls on "Emerging Markets" – foremost Eastern Europe, the BRIC nations (Brazil, Russia, India, China) and the Middle East. Market growth is indeed very high and in individual countries will require up to 30% of world consumption (e.g. concrete admixtures in China). The maturity of technologies employed in these markets is often still below the standard of Western countries, which compels massive investment in education and extremely opportune solutions to be able to participate in market development. Sika confronts this challenge with the goal of achieving long term market leadership in these markets also.

Focused processes and structures

During the last 2 years Sika has entirely converted its internal organization with a matrix structure from a functional to a process structure, orienting it towards target customers. Sika's focused growth strategy concentrates on 4 customer groups which have strongly differing needs and sales processes:

- 1. Concrete producers** ("Concrete") need cost-optimized solutions that are aligned with the application and the cement, and must be adjusted in ready-mix concrete plants, on construction sites and in precast element factories.
- 2. Contractors** ("Contractors") purchase and process Sika products such as membranes for a leak proof roof or for waterproofing in

basements or tunnels. Liquid polymers are processed to industrial flooring or protective coatings, bonding and sealing materials to impervious building joints or bonded wooden floors. Such jobs are always part of a larger assembly, so that Sika advises owners, architects, engineering firms etc. as early as possible with the corresponding Sika know-how. The key to success here lies in training and advising all concerned.

- 3. Distributors** ("Distribution") supply mainly generalists such as craftsmen and builders, but also contractors. They advise them and assure short term availability of supply. Training is a central theme in this area also – and in addition from Sika's standpoint the professional furnishing of the distributor's sales displays.

- 4. Industrial customers** ("Industry") usually need large quantities of Sika products that are specially adapted to their needs – especially in the areas of bonding and sealing. Here Sika offers technologies with focus in automotive construction including busses, trucks, railroad, but also in such related applications as fenestration and wind turbines.

This focusing of employees on the four customer groups pervades the entire company: in Group Management there are the 4 Business Unit managers just as in the regions and local subsidiaries. New products are defined and launched along this track, training of "Best Demonstrated Practice" – the best solutions – driven on it and assortment and pricing policy for corporate products established. Result responsibility lies however as before within the line organization (with the exception of global key accounts), meaning with the regional manager and country head, who must keep the larger Sika picture in mind. It is their duty to determine the growth targets and resource allocation, and to attain the expected result improvements.

The new organization of factory structures and of logistics is not yet complete. To ensure advantages of scale and rapid service of markets, new processes in manufacturing and logistics will be installed on a continental basis during the coming years.

Financial targets

Financial targets reflect the build-up costs in new markets. On one hand growth must be financed, which influences the relation between sales and operating cash flow. On the other hand Sika expects that the striven growth will lead to an EBITDA that is higher in absolute terms. Through the year 2010 the mid-term financial targets have therefore been defined as follows:

– Net sales growth in local currencies per annum	8–10%
– EBITDA in % of net sales	12–14%
– Profit in % of net sales	> 6%
– Operating free cash flow in % of net sales (5 year average)	4–6%
– ROCE *	20–25%

*Return On Capital Employed (see also page 126)

Operative performance figures

While most companies evaluate performance figures on a daily basis, the Group operates with monthly closures including EBIT calculations and free cash flow elements per division. New pricing instruments allow the evaluation of cost and price developments and of measures at the product and customer level. CRM (Customer Relationship Management) enables customer-specific targets and success evaluations – as well as debit analyses and the appraisal of global customers. The introduction of these systems has occurred; the area-wide application will yet take some time.

Responsible Corporate Governance

Sika has transparent structures, clearly assigned areas of responsibility, efficient chains of decision and effective control mechanisms. Corporate Governance ensures that strategic and operative leadership are on Best Practice level, guaranteeing that the rights and interests of shareholders are observed. The creation of true value for shareholders, customers and employees is our objective. Corporate Governance reporting adheres to the guidelines of the Swiss Stock Exchange SWX.

