

NEEDS

SIKA 2008

SOLUTIONS



SEALING.

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

BONDING.

Bonding joins different materials permanently, elastically and securely. Vehicles, windows, and even concrete elements of several tons for bridges 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 by reducing 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 vehicle interiors, for example – whether in a car, a bus or a cruise ship – is silenced, and comfort increases significantly.

REINFORCING.

Reinforcing bolsters the carrying capacity of statically or dynamically stressed load-bearing structures in a targeted manner, from lightweight window frames to crash-resistant automotive bodies to imposing concrete bridges. Solutions for reinforcing fortify existing and optimize new load-bearing structures.

COMPETENCIES/BRIEF PORTRAIT

PROTECTING.

Protecting extends 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, pollution and fire for concrete and steel structures.

BRIEF PORTRAIT.

Sika AG, located in Baar, Switzerland, is a globally active, specialty chemicals company. Sika supplies the building and construction and manufacturing industries (vehicle, appliance and building component production). Sika is a leader in processing materials used in sealing, bonding, damping, reinforcing and protecting load-bearing structures.

Sika's product range features 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 for buildings. Total solutions from Sika replace older technologies such as bolting, riveting and welding, opening unforeseen innovation possibilities for customers. Our objective is to help customers generate added value and always stay one step ahead of the competition.

Worldwide local presence with subsidiaries in 72 countries and 12 900 employees link customers directly to Sika and ensure the success of all our partners. In the pursuit of value creation for all stakeholders Sika achieves annual sales of CHF 4.6 billion.

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NEEDS AND SOLUTIONS. The photographs in this Report illustrate the solutions that Sika delivers in fulfilling the needs of customers, shareholders and society. Sika engages its entire know-how, from an enterprise history of nearly one hundred years, and the commitment of its employees, to improve these solutions ever further. Thereby today's requirements should be accommodated without risking that future generations should no longer be able to satisfy their own needs, because economic, ecological and social aspects converge in an ever more intimate interrelation.

Westside: a new landmark in Bern, the capital city of Switzerland, since the autumn of the reporting year. Designed by Daniel Libeskind, the building unites shopping and leisure, entertainment and consumption on a useful surface of some 81 000 square meters. Sika demonstrated its competence from the basement to the roof in the construction of Westside. The demands on system solutions were high, as shown by the examples on pages 22 and 23.

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**SIKA HAS SET ITS STRATEGIC COURSE FOR
GROWTH. GOOD RESULTS, ALSO IN DIFFICULT
PERIODS, CONFIRM THE CHOSEN PATH.**



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

KEY FIGURES

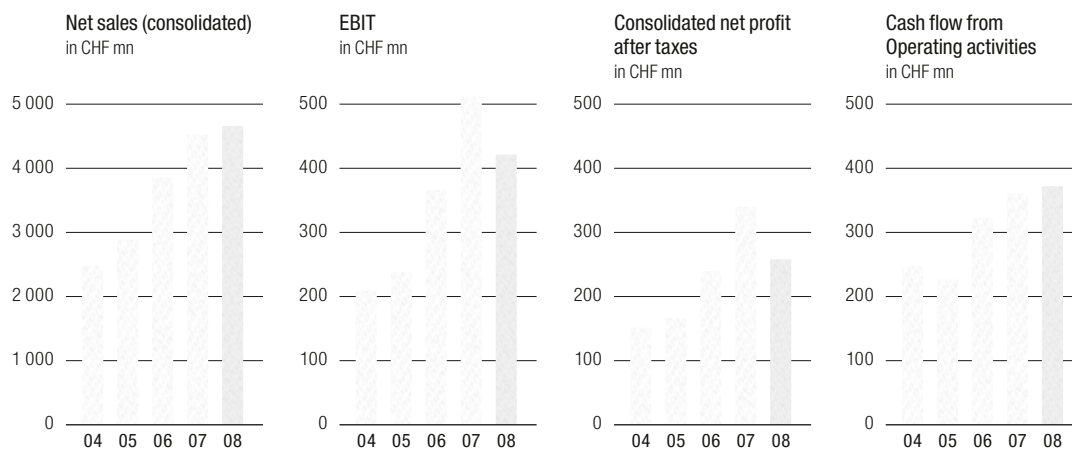
SIKA GROUP

in CHF mn	2007	as % of net sales	2008	as % of net sales
Net sales	4 573.2		4 624.5	
Operating profit before depreciation (EBITDA)	637.8	13.9	556.1	12.0
Depreciation/Amortization/Impairment	-127.0	-2.8	-134.1	-2.9
Operating profit (EBIT)	510.8	11.2	422.0	9.1
Net profit after taxes	342.0	7.5	267.4	5.8
Earnings per share in CHF ¹	135.4		107.0	
Cash flow from operating activities	362.7	7.9	376.8	8.1
Free cash flow	182.7	4.0	89.5	1.9
Operating free cash flow	191.4	4.2	165.8	3.5
Balance sheet total	3 317.8		3 209.4	
Shareholders' equity	1 474.9		1 464.7	
Equity ratio in % ²	44.5		45.6	
ROCE in %	26.0		20.3	
Number of employees	11 723		12 900	
Net sales per employee in CHF 1 000 ³	397		376	

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 by region (consolidated)

Europe North	CHF 1 743.9 mn (37.7%)
Europe South	CHF 1 050.4 mn (22.7%)
North America	CHF 656.8 mn (14.2%)
Latin America	CHF 432.9 mn (9.4%)
IMEA	CHF 257.7 mn (5.6%)
Asia/Pacific	CHF 482.8 mn (10.4%)
Total	CHF 4 624.5 mn

Net sales by division (consolidated)

Construction	CHF 3 699.6 mn (80.0%)
Industry	CHF 924.9 mn (20.0%)
Total	CHF 4 624.5 mn

NEEDS

WHEN YOU CONSTRUCT A TUNNEL YOU ENTER NEW GROUND – IN THE TRUEST SENSE OF THE WORD. SINCE NO GROUND IS LIKE ANY OTHER, THE SECURING, REINFORCING AND SEALING OF TUNNEL WALLS MUST ALWAYS BE ADAPTED TO NEW AND SOMETIMES SURPRISING CONDITIONS.



IN 1910 THE FIRST WATERPROOF MORTAR, AND SHORTLY THEREAFTER THE FIRST PATENT FOR SHOTCRETE – WITH ITS CONCRETE ADMIXTURES AND SEALING SYSTEMS, SIKA CONTINUALLY ACHIEVES PIONEERING ACCOMPLISHMENTS, AND IS THEREFORE DEEPLY EMBEDDED IN MODERN TUNNEL CONSTRUCTION.

SOLUTIONS

TO MARKET LEADERSHIP WITH THE RIGHT STRATEGY

The Sika brand stands for innovative products, quality and service in the areas of construction and industry. In order to reach market leadership or a strong second place in all target markets, Sika consistently leverages market potential.

VISION. In its clearly defined target markets of construction and industry, Sika strives for technology and cost leadership in process materials for sealing, bonding, damping, reinforcing and protecting load-bearing structures. The company aims to achieve the position of market leader or a strong second in all target markets.

