

For immediate publication

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Sika gains market share and reduces costs

In the first nine months of the business year Sika expanded its market share and reduced operating costs. In addition the company benefited from lower raw material prices in comparison with those of the previous year period. The decline in sales in local currencies slowed to 5.2% (half-year -6.3%). Sales decreased by 11.6% in Swiss francs to CHF 3 132.6 million. The operating profit of CHF 321.8 million before restructuring costs lay 18% (half-year -40.8%) below that of the previous year.

Sales

Conditions in the company's target markets did not change significantly during the period under review. Sika nevertheless succeeded in expanding its market share in some markets. The decline in sales has thus slowed somewhat, amounting to 5.2% in local currencies for the first nine months of the business year (half-year -6.3%). Included is an acquisition effect of 2.3%. Exchange rate fluctuations had a negative effect of 6.4%, so that sales in Swiss francs decreased by 11.6% from CHF 3 543.1 million to CHF 3 132.6 million in comparison with the previous year period.

Segments

Sika experienced further growth in local currencies in the Regions IMEA (India, Middle East, Africa, +9.9%) and Latin America (+8.2%). In other Regions sales declined: Europe North -10.0%, Europe South -4.5%, North America -9.1% and Asia/Pacific -3.1%. In this latter Region sales development varied widely from country to country. While Sika achieved double-digit growth rates in emerging countries such as China and Indonesia, sales decreased in OECD nations (Japan, Australia, New Zealand). Adjusted for exchange rates, sales of products for the construction industry declined by 2.1% during the first nine months of the business year, including an acquisition effect of 3.0%. The decrease in sales of products for industrial manufacturing (primarily in vehicle construction) amounted to 16.6%.

Earnings

Sika benefited during this reporting period from significantly lower raw material prices in comparison with the previous year period. Gross profit in relation to net sales improved by 2.1 percentage points to 55.1%. Operating costs before restructuring declined all in all by 6.3% (adjusted for acquisitions by more than 9%). In particular the reduction of other operating expenses by CHF 80 million added to this result. At CHF 321.8 million, the operating profit before extraordinary restructuring costs lay 18% (half-year -40.8%) below that of the previous year, yielding a margin of 10.3% (previous year 11.1%). Restructuring costs in the amount of CHF 22.7 million impacted the income statement in the third quarter. Operating profit (EBIT) amounted to CHF 299.1 million, corresponding to a decline of 23.8% in comparison with the



previous year period. The EBIT margin reached 9.5% (previous year 11.1%). Consolidated net profit totaled CHF 199.9 million, or 6.4% (previous year 7.3%) of sales.

Outlook

Although the global economy overall appears to have reached the low point of the recession, the economic prospects for the construction industry and for large areas of industrial manufacturing remain unpredictable. Sika anticipates positive impulses in the area of infrastructure projects as a result of the economic stimulus programs introduced by many countries, whereby it remains open when these impulses will actually be felt. On the other hand the company perceives few signals for early recovery in the area of commercial construction, since in view of large excess capacity private investors have little incentive for new investments. Residential construction will persist at a low level. Market development in the area of industrial manufacturing is in large part dependent on consumer purchasing. Rising unemployment figures and stagnating or declining consumption make it apparent that the situation is still unstable, and that confidence in an economically balanced future has not yet returned. In its target markets Sika will continue to exploit existing market opportunities intensively and pursue its cost reduction efforts further. Therefore additional restructuring costs are anticipated in the fourth quarter.



Income statement

in CHF mn	%	1/1/2008 - 9/30/2008	%	1/1/2009 - 9/30/2009	Change in %
Net sales	100.0	3 543.1	100.0	3 132.6	-11.6
Other operating income	0.2	7.3	0.2	4.7	
Changes in inventory	0.9	30.3	-0.1	-1.9	
Operating revenue	101.1	3 580.7	100.1	3 135.4	-12.4
Material expenses	-48.1	-1 704.2	-45.0	-1 410.1	
Gross result	53.0	1 876.5	55.1	1 725.3	-8.1
Personnel expenses	-20.4	-722.2	-22.8	-714.4	
Other operating expenses	-18.9	-669.4	-18.8	-589.8	
Operating profit before depre- ciation and restructuring costs	13.7	484.9	13.4	421.1	-13.2
Depreciation	-2.1	-73.9	-2.5	-77.1	
Amortization	-0.5	-18.6	-0.7	-22.2	
Operating profit before restructuring costs	11.1	392.4	10.3	321.8	-18.0
Restructuring costs	0.0	0.0	-0.7	-22.7	
Operating profit (EBIT)	11.1	392.4	9.5	299.1	-23.8
Interest income	0.1	4.0	0.1	1.9	
Interest expense	-0.5	-18.1	-0.6	-19.7	
Other financial income	0.1	2.3	0.0	0.4	
Other financial expenses	-0.5	-16.1	-0.2	-7.3	
Income from associated companies	0.1	2.2	0.2	5.6	
Profit before taxes	10.3	366.7	8.9	280.0	-23.6
Income taxes	-3.1	-108.4	-2.6	-80.1	
Net profit	7.3	258.3	6.4	199.9	-22.6
Profit attributable to Sika shareholders	7.3	257.5	6.4	199.9	
Profit attributable to minority interests	0.0	0.8	0.0	0.0	



Net sales in the first nine months

in CHF mn	1/1/2008 - 9/30/2008	1/1/2009 - 9/30/2009	Change compared to prior year (+/- in %)		
			In Swiss francs	In local currencies ³	Currency impact
By region					
Europe North ¹	1 352.9	1 121.0	-17.1	-10.0	-7.1
Europe South ¹	820.4	719.0	-12.4	-4.5	-7.9
IMEA ²	195.1	197.0	1.0	9.9	-8.9
North America	491.6	460.1	-6.4	-9.1	2.7
Latin America	321.0	288.2	-10.2	8.2	-18.4
Asia/Pacific	356.0	339.0	-4.8	-3.1	-1.7
Central Services ¹	6.1	8.3	35.5	35.5	0.0
Consolidated net sales	3 543.1	3 132.6	-11.6	-5.2	-6.4
Construction	2 811.1	2 557.9	-9.0	-2.1	-6.9
Industry	732.0	574.7	-21.5	-16.6	-4.9

¹Due to the first-time application of IFRS 8 – Business Segments, the internal business area Sika Supply Center (includes amongst others central plants), assigned to the two European Regions in 2008, has now been allocated to Central Services. Net sales and the operating result of Central Services as well as the Regions Europe North and Europe South have been adjusted as a result.

² India, Middle East, Africa (IMEA)

³ including acquisitions

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Sika AG Corporate Profile

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

Sika's product lines feature high-quality concrete admixtures, specialty mortars, sealants and adhesives, damping and reinforcing materials, structural strengthening systems, industrial flooring as well as roofing and waterproofing systems. Subsidiaries in more than 70 countries worldwide and approximately 12,900 employees link customers directly to Sika and guarantee the success of all of its business relationships. With this business structure Sika generates annual sales of CHF 4.6 billion. Visit our website at www.sika.com.