Group structure and shareholders

Sika AG, headquartered in Baar, Canton Zug, is the only Sika company listed on the stock exchange. The bearer shares of Sika AG (Registration No. 58797) is listed on SWX, the Swiss Stock Exchange. Information on Sika AG's stock market capitalization is found on page 21. In the year under review the Sika Group encompassed unlisted subsidiaries in 71 countries. All 104 companies are included in the scope of consolidation (for details see page 118 et seq.). Companies of which Sika holds less than 50% of shareholder votes are not consolidated. These are namely Sika Gulf B.S.C., Bahrain, the part GmbH joint venture in Germany as well as Addimont Italia S.r.l.. Organizationally the Group consists of two segments:

The primary segmentation is formed by the two business Divisions Construction and Industry, while the secondary segmentation comprises the six geographic regions Europe North, Europe South, North America, Latin America, IMEA (India, Middle East, Africa) and Asia/Pacific. Group management consists of twelve members. They lead the Group operatively in a matrix organization. Sika's management structure is essentially formed by the dual segmentation as well as the central services of finance, production and logistics as well as research & development. All Group business is conducted by Sika AG, the holding company, itself in turn under the supervision of the Board of Directors. The organizational structures of Sika AG as well as of the entire Group are presented on the pages 54–57 of this Report.

The Burkard-Schenker family is the majority shareholder in accordance with Art. 663c OR (Swiss Code of Obligations). According to information furnished by the family, it owned as of December 31, 2007 53.6% of all voting shares, in part through Schenker-Winkler Holding AG, Baar. In the year under review one notification was filed pursuant to Art. 20 BEHG, the Swiss Federal Act on Stock Exchanges and Securities Trading. According to this notification, Lone Pine Capital LLC, headquarters in Greenwich, Connecticut, owned 3.46% of all voting shares as of December 31, 2007. There are no crossover holdings exceeding 3%, either in terms of capital or in votes.

Capital structure

As of December 31, 2007 the share capital totalled CHF 22 861 602.00 and represented 2 151 199 bearer shares with a nominal value of CHF 9.00, and 2 333 874 registered shares with a nominal value of CHF 1.50. Both types of shares earn the same dividend, with payout adjusted to nominal value. One share represents one vote. In addition there is CHF 2 338 398.00 in contingent capital, temporally unrestricted, comprising 259 822 bearer shares with a nominal value of CHF 9.00. These shares are foreseen 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, profit-sharing 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 as well as retained earnings during the last five years are posted on the pages 124 and 125. All legal and natural persons are entitled to acquire Sika bearer and registered shares. The Board of Directors can deny purchase of registered shares if the purchaser's registered share holdings exceed 5% of the total number of registered shares listed in the commercial register. In the year under review no new shareholder exceeded this 5% threshold. Nominees, i.e. shareholders who acquire shares in their own name but on the account of third parties are registered as shareholders without voting rights.

Board of Directors

The Board of Directors is Sika's highest level of management and mainly responsible for the:

- corporate mission statement and corporate policies,
- decisions on corporate strategy and organizational structure,
- appointment and recall of members of Group Management,
- development of finance and accounting,
- establishment of the three-year plan as well as the annual and investment budgets.

The members of the Board of Directors are elected by the Annual General Meeting for a period of three years. Their tenures are staggered. They can be reelected at any time. Upon reaching the age of seventy, directors resign their commission. Detailed information on individual members of the Board of Directors is listed on pages 56 and 57 of this Report. No directorships are maintained with other listed companies on a reciprocating basis. The Board of Directors constitutes itself, electing the Chairman and Vice Chairman from its ranks. Sika's Board of Directors currently consists of nine non-executive members. As business demands, the Board convenes at the Chairman's behest. In fiscal 2007 the Board met six times. The President of Group Management, the 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 as advisors. Company officers report regularly and comprehensively to the Chairman concerning implementation of Board decisions. The CEO as well as the CFO report to the Board in writing on the development of business at least once per month. Extraordinary occurrences are reported immediately to the Chairman or the Audit Committee, insofar as such events relate to the latter's area of responsibility. The auditing staff report to the Chairman as well as the Audit Committee on a scheduled basis.

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. The Committees otherwise organize themselves. Information on the members of the Committees can be found on pages 56 and 57 of this Report.

- The Audit Committee mainly monitors the results of internal and external audits as well as risk management. The committee assembles on request of its chairperson as required. Customarily the Chairman of the Board and the CFO, as well as the CEO as 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 plans at Board and Group Management level and handles compensation issues. The committee meets on request of its chairperson as business demands. Usually the Chairman of the Board and the CEO participate in these meetings in an advisory capacity. In the year under review the Nomination and Compensation Committee met five times.