MARKET POTENTIAL AND STRATEGY. Sika has tapped significant worldwide potential for organic growth that the company exploits in diverse ways. The markets for nearly all technologies that the company provides are still largely fragmented. In addition, in some customer groups a consolidation process has started that Sika can actively accompany as a globally established enterprise.

The keys to Sika's sustainable success under these market conditions are better market penetration, enhancement of the maturity of applied technologies above all in emerging markets, innovation and convincing solutions that are adapted to customer needs. First and foremost, comprehensive package solutions for globally active key customers and for major key projects are important success factors in the increasing globalization within the construction industry.

Sika pays particular attention to emerging markets – foremost Eastern Europe, the BRIC countries Brazil, Russia, India and China, as well as the Middle East. Market growth there is indeed large, and in individual countries up to 30% of world production for various construction chemicals is consumed, such as concrete admixtures in China. The maturity of applied technologies in these markets is often, however, still below the standard in Western countries. Being able to take part in market development compels on one hand high investments in the education of employees and customers, and on the other exceedingly cost-effective solutions. Sika faces these challenges with the goal of achieving market leadership also in these markets in the long term.

THE SIKA BRAND. Brands show much more than just the company from which a product originates. Products first become distinguishable through the brand, and the brand lends a product an associated value perception. Enterprise founder Kaspar Winkler knew this; he not only invented the Sika name, but also created the logo. It is thanks to the founder's foresight that the Sika brand has been able to develop to where it stands today. The logo, which has hardly changed since its creation and thereby embodies continuity and solidity, is recognized the world over as a sign of quality, innovation and service.

The word-image brand is almost as old as the company itself, and has proven itself in the expansion of the Sika Group throughout the world that has continued for decades. Both the word "Sika" and the logo with its red and yellow colors are applicable in all cultural circles in which Sika is active.

WORLDWIDE TRADEMARK PROTECTION. Since Sika has a high degree of brand awareness particularly as a logo, the company places high value on consistent and standardized use of the logo and reviews compliance with the corresponding design guidelines. Customers in the entire world can rely on receiving Sika quality and service wherever the Sika logo appears. Observed attempts to copy the logo in recent years are evidence that Sika possesses considerable intangible value with its logo.

The Sika family brand as well as 614 additional 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 held over 13 039 trademark registrations in 163 countries at the close of the period under review. Sika monitors its trademarks constantly and immediately initiates pertinent legal measures in cases of infringement.

MARKETING AND SPONSORING. The slogan "Know-how from Site to Shelf" clarifies what Sika stands for in the distribution business: through distributors Sika sells 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 supplies stores in convenient packaging. Customers of every magnitude worldwide profit from this quality advantage.

In sponsoring the Swiss bobsled, luge and skeleton federation, SBSV, the Sika logo is represented internationally by the Swiss national bobsled team and appears also with Gregor Stähli in the discipline skeleton. In addition, some country subsidiaries have their own trademark ambassadors, for example in motorcycle racing, cross-country skiing, ice hockey or soccer.

NEEDS

SOME 80 000 HIGHWAY BRIDGES IN THE USA ALONE WILL NEED RENOVATION IN THE COMING YEARS. THE REASONS FOR THIS ARE INCREASED LOADS, TIGHTENED SAFETY REGULATIONS AND SYMPTOMS OF OLD AGE.



RENEW INSTEAD OF TEAR DOWN AND REBUILD. SIKA'S HIGH-STRENGTH COMPOSITE MATERIALS REINFORCE CONCRETE, STEEL, MASONRY AND WOODEN STRUCTURES EFFICIENTLY AND DURABLY. THAT SAVES TIME, MONEY AND RESOURCES.

SOLUTIONS

STRUCTURES TAILORED TO SERVE THE CUSTOMER

At all levels of management, Sika focuses on four customer groups, whose differing needs are fulfilled worldwide, regionally and locally through precise action.

CUSTOMER FOCUS. Sika's growth strategy focuses on four customer groups that have strongly differing needs. Whether in the area of organization or sales, the focus on these four groups is a recurrent theme throughout the entire company.

Concrete producers ("Concrete") need cost-optimized solutions adapted to the cement and the application. These solutions must be adjusted individually in ready-mix concrete works, on construction sites or in concrete element precast factories.

Contractors ("Contractors") purchase Sika products such as polymeric sealing membranes and process them into an impervious roof or to waterproofing for a basement level. Liquid polymers are processed into industrial flooring or protective coatings, adhesives and sealants into leakproof building joints or bonded wooden floors. These tasks are always part of a consolidated effort, so that Sika advises building owners, architects, engineering firms and other participants in a building project as early as possible with the corresponding know-how. The key to success lies in advising all participants professionally.

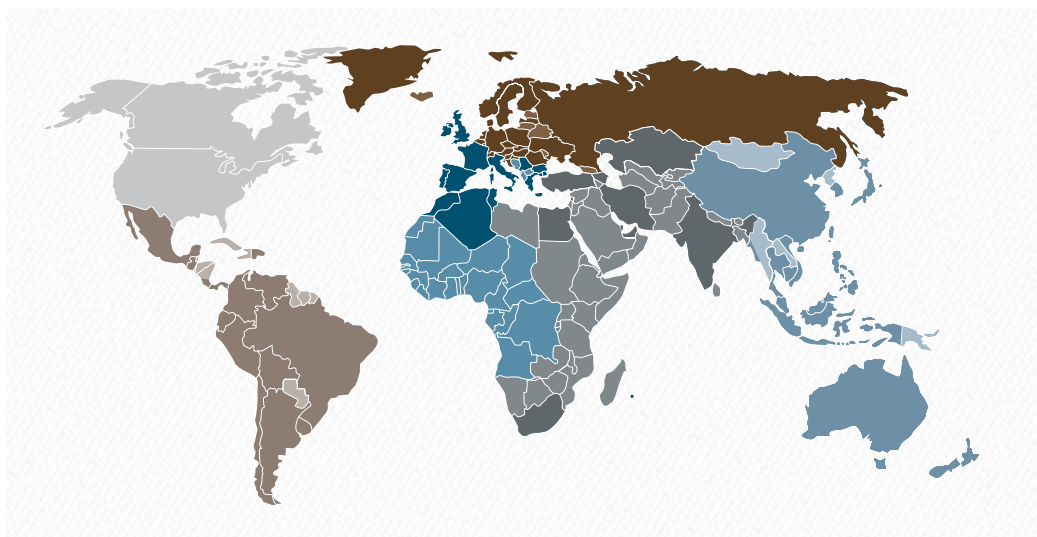
Distributors ("Distribution") supply primarily generalists such as craftspeople or building contractors, but also specialist processors. They advise them and ensure short-term supply availability. In this area also, indirect knowledge transfer is a central topic. Beyond this the professional outfitting of sales shelves is also important.

Industrial customers ("Industry") usually need large quantities of Sika products that are specially adapted to their requirements – particularly in the areas of bonding, sealing, reinforcing, protecting and noise damping. Here Sika offers technologies, with emphasis in motor vehicle construction including busses, trucks and railcars, but also in related applications such as fenestration or the building of wind turbines.