Group Management

Within the framework of Board decisions, Sika operative leadership is incumbent on Group Management. The members of Group Management and their functions are listed on page 54 of this Report. Detailed information on their backgrounds, as well as on interests and activities, can be found on our website under www.sika.com/gen-about/gen-about-management.htm. Sika had no management contracts with third parties in the year under review.

Compensation, participations and loans

The compensation of Group Management consists mainly of a base salary and a bonus. The bonus is contingent on the EBIT and the operating free cash flow of the Group and the respective area of responsibility, as well as on the achievement of individual goals. A certain portion of the bonus is awarded in Sika shares that remain frozen for a period of four years. The members of the Board of Directors receive a set fee and remuneration for attendance of meetings. The Nomination and Compensation Committee proposes the base salary and bonus of Group Management to the Board, as well as the compensation of the Board of Directors. The Committee also determines the Chairman's remuneration. Details on the remuneration of the Board of Directors and Group Management can be found on page 149 et.seq. of this Report.

Shareholder participation rights

Sika upholds restrictions to voting rights neither on the basis of by-laws nor by other means, and thus also no rules for granting exceptions. Accordingly no exceptions were made in the year under review with respect to voting rights restrictions. Every shareholder can exercise share votes through representation by another shareholder with voting rights, a registered representative of securities accounts or an independent proxy. Information on what constitutes a quorum under the by-laws can be found in Art. 704 OR (Swiss Code of Obligations), as well as § 15 paragraph 3 of Sika's articles of association (see www.sika.com/gen-about/gen-about-articles.htm). The orders of business for which a majority is required are defined therein. The invitation modalities and deadlines for the Annual General Meeting are conformant with legal requirements. In addition, shareholders representing a nominal share value of CHF 150 000 can request in writing to have an item placed on the agenda during a 14-day period approximately two and a half months prior to the Annual General Meeting. New registered shares will not be registered by the company in the 20 days prior to the Annual General Meeting. Therefore registered shares sold between the deadline and the Annual General Meeting are not entitled to vote.

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 Exchange and Securities Trading. There are no clauses governing changes in corporate control.

Auditor

At each Annual General Meeting the auditor is elected to serve Sika AG and the Group for a period of one year. In the year under review Ernst & Young AG, Zug, listed as auditor in the commercial register since February 2, 1995, served in this capacity. The current audit team leader has been active on behalf of Sika since 2003. During the year under review Ernst & Young billed CHF 3.9 million for its services. These charges covered the audit of individual Sika AG closings and practically all subsidiaries as well as Group financial statements. Ernst & Young received fees totalling CHF 1.1 million for audit-related support and consulting services. The Audit Committee monitors the auditor's activities as mandated by the Board of Directors. In fiscal 2007 the Committee examined the audit of the Sika AG and the consolidated financial statements as well as the management analysis and received relevant commentary from the auditors. In addition, the auditors participated in two meetings of the Audit Committee in the year under review.

Communications

Sika informs extensively concerning 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 – www.sika.com – as well as press releases regarding important developments are important components of communications. As a company listed on the SWX, the Swiss Stock Exchange, Sika is obligated to comply with requirements of ad-hoc disclosure, i.e. the release of news which may affect its stock price. In addition Sika maintains dialogue with investors and the media through special events and road shows. Information on important dates in 2008 are found in this Report on page 155.



Ernst Bärtschi
lic. oec. HSG,
1952
Swiss,
CEO



Silvio Ponti
Dipl. Bau-Ing. ETH,
MBA, 1953
Swiss,
Deputy CEO,
Europe North



Alexander Bleibler
Dipl. Bau-Ing. HTL,
1953
Swiss,
Construction,
Contractors



Bruno Fritsche
BBA, 1952
Swiss,
Industry



Christoph Ganz
lic. oec. HSG,
1969
Swiss,
Construction,
Distribution



Jan Jenisch
lic. rer. pol.,
1966
German,
Asia/Pacific



Peter Krebser
Dr. sc. techn.,
Dipl. Chem. Ing. ETH,
1951
Swiss,
Operations



Urs Mäder
Dr. rer. nat.,
Dipl. Chem. Ing. HTL,
1955
Swiss,
Research
and Development