WORLDWIDE MARKET PRESENCE. Since its founding in 1910, Sika has grown continuously. Already in 1932 the first Sika subsidiary outside Europe opened its gates in Japan. The Group was divided into regions early, so that the subsidiaries could exploit synergies and found additional companies. These Regions, of which there are now six in all, have only been led by regional managers since 1993. Previously the general managers of large subsidiaries were responsible for the regions or parts thereof.

In 2002 the strongly grown Region Europe was segmented into the Regions Europe North and Europe South. The most recent restructuring came in 2006: Sika's potential in the Middle East had been considered insufficiently tapped for years. Therefore the Middle East, together with South and East Africa as well as India, were consolidated into a new Region: IMEA. The acronym IMEA stands for India, Middle East and Africa. This segmentation proved an important step for the growth of the Group. Since its founding, the Region IMEA has been one of Sika's growth engines. In the year under review it grew 30.0% (previous year: 34.7%) in local currencies.

Worldwide market presence



North America	
Sales in CHF mn	657
– Construction	497
– Industry	160

Europe North	
Sales in CHF mn	1 744
– Construction	1 315
– Industry	429

IMEA	
Sales in CHF mn	258
– Construction	220
– Industry	38

Latin America	
Sales in CHF mn	433
– Construction	373
– Industry	60

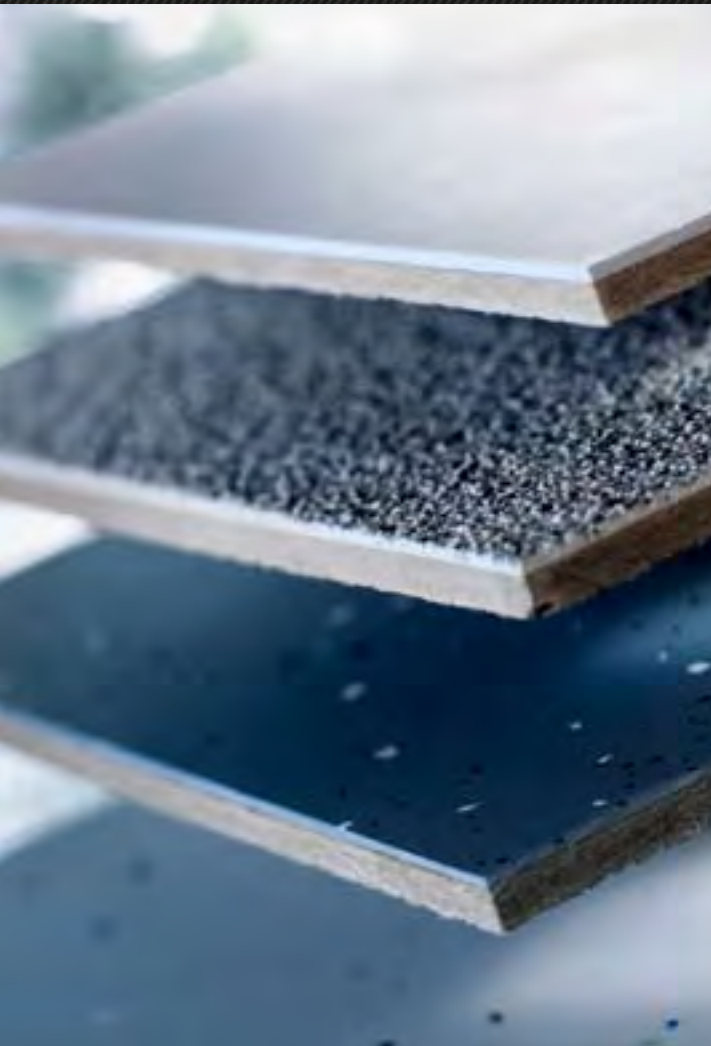
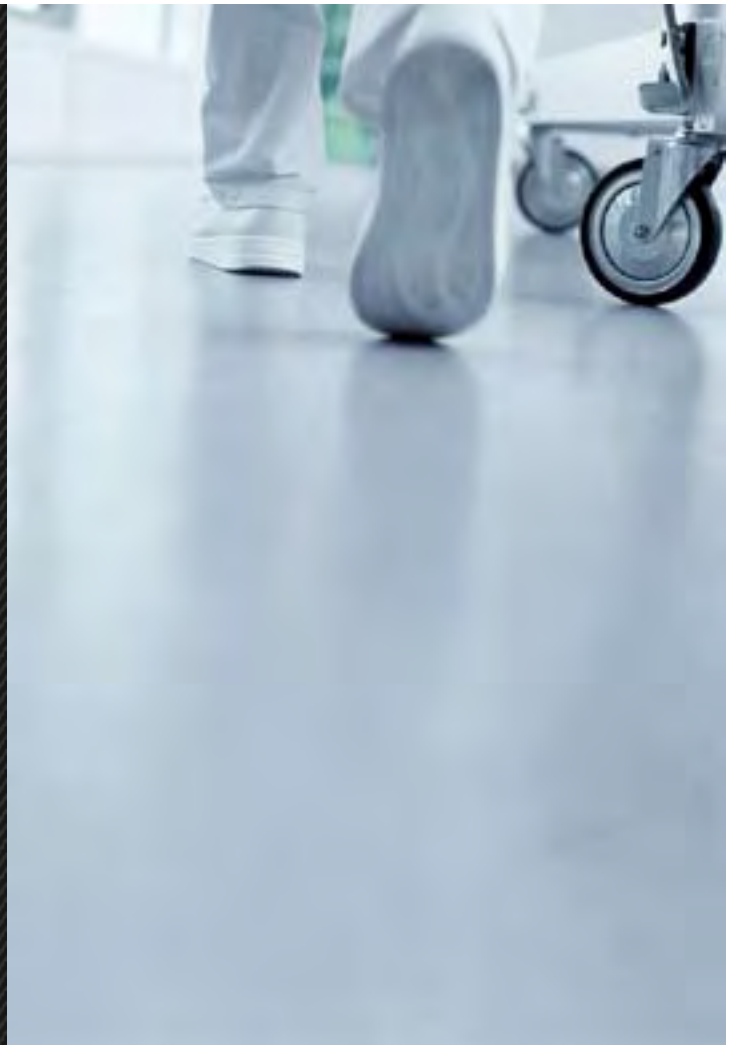
Europe South	
Sales in CHF mn	1 050
– Construction	904
– Industry	146

Asia/Pacific	
Sales in CHF mn	483
– Construction	391
– Industry	92



NEEDS

FLOORING MUST BE FAR MORE THAN MERELY WALKABLE. IT MUST BE ISOLATING OR ANTISTATIC, ABRASION- OR SHOCK-PROOF, TEMPERATURE- OR CHEMICAL-RESISTANT, EASY TO CLEAN OR SUITABLE FOR DISINFECTION.



SIKA'S TAILORED FLOORING SYSTEMS CAN BE USED ANYWHERE. INSIDE OR OUTSIDE, FOR LIVING OR WORKING, WHETHER IN THE FOOD, PHARMACEUTICAL OR CHEMICAL INDUSTRY, IN ELECTRONICS OR MACHINE CONSTRUCTION – SIKA HAS THE SOLUTION DOWN PAT.

SOLUTIONS

KEYS FOR FURTHER GROWTH

Innovations form a crucial driver in Sika's growth strategy. In 2008 34% of sales stemmed from products that have been on the market a maximum of five years. The basis of this success is laid by professional R&D management, efficient development processes and the targeted orientation of research and development towards the demands of the market.

INNOVATIONS AND GROWTH. Innovations are significant elements in enterprise growth strategy. They contribute essentially to the target of achieving mid-term organic growth of eight to ten percent on annual average. Correspondingly significant in the enterprise is research and development, R&D. The R&D strategy that Sika has pursued for some years is highly successful; this is reflected in numerous patents, many new products and a high rate of innovation. In the year under review Sika generated 34% of sales (2007: 34%) with products that have been on the market a maximum of five years.

The driving forces in research and development are on one hand global trends, such as the desire for constantly more efficient methods of construction, the demand for energy-saving construction materials or the necessity to save weight in vehicle manufacturing. On the other hand, due to differing local construction industry specifications, considerable product adaptations to respective requirements are necessary.

R&D STRATEGY. The company R&D strategy includes centralized and decentralized components that are logically enmeshed. Centrally organized research handles long-term research programs, provides analytical services and establishes R&D management for the entire Sika Group. These responsibilities are consolidated in the subsidiary Sika Technology AG. The long-term research programs are aligned with the core competencies of the company (see inside of front cover) and focus on solutions for sealing, bonding, damping, reinforcing and protecting load-bearing structures in construction and manufacturing industries.

The objectives of research and development endeavors are manifold. Decisively improving existing products or opening new fields of application for them can thereby stand as much in focus as the search for new raw materials for entire product families. So-called Corporate Expert Teams play a crucial role in the assessment and execution of research and development projects. Depending on the technology, these teams comprise representatives of various regional departments, from marketing to fabrication and logistics to purchasing. The teams ensure that all relevant aspects of a project are given consideration.

The second component in the R&D strategy is the adaptation of products, solutions and applications to regional or customer-specific requirements. Eleven technology centers in America, Europe and Asia assume this task in close collaboration with regional, customer-oriented support centers. The support centers in the country subsidiaries can quickly adjust for example concrete admixtures to local climatic conditions or locally obtainable aggregates such as gravel or sand. These centers are in addition responsible for finding appropriate regional or local raw materials to facilitate cost-optimized manufacturing of products on site.

BASIC RESEARCH. Sika allocates limited capacity for basic, fundamental research. The company, however, collaborates with first-class universities, including institutions in Switzerland, the USA, in Germany, Spain, France, China and India. Professional and geographic proximity often lead swiftly and unbureaucratically to solutions with advantages for both parties. In addition, Sika attempts to counteract the shortage of engineers and chemists prevailing in some countries with sizable engagement, thereby bringing the company closer to suitable candidates for employment.

As in previous years Sika participated in various international projects and was active among other organizations in the NanoCem Consortium. This European research network studies phenomena occurring in nano- and microdimensions that can influence the performance of cementitious materials and the products and structures made from them. Sika Technology AG actively took part in different projects funded by the European Union:

- FUTURA: this project has the objective of establishing multifunctional materials in the automotive industry, and realizing modular, scalable approaches to design and production of vehicles (www.futura-ip.eu).
- MUST: project partners are collaborating on chromium-free corrosion protection for steel and light alloys (www.must-eu.com).
- I-SBB: safe and intelligent construction methods for earthquake-endangered areas
- TunConstruct: collaborative European research and development of innovative methods, materials and machines for tunnel construction (www.tunconstruct.org).

Sika Technology AG is also active in the United Nations Sustainable Building & Construction Initiative, or SBCI. The SBCI targets the establishment of solutions in the construction industry worldwide that are based on sustainable development principles.

R&D MANAGEMENT. Expenditures for research and development in the Group amounted to CHF 74.1 million (2007: CHF 65.2 million) in the year under review or 1.6% of sales (2007: 1.4%). The R&D budget was apportioned in accordance with strategic priorities. Thus as in previous years roughly three-fourths of the budget were invested in product development and maintenance.

The Sika Group's R&D organization is adapted to enterprise strategy and focuses on research in technology platforms and strategically critical R&D projects. The product development process is uniform worldwide in order to enter the market with patented products as quickly as possible. Sika wants not only to be swift, but also especially efficient, striving therefore in addition 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 range and thereby to simplify processes and lower costs in marketing, production and distribution.

PRODUCT DEVELOPMENT AND MARKET INTRODUCTION PROCESS. On the way from an inspirational idea to market introduction, new developments traverse a clearly defined, seven-stage Product Creation Process (PCP), and must thereby repeatedly fulfill very stringent internal and external 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 Sika AG's innovation capability, responsible employees in subsidiaries worldwide 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, keeping local chemists conversant with the newest technologies. In parallel, innovative ideas from the Regions are collected and leveraged for the Group.

PATENTS. Sika filed for 70 patents in 2008 (2007: 60). The number of invention disclosures amounted to 84 in the year under review (2007: 90). As in the previous year both divisions introduced numerous new, promising products into the market.

NEEDS

HIGH IN THE MOUNTAINS OR OUT AT SEA, WIND TURBINES ENDEURE COLD AND HEAT, WIND AND WEATHER, ULTRAVIOLET RADIATION AND SALTWATER. FOR AN ECONOMICALLY EXPEDIENT USE OF WIND ENERGY, MAXIMUM PROTECTION AGAINST CORROSION COMBINED WITH MINIMUM MAINTENANCE EXPENDITURE IS IMPERATIVE.



STRONGEST ADHESIVE POWER, THE HIGHEST POSSIBLE ABRASION, SCRATCH AND SHOCK RESISTANCE, ALONG WITH EXTREME RESISTANCE TO AGGRESSIVE SUBSTANCES – SIKA'S HIGHLY DURABLE EPOXY RESIN COATINGS ARE IN THEIR ELEMENT IN EXTREME ENVIRONMENTS. THEY GUARANTEE STEEL STRUCTURES A LONG SERVICE LIFE.