Ernesto Schümperli
Dipl. Bau-Ing. ETH,
MBA, 1955
Swiss,
Construction,
Concrete



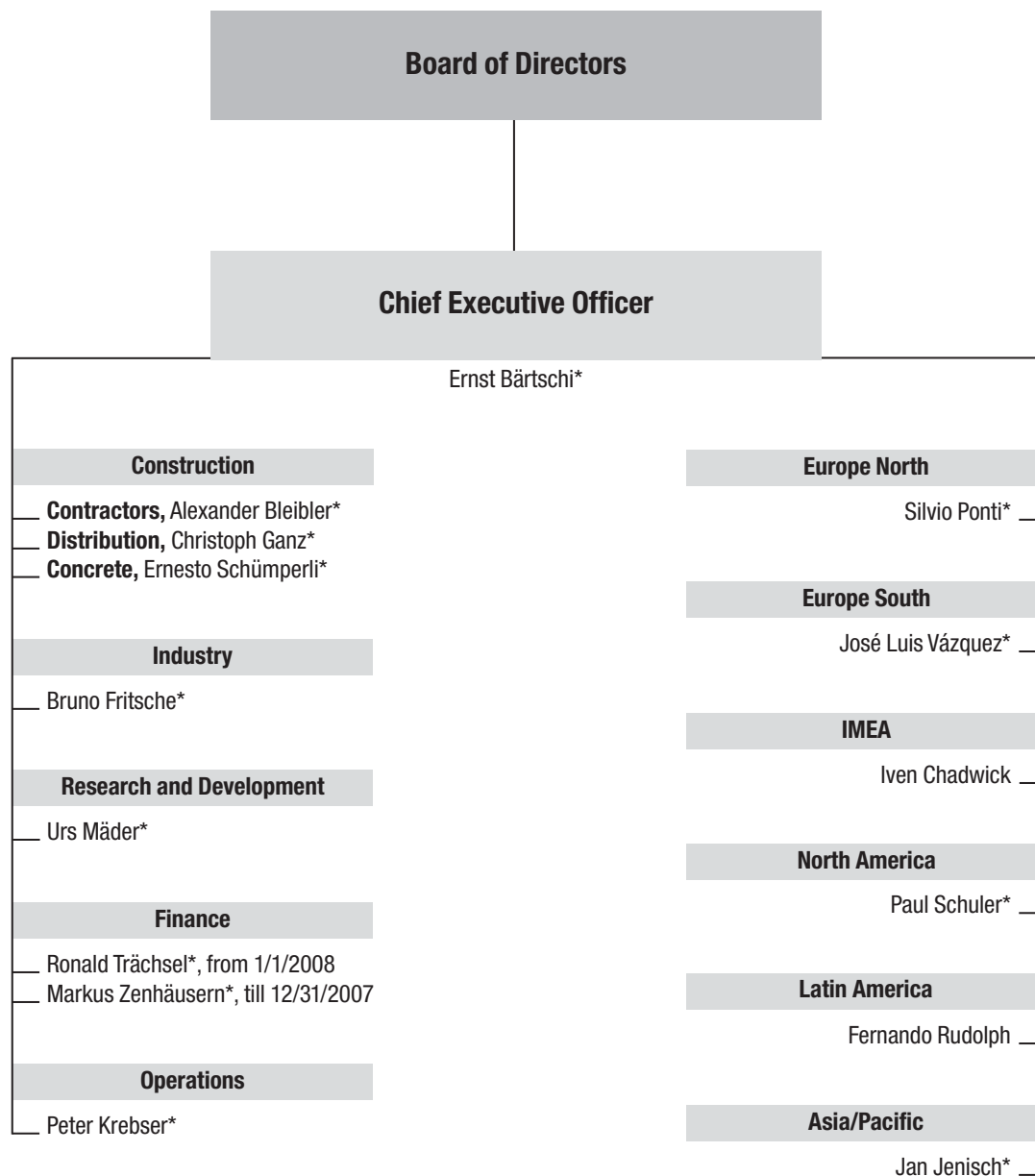
Paul Schuler
MBA, 1955
Swiss,
North America