SOLUTIONS

CUSTOMER FOCUS IS THE RECURRING THEME

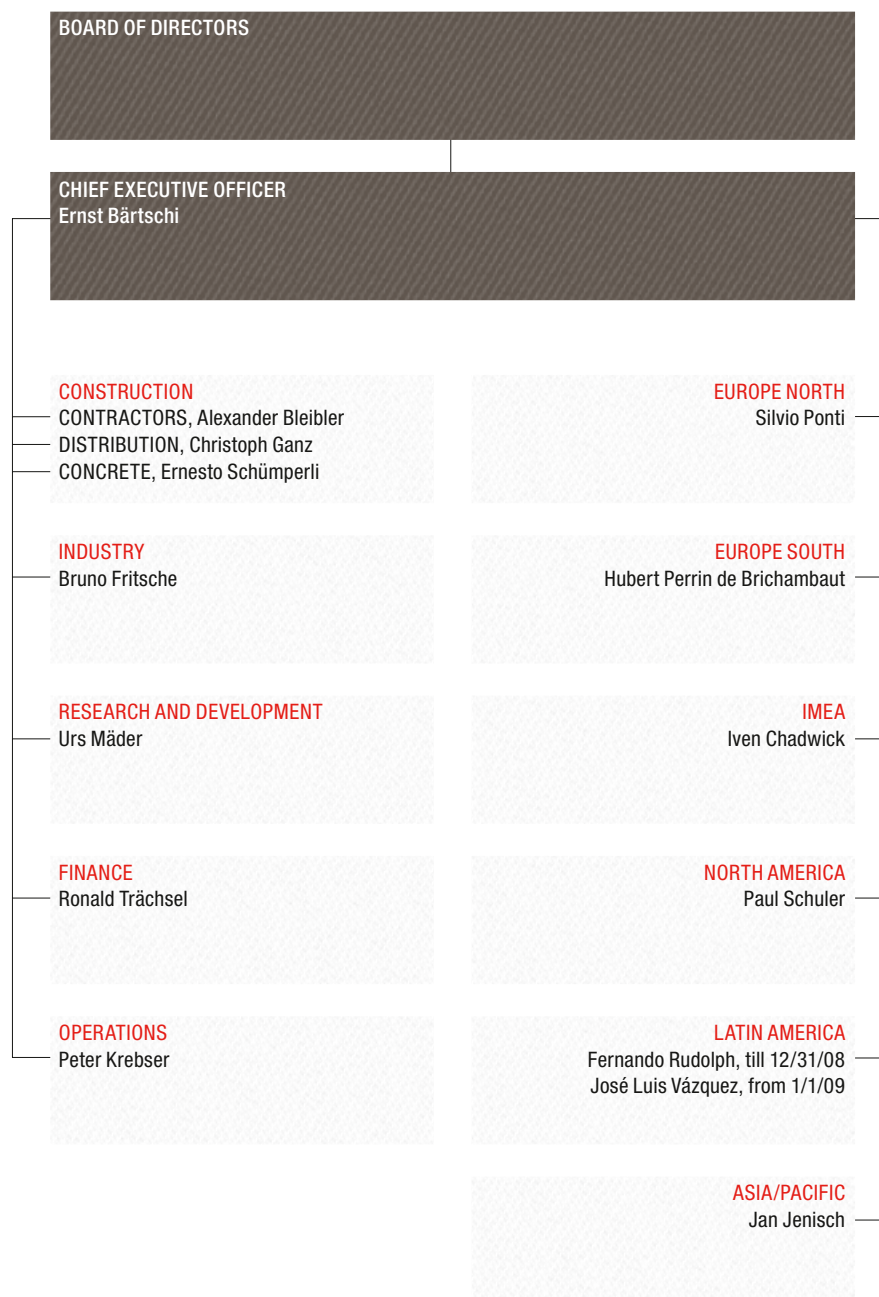
Sika's new process-oriented organizational structure extends through all levels of the company and thereby reflects an integrated focus on four target customer groups. Simultaneously the decentralized target and profit responsibility mirrors the international orientation of the Group, thus promising further profit improvements.

PROCESS-ORIENTED ORGANIZATIONAL STRUCTURE. Sika has completely converted its internal organization from a functional structure to a process structure oriented towards target customers. Employee focus on the four customer groups wends like a recurring theme through the entire company: four managers work in Group Management, each responsible for one customer group, with similar cascades in regional management teams and local companies. They are responsible for the definition and introduction of new products, for the implementation of best demonstrated practices – the best solutions available in the Group – as well as for assortment and pricing policy for Group products, meaning for products that are not country specific, but rather are provided worldwide.

The lines of responsibility, and thereby those for profit, lie with the regional managers and the country heads, who hold the overall Sika strategy in view. It is their task to determine the growth and sustainability targets as well as the resource allocations, in order to achieve the expected profit improvements. In this manner an optimally adapted management and highly motivated employees ensure that sales can grow more strongly than the investments necessary for that growth, so guaranteeing its sustainability.

Yet to be concluded is the reorganization of factory structures and logistics. To ensure effects of scale and expeditious service to markets, new processes in manufacturing and logistics will be introduced regionally in the coming years. The Regional Distribution Centers are one example, which will guarantee a swifter and more efficient supply of markets while binding less capital. The first of these centers began operation during the period under review and supplies European customers with polyurethane adhesives from Frankfurt, Germany.

ORGANIZATIONAL DIAGRAM.



CHANGES IN GROUP MANAGEMENT. The previous manager of Region Latin America, Fernando Rudolph, retired at the end of the reporting year. José Luis Vázquez, formerly responsible for the Region Europe South, took up succession as of January 1, 2009.

At the same time, Hubert Perrin de Brichambaut, the former managing director of Sika in France, assumed the management of Europe South.

The Board of Directors of Sika AG nominated Iven Chadwick as a member of Group Management. The appointment became effective as of January 1, 2009. Iven Chadwick came to Sika in April 2007 as head of the newly introduced Region IMEA, which encompasses India, the Middle East and Africa.

In addition to his function as head of the customer group Distribution, Christoph Ganz has likewise taken over the responsibilities of managing director of Sika in France as of January 1, 2009.

Sika Group Management comprises 14 members in all as of the beginning of the year.

GROUP MANAGEMENT.



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



IVEN CHADWICK
MBA,
1960, British,
IMEA



BRUNO FRITSCHÉ
BBA,
1952, Swiss,
Industry



CHRISTOPH GANZ
lic. oec. HSG,
1969, Swiss,
Construction, Distribution



JAN JENISCH
lic. rer. pol.,
1966, Swiss,
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



**HUBERT PERRIN
DE BRICHAMBAUT**
MBA,
1957, French,
Europe South



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,
Finance



JOSÉ LUIS VÁZQUEZ
Dr.-Ing., MBA,
1947, Spanish,
Latin America

NEEDS

THE MOTOR VEHICLE INDUSTRY IS ON THE MOVE. THE SLOGAN NOW IS SAVE: WEIGHT AND THEREBY FUEL, FABRICATION TIME AND THEREBY COSTS.



BONDING, INSULATING, DAMPING AND SEALING – ALL IN ONE PRODUCTION STEP. SIKA'S MULTI-FUNCTIONAL ADHESIVES BOND METAL, GLASS AND PLASTIC SAFELY AND SWIFTLY. THE RESULT IS HIGHEST STABILITY, BUT ALSO PROTECTION AGAINST DIRT, NOISE AND MOISTURE.

SOLUTIONS

FINDING AND PROMOTING TALENT

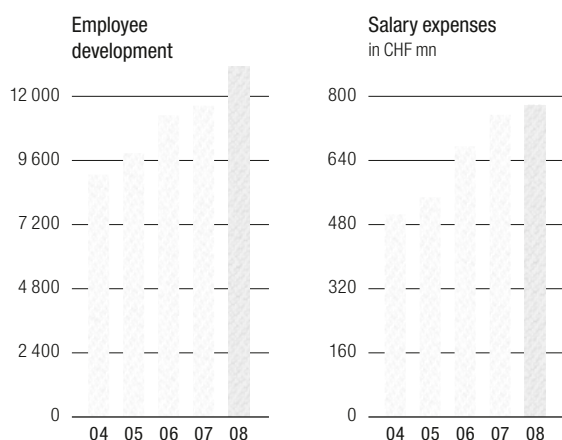
With a cooperative management style, as well as targeted development and continued education programs that correspond to individual capabilities, Sika has succeeded in advancing competence and individual scope of action, promoting genuine engagement of employees, while at the same time accommodating the company's dynamic development.

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 possible level favors participation of all employees. Discrimination is not tolerated in any form.

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 advancement and global exchange of knowledge and experience. Line and human resource managers have various new platforms and committees at their disposal, for example 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.

Management principles are derived from the enterprise mission statement. Subsequently, the activities of all employees are clearly oriented towards strategic, operative and company policy targets. Chains of command are clearly ordered, and the principle of farthest possible delegation of responsibility prevails. This management style ensures that employees participate in processes and decision-making. Managers should provide examples for their employees, and should advance their initiative and creativity. The flow of information through all hierarchical levels should be systematic, current and easily surveyable. Gifted employees should be promoted and continuous education must be assured.



EMPLOYEE SATISFACTION. The regional 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 13.0% (2007: 13.4%).

The fluctuation rate was once again influenced by the worldwide economy, which continued to boom through the first nine months of the reporting year and thereby facilitated the finding of new external challenges for employees. It was also apparent that changes in personnel were disproportionately high in the strongly growing countries, where demands on employees are increasing continually and the size of units and thereby also of responsibilities rapidly alter. At the same time, corrections were initiated in individual countries that were affected by the economic crisis early on; these have been included in the calculation of fluctuation. Successful managers at Sika are often targeted in external headhunting attempts, another proof of the performance capability of Sika's workforce. With the targeted identification and development of talents on the Group and above all at the regional level, Sika attempts to counter employees' willingness to seek change outside of the company.

DEVELOPMENT OF MANAGERS. To further improve its attractiveness as an employer, Sika relies on global human resources management. At the core lies the so-called Performance and Talent Management, a modern system for identification and further development of performance and capabilities. This supports systematic employee succession planning and assists the company moreover in identifying additional talented individuals for further growth and fostering them intentionally. Various talent pools for different management functions have been created in this way.

In the period under review the search for talent was expanded at management levels below that of senior executive. This encompasses some 800 employees, whose performance and capability profiles were included in the system. In all, 250 employees were subsequently allocated to the talent pools of different business areas in order to prepare them specifically for new responsibilities.

Alongside training, further education and new, diverse tasks, experience in other countries and above all in other cultures are important elements in the systematic, advanced development of potential managers. 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.

SIKA BUSINESS SCHOOL. Committed, competent and responsible employees at every level are crucial for achieving the company's goals. Changes in the organization and in working processes require a continuous and systematic flow of information and knowledge transfer. Sika Business School was instituted to realize the idea of a learning organization, and will be systematically developed further.

During the year under review, existing study units were revised and updated. Furthermore, new units were developed for independent, online training and made available worldwide through the intranet. In various subjects such as management, systems, applications and technology, flexible tools are available for targeted advancement.

In the reporting year at the global level, the so-called Executive Management Training was continued 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 change processes. The high acceptance of the Executive Management Training and the results achieved there, judged by all participants to be extraordinarily valuable, have encouraged Sika once again to further develop the training in the current business year in collaboration with IMD.

Sika spent overall some CHF 9.6 million (2007: CHF 9.2 million) for employee development during the reporting year. Included therein are specific training sessions organized on a decentralized basis in the Regions and countries as well as worldwide sales training.

COMPENSATION POLICY. Comprehensive functional evaluations and compensation analyses were completed in the year under review for various functions and organizational units. It is now possible to formulate a globally uniform compensation policy and thereby to ensure the marketability of the company as well as the internal justification of salaries. Furthermore, an analysis of ancillary benefits such as insurance protection and retirement provisions was begun in various countries. These analyses will proceed during the current business year. The target is to define a worldwide, uniform minimum standard for retirement provisions and for insurance to protect against the risks of accident and illness; this standard would be maintained independent of local legal regulations.

Since January 1, 2009, a new bonus system, developed during the year under review, is valid for the members of Sika's senior management. The most important change is the shift away from performance evaluation based on absolute indicators from a budgeting process. As of the current business year, the bonus system orients itself towards relative key figures such as the growth of markets and market share as well as liquidity-related factors such as net working capital. The system thereby reflects the company's growth strategy.

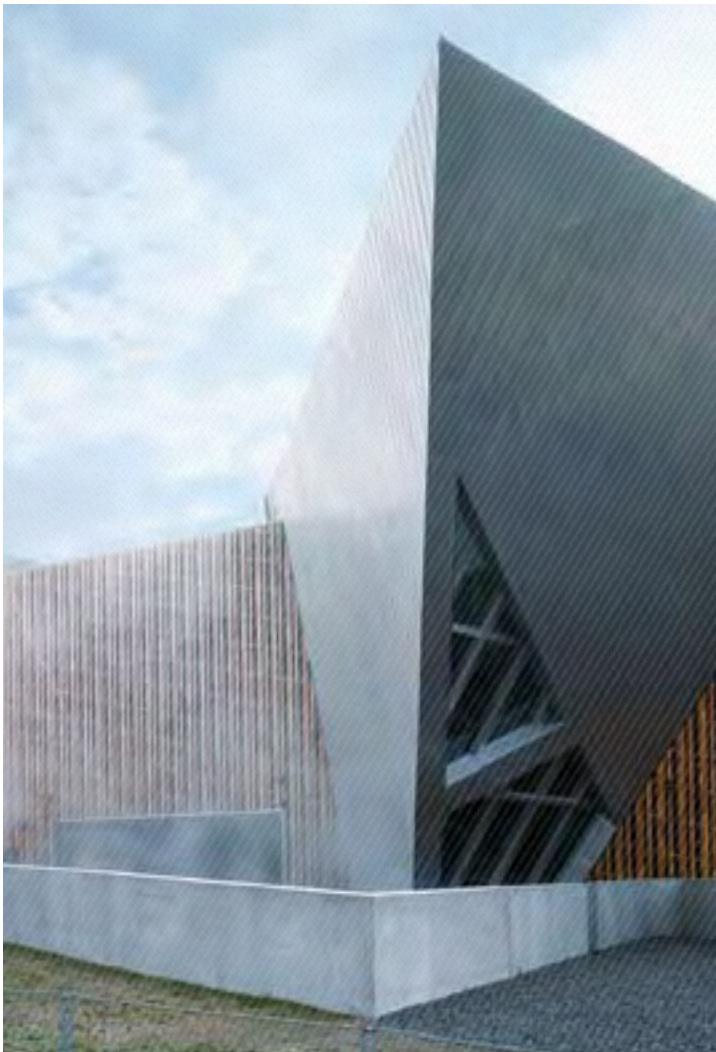
PERSONNEL DEVELOPMENT 2008. Worldwide the Group employed 12 900 persons in the year under review, 1 177 more than in the previous year (2007: 11 723).