Ronald Trächsel
lic. rer. pol.,
1959
Swiss,
CFO



José Luis Vázquez
Dr.-Ing., MBA,
1947
Spanish,
Europe South



*Members of Group Management

	Elected first in	Remaining term	Committees
Chairman Walter Gruebler Dr. oec. HSG, 1942, Swiss 1968 – 1974 Project Leader and Member of Executive Board, Hayek Engineering AG, Zurich 1974 – 1990 CEO and Vice Chairman of the Board of Directors, Airex AG, Sins 1990 – 1999 Member of Group Management, alusuisse, Zurich 2000 – 2004 CEO Sika AG, Baar Chairman, Board of Directors Adval Tech AG, Niederwangen Member, Board of Directors Nationale Suisse, Basel; Quadrant AG, Lenzburg; Petroplus Holdings AG, Zug Member of Board Swiss Society of Chemical Industries, Zurich	2004	2010	
Vice Chairman Thomas W. Bechtler Dr. iur., L.L. M., 1949, Swiss 1975 – 1977 Managing Assistant, Luwa AG 1977 – 1982 Divisional Manager, Luwa AG since 1982 CEO, Hesta AG and Hesta Tex AG, Zug Member, Board of Directors Credit Suisse, Zurich; Swiss Re, Zurich; Bucher Industries, Niederweningen; Conzeta Holding AG, Zurich Chairman of the Board Human Rights Watch Committee, Zurich	1989	2010	Chairman Nomination & Compensation Committee
Members Urs F. Burkard Carpenter/Interior Designer, 1957, Swiss 1987 – 1989 Head of planning, Denz Office Furniture, Zurich since 1989 Principal, Burkard Office Design GmbH, Rotkreuz Chairman, Board of Directors Unitrend Burkard AG, Rotkreuz Vice Chairman, Board of Directors Schenker-Winkler Holding AG, Baar	1990	2008	Nomination & Compensation Committee
Urs B. Rinderknecht lic. iur., 1946, Swiss since 1972 Schweizerische Bankgesellschaft/UBS since 1987 General Manager Currently Head Group Mandates, UBS AG, Zurich Chairman, Board of Directors Scintilla AG, Solothurn; Widder Hotel AG, Zurich Vice Chairman, Board of Directors Grand-Hotel Victoria-Jungfrau AG, Interlaken; Robert Bosch Int. Beteiligungen AG, Zurich Member of the Supervisory Council Robert Bosch GmbH, Stuttgart Chairman Foundation Council of UBS Foundation for Social Affairs and Education, Zurich, as well as of UBS Cultural Foundation, Zurich Member of Board economiesuisse, Zurich	1998	2010	Nomination & Compensation Committee
Toni Rusch Dr. oec. publ., 1944, Swiss 1969 – 1974 Project Leader, Ciba-Geigy AG, Basel 1974 – 1979 Corporate Development, Bühler AG, Uzwil 1979 – 1985 CFO, Togo Group, Romanshorn 1985 – 2005 CEO, Filtrox Group, St. Gallen, equity-holder since 1992 Chairman, Board of Directors and Delegate Filtrox Group, St. Gallen Chairman, Board of Directors of Sefar Holding AG, Thal SG	2000	2009	Chairman Audit Committee

	Elected first in	Remaining term	Committees
Daniel J. Sauter Financial Expert, 1957, Swiss 1976–1983 Several banks, incl. Bank Leu, Zurich 1983–1998 Senior partner and CFO, Glencore International AG, Baar 1994–2001 CEO and Delegate of Board of Directors, Xstrata AG, Zug Chairman, Board of Directors Alpine Select AG, Zug Member, Board of Directors Sulzer AG, Winterthur; Charles Vögele Holding AG, Pfäffikon; Model Holding AG, Weinfelden; Julius Bär Holding AG, Zurich	2000	2009	Audit Committee
Fritz Studer Banking Expert, 1943, Swiss 1965–1978 National/International Loan Specialist incl. Export Financing, Schweizerische Volksbank 1979–1982 Head of Directorate-General, Schweizerische Volksbank 1983–1993 Member of Executive Board, Luzerner Kantonalbank 1994–2003 CEO Luzerner Kantonalbank; Member of the Board of Directors, Swiss Bankers Association and Association of Swiss Cantonal Banks; Member of the Board of Directors and periodically Vice President or President, Mortgage bond clearing house of the Swiss Cantonal Banks, AGI Holding AG, Swisscom IT Services AG, Adler & Co. Privatbank AG 2004–2006 Chairman of the Board of Directors, Sarna Polymer Holding Inc. Chairman, Board of Directors Luzerner Kantonalbank Member Bank Council Swiss National Bank	2006	2009	Audit Committee from 1/1/2008
Ulrich W. Suter Dr. sc. techn., Professor, 1944, Swiss 1982 – 1989 Professor, MIT, Department of Chemical Engineering, Cambridge, USA since 1988 Professor, ETH Zurich, Departement of Material Science 2001–2005 Vice President for Research, ETH Zurich Member, Board of Directors WICOR Holding AG, Rapperswil SG; Global Surface AG, Nussbaumen TG Member Foundation Council Academia Engelberg; Werner Oechslin Library Foundation; Foundation Entwicklungsfonds Seltene Metalle ESM	2003	2009	
Christoph Tobler dipl. El. Ing. EPFL, 1957, Swiss 1988 – 1994 McKinsey & Company, Zurich 1994 – 1998 Adtranz Schweiz 1998 – 2004 Sika AG, Head of Industry Division and Member of Group Management since 2004 CEO Sefar Holding AG, Thal SG Member, Board of Directors Committee Sefar Holding AG, Thal SG Member, Board of Directors Schenker-Winkler Holding AG, Baar; AG Cilander, Herisau Member of Board Committee economiesuisse, Zurich	2005	2010	Audit Committee till 12/31/2007
Robert Fürböck Dr. iur., Internal Audit			