Employees are distributed among the Regions as follows: Europe North 4 741 (2007: 4 248), Europe South 1 994 (2007: 1 922), North America 1 358 (2007: 1 319), Latin America 1 729 (2007: 1 539), IMEA 873 (2007: 789), Asia/Pacific 2 205 (2007: 1 906). New jobs were created primarily in the emerging markets in Eastern Europe, in Asia and the Middle East.

Together all Sika employees generated in 2008 a net added value of CHF 1 380 million (2007: CHF 1 437 million). Relative to personnel expenses they produced a percentage net added value of 144% (2007: 156%). The achieved net added value per employee decreased by roughly 10.3% from CHF 124 800 to CHF 112 000.

Number of employees by Region

Europe North	4 741 (36.8%)
Europe South	1 994 (15.4%)
North America	1 358 (10.5%)
Latin America	1 729 (13.4%)
IMEA	873 (6.8%)
Asia/Pacific	2 205 (17.1%)
Total	12 900

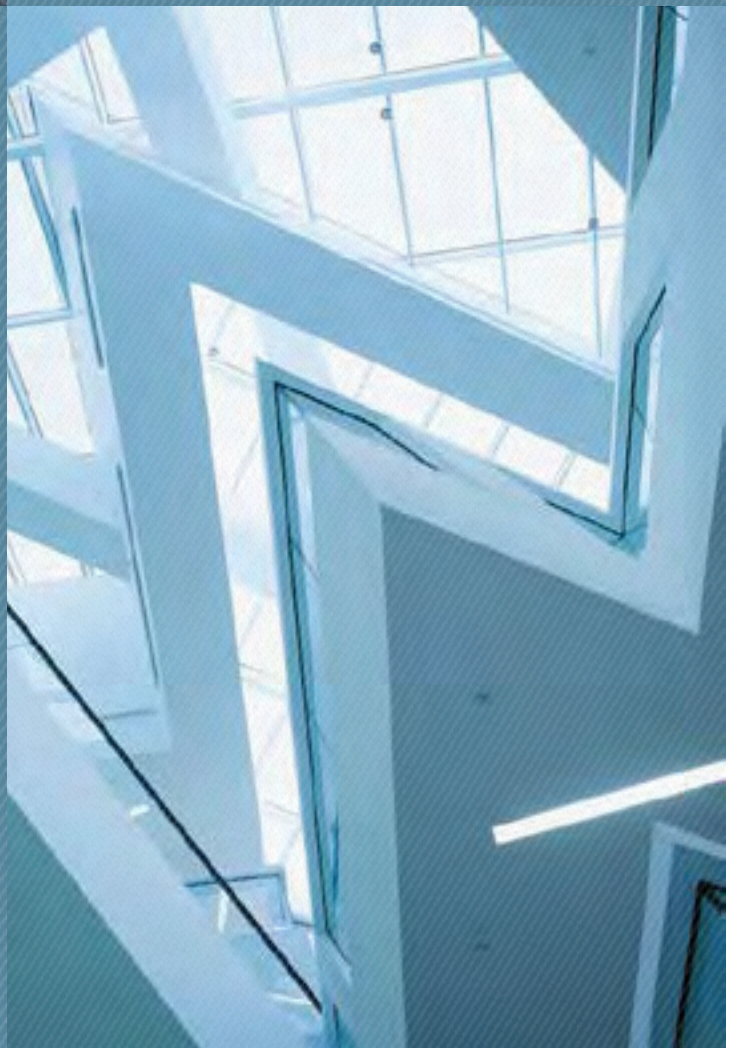



SEALING, BONDING, DAMPING, REINFORCING AND PROTECTING – WITH INNOVATIVE, HIGH-QUALITY SOLUTIONS “FROM THE BASEMENT TO THE ROOF,” SIKA IS A COMPETENT PARTNER IN EVERY PHASE OF THE BUILDING PROCESS.

SIKA AT WESTSIDE. At Westside concrete admixtures, sealing strips and roofing membranes from Sika guarantee a watertight building envelope, corrosion and fire protection coatings protect the structural steel, protective coatings on the parking deck maximize the service life of the screeding, while jointless wall and flooring coatings in the waterpark area fulfill alongside functional demands also aesthetic ones as well. The Westside example shows: Sika is a leading building and construction industry partner.

MAXIMIZED FLOW CHARACTERISTICS, OPTIMAL CONSOLIDATION, RAPID OR SLOW CURING – CONCRETE FORMULATIONS THAT ARE PRECISELY ADAPTED WITH INNOVATIVE ADDITIVES, AS WELL AS PERSONAL ADVICE AND REGULAR ON-SITE INSPECTIONS; SIKA FULFILLS ALL PERFORMANCE CHARACTERISTICS IN CONSISTENTLY HIGH QUALITY.

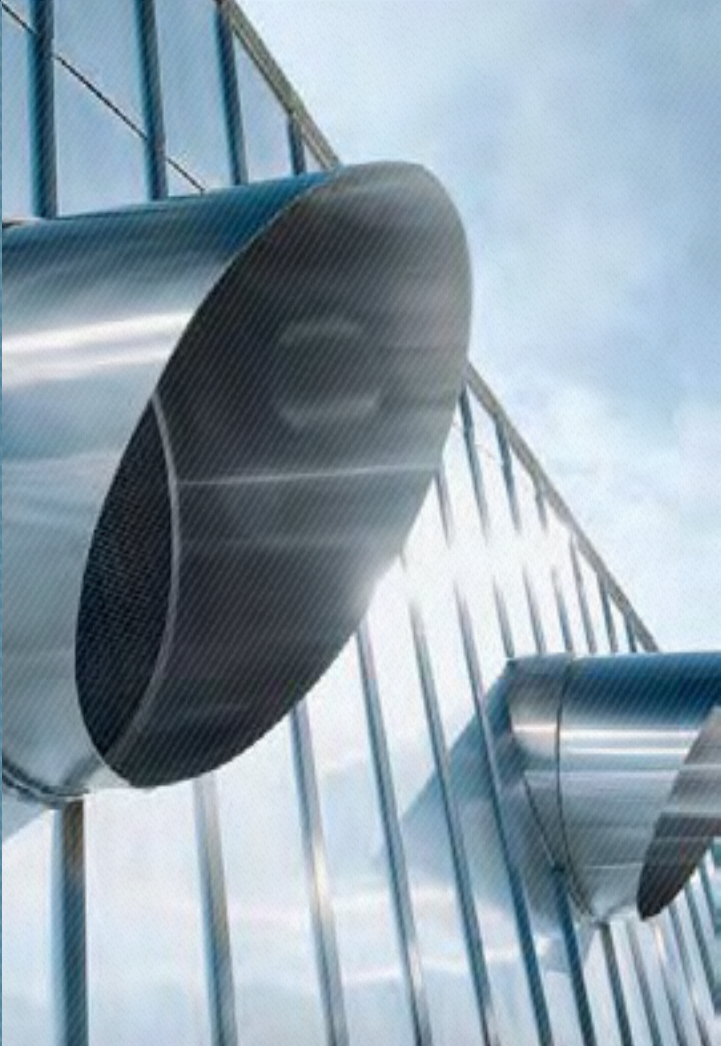
CONCRETE ADMIXTURES. In Westside's construction a total of 90 000 m³ of concrete were used. Depending on the application area, this needed to be high-strength concrete or especially watertight. Sika® ViscoCrete® was the solution. The innovative admixtures on one hand reduce the concrete's water demand, minimizing porosity and thereby maximizing density. On the other hand, flowability and thereby consolidation are optimized. This increases strength, saves time and simplifies the placing of concrete.