Auditors

Ernst & Young AG, Zug

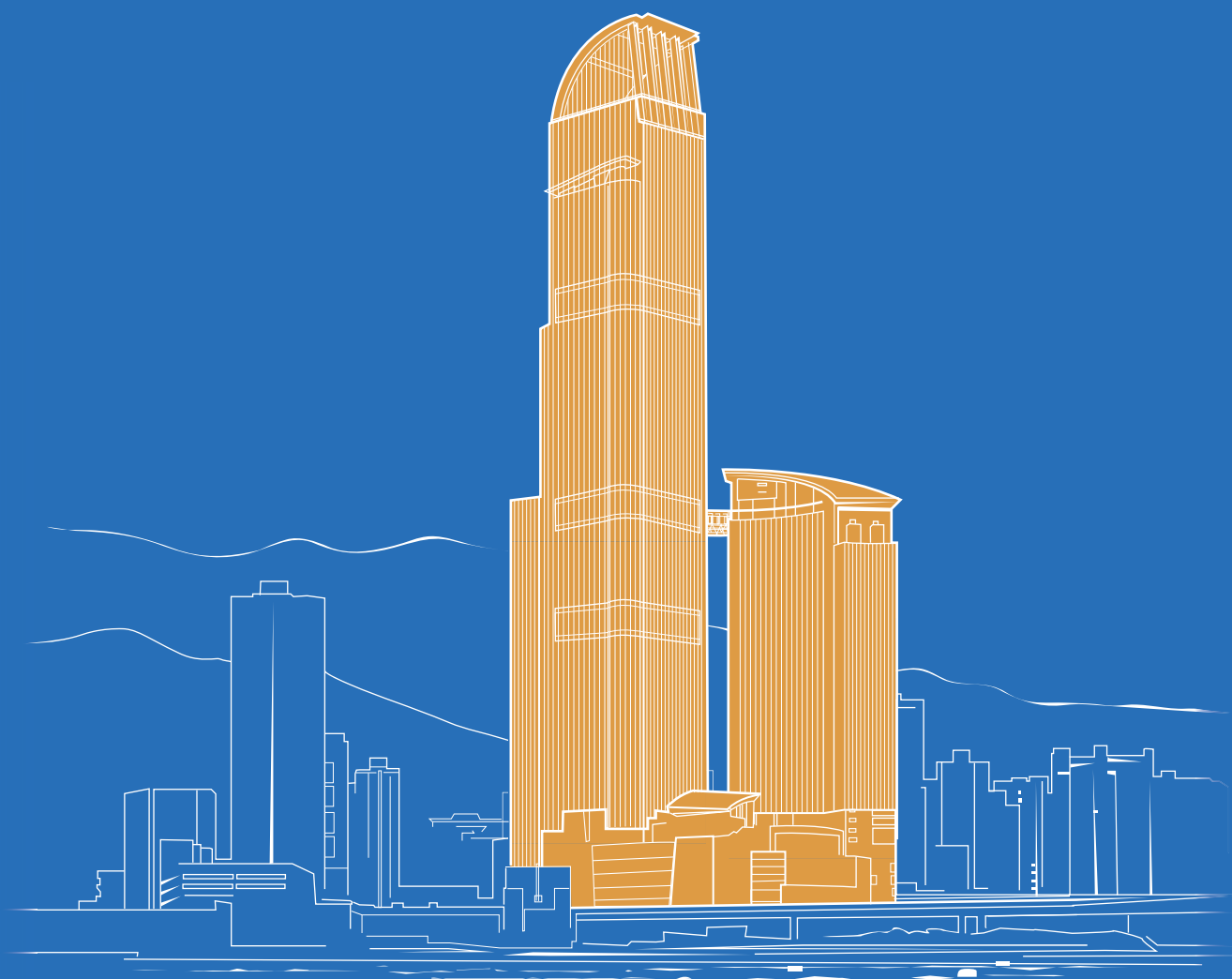
Financial Report

Successfully positioned





Planned with great farsightedness: Actually the Nina Tower in Hong Kong was supposed to become the world's tallest building. But the proximity of the Chep Lap Kok Airport confounded those plans. At 319 meters high, the elegant double tower is nonetheless impressive. Sika contributed substantially to its successful construction.



New landmark. The Nina Tower commemorates Nina Wang, the wealthiest woman in Asia (1937 – 2007). Her Chinachem Group originally planned the tower with a height of 518 meters. Due to the proximity of the airport a height of 319 meters had to suffice, and it was decided to construct two towers instead of one. The higher building, with 80 stories, Nina Wang named in remembrance of her husband Teddy Tower, and lent the smaller building her own name. Despite this the entire project ran under the name Nina Tower. The uppermost 40 stories house a five-star hotel with 800 suites, the lowest 10 an exclusive department store including a train line to the international airport. In between mirrored office windows sparkle in the evening sun. The Nina Tower dominates the shore in the central city district Tsuen Wan and is regarded as the fifth-highest building in Hong Kong. In a world-wide comparison it stands in 24th place.

Sika supplied its proven, high-performance concrete admixtures for the entire facility (150 000 cubic meters of concrete). Thereby it was guaranteed that the concrete would reach a height of 319 meters in optimal condition: a task not easy to perform. Concrete comes under extremely high pressure if it is to be transported to great heights in a single stage. Cohesiveness and stability must remain intact in the process. At the same time flow characteristics must be optimized, so that the pumps at the foot of a tower can operate at all. Sika mastered the task with 880 tons of admixture.

Important Dates

2008

Tuesday, April 8

40 th Annual General Meeting

Lorzensaal, Cham, Switzerland, 3 pm

Wednesday, April 9

Letter to shareholders (first-quarter report)

Tuesday, April 15

Dividend payment

Thursday, July 31

Letter to shareholders (semi-annual report)

Tuesday, November 4

Letter to shareholders (third-quarter report)

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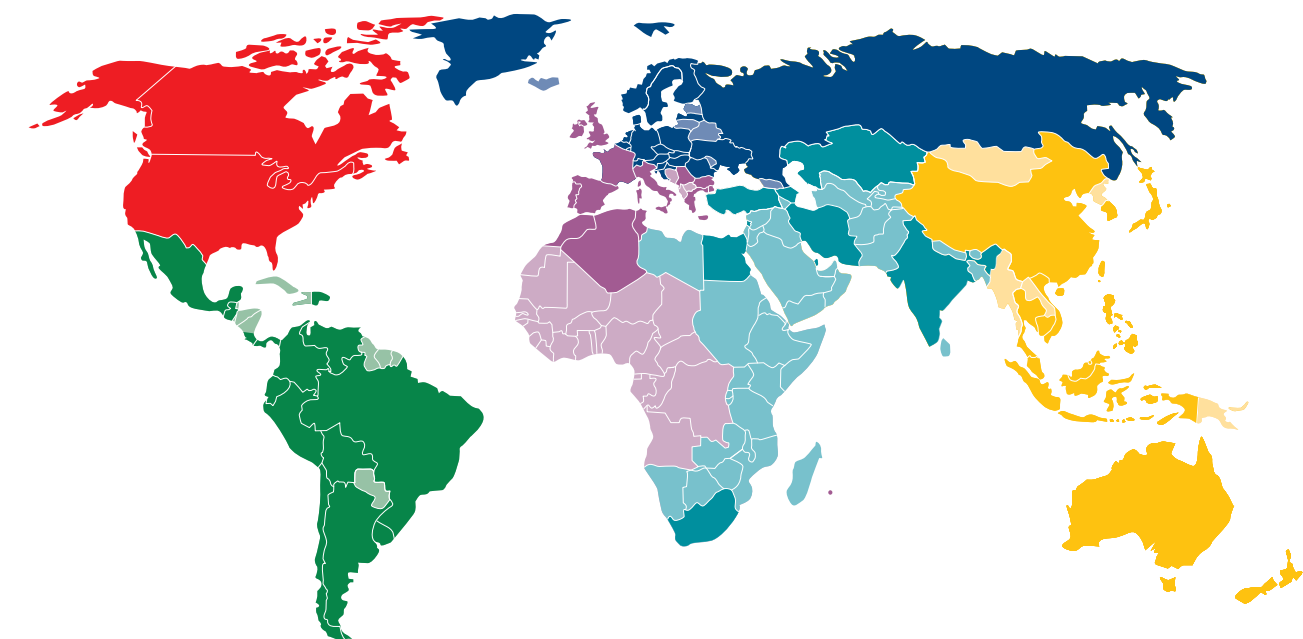
The Sika Annual Report is published in German and English.

The statements in this review relating to matters that are not historical facts are forward-looking statements. They are no guarantee of future performance and involve risks and uncertainties with regard to future global economic conditions, foreign exchange rates, regulatory rules, market conditions, the actions of competitors and other factors beyond the control of the company.

The consolidated financial statements are prepared according to the International Financial Reporting Standards (IFRS).

This annual report is available in both German and English and can also be accessed on our website www.sika.com. The printed German text is the definitive version.

Sika's Global Market Presence



North America		Latin America		Europe North		Europe South		IMEA		Asia/Pacific	
Sales in CHF mn	681	Sales in CHF mn	377	Sales in CHF mn	1 713	Sales in CHF mn	1 101	Sales in CHF mn	223	Sales in CHF mn	478
– Construction	485	– Construction	320	– Construction	1 269	– Construction	951	– Construction	186	– Construction	389
– Industry	196	– Industry	57	– Industry	444	– Industry	150	– Industry	37	– Industry	89
Employees	1 319	Employees	1 539	Employees	4 248	Employees	1 922	Employees	789	Employees	1 906

■ ■ ■ ■ ■ Countries with Sika subsidiary ■ ■ ■ ■ ■ Countries with sales representative

Sika AG, located in Baar, Switzerland, is a globally integrated company supplying specialty chemicals markets. It is a leader in processing materials used in sealing, bonding, damping, reinforcing and protecting load-bearing structures in construction and industry.

The company's product lines include high-grade concrete admixtures, specialty mortars, sealants and adhesives, damping and reinforcing materials, structural strengthening systems, industrial flooring and sealing films.

Sika systems replace dated technologies like screws, rivets and welds and provide customers with heretofore unheard of opportunities for innovation. The company's mission is to help customers create added value and to constantly keep one step ahead of the competition.

Subsidiaries in 71 countries worldwide and 11 700 employees link customers directly to Sika and guarantee the success of all of its business relationships. With this structure, Sika generates sales of approximately CHF 4.6 billion annually.

In its clearly defined target markets Sika strives for technology and cost leadership, and the market leadership derived from it. This goal of growth overrides the importance of profit maximization. That enterprise growth be harmonic is nonetheless aspired and will be evaluated in targets for growth, EBITDA, consolidated net profit, operating free cash flow and return on capital employed (ROCE).

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