CONTINUOUS CONSULTING AND GUIDANCE FROM PLANNING TO EXECUTION, A CONTACT PARTNER FOR ALL CONCERNS, INCLUDING ENGAGED AND SOLUTION-ORIENTED SERVICE PERSONNEL ON-SITE – TEAMWORK AT SIKA IS WRIT LARGE.

KEY ACCOUNT MANAGEMENT. Sika accompanies its customers with advice and action from project planning to turn-key structure – also at Westside. Whether coating the parking decks or sealing the building envelope, based on intensive variation studies, cost-benefit analyses over the entire lifecycle of the building as well as continuous optimization steps in the construction process, a Sika key account manager finds together with the customer the respective best solution regarding deadline, quality and costs.



WHETHER STEEP OR FLAT, GRAVELED OR GREENED – SIKA'S SYSTEM SOLUTIONS FOR ROOF SEALING ENCOMPASS A BROAD PALETTE OF STANDARDIZED JOINTS AND CLOSURES. THESE GUARANTEE THE PROCESSOR A SURE AND FLEXIBLE APPLICATION, EVEN FOR THE HIGHEST DEMANDS.

SYSTEM SOLUTION. Sealing the roof of Westside required laying some 35 000 m² of Sika Sucoflex® sealing membranes. This system solution comprises beyond this a large assortment of complementary moldings, for example standardized profiles for screwless edging fixtures. Special protective and dividing layers as well as adapted adhesives and complementary mounting aids round out the program, guaranteeing the processor maximum flexibility, efficiency and result reliability.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

ASSETS

in CHF mn	2007	2008
Current assets		
Cash and cash equivalents	438.1	318.3
Securities	5.4	3.1
Accounts receivable	861.1	778.7
Inventories	499.7	512.7
Accrued income	57.6	74.5
Other current assets	53.9	56.5
Total current assets	1 915.8	1 743.8
Non-current assets		
Property, plant and equipment	831.4	832.9
Property	120.5	104.6
Plant	269.1	235.6
Equipment	441.8	492.7
Financial assets	34.0	27.2
Investments in associated companies	16.0	19.6
Other financial assets	18.0	7.6
Intangible assets	462.6	524.9
Goodwill	245.0	253.8
Software	13.5	44.7
Trademarks	73.2	75.6
Customer Relations	101.5	118.7
Other intangible assets	29.4	32.1
Deferred tax assets	55.1	62.6
Employee benefit assets ¹	16.9	15.7
Other non-current assets	2.0	2.3
Total non-current assets	1 402.0	1 465.6
Total assets	3 317.8	3 209.4

¹ Restatement of prior year figures due to application of IFRIC 14

LIABILITIES AND SHAREHOLDERS' EQUITY

in CHF mn	2007	2008
Liabilities		
Current liabilities		
Bank loans	9.6	13.3
Non current liabilities due in the next 12 months	7.6	0.1
Accounts payable	438.5	398.1
Taxes payable	64.8	40.1
Accrued expenses	195.6	197.4
Provisions	16.0	14.0
Other current liabilities	10.2	22.0
Total current liabilities	742.3	685.0
Non-current liabilities		
Bank loans and mortgages	7.7	0.2
Bonds	766.5	767.9
Other non-current liabilities	3.6	5.0
Provisions	128.0	93.1
Deferred tax liabilities ¹	56.8	65.8
Employee benefit obligation	138.0	127.7
Total non-current liabilities	1 100.6	1 059.7
Total liabilities	1 842.9	1 744.7
Shareholders' Equity		
Capital stock	22.9	22.9
Capital surplus	256.0	256.0
Treasury shares	-65.1	-117.6
Currency translation differences	-115.5	-224.6
Fluctuations in value of financial instruments	-1.3	-4.9
Retained earnings ¹	1 375.4	1 530.3
Equity attributable to Sika shareholders	1 472.4	1 462.1
Minority interests	2.5	2.6
Total shareholders' equity	1 474.9	1 464.7
Total liabilities and shareholders' equity	3 317.8	3 209.4

¹ Restatement of prior year figures due to application of IFRIC 14

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	%	2007	%	2008	Change in %
Net sales	100.0	4 573.2	100.0	4 624.5	1.1
Other operating income	0.1	6.6	0.2	7.9	
Changes in inventory	-0.2	-7.0	0.2	9.4	
Operating revenue	100.0	4 572.8	100.4	4 641.8	1.5
Material expenses	-46.7	-2 136.8	-48.7	-2 251.0	
Gross result	53.3	2 436.0	51.7	2 390.8	-1.9
Personnel expenses ¹	-20.3	-926.1	-20.7	-957.8	
Other operating expenses	-19.1	-872.1	-19.0	-876.9	
Operating profit before depreciation (EBITDA)	13.9	637.8	12.0	556.1	-12.8
Depreciation	-2.2	-101.2	-2.2	-101.0	
Amortization	-0.6	-26.9	-0.6	-27.1	
Impairment	0.0	1.1	-0.1	-6.0	
Operating profit (EBIT)	11.2	510.8	9.1	422.0	-17.4
Interest income	0.2	9.2	0.1	5.1	
Interest expenses	-0.7	-30.9	-0.6	-25.8	
Other financial income	0.1	2.9	0.1	3.2	
Other financial expenses	-0.4	-16.2	-0.8	-37.4	
Income from associated companies	0.1	3.9	0.1	6.2	
Profit before taxes	10.5	479.7	8.1	373.3	-22.2
Income taxes ¹	-3.0	-137.7	-2.3	-105.9	
Net profit	7.5	342.0	5.8	267.4	-21.8
Profit attributable to Sika shareholders	7.5	341.6	5.8	266.7	
Profit attributable to minority interests	0.0	0.4	0.0	0.7	
Earnings per bearer share (in CHF)		135.4		107.0	-21.0

¹ Restatement of prior year figures due to application of IFRIC 14

CONSOLIDATED INCOME STATEMENT 2004–2008

in CHF mn	2004	2005	2006	2007	2008
Net sales	2 560	2 917	3 896	4 573	4 625
Operating revenue	2 569	2 924	3 910	4 573	4 642
Material expenses	1 067	1 298	1 809	2 137	2 251
Gross result	1 502	1 626	2 101	2 436	2 391
Personnel expenses ¹	629	687	845	926	958
Other operating expenses	552	587	741	872	877
Operating profit before depreciation (EBITDA)	321	352	515	638	556
Depreciation/amortization/impairment	111	107	143	127	134
Operating profit (EBIT)	210	245	371	511	422
Interest income/expense	11	5	18	22	21
Financial income/expense	7	6	19	9	28
Net profit before taxes	192	234	334	480	373
Income taxes ¹	70	79	99	138	106
Net profit	122	155	235	342	267
Free cash flow	124	-249	146	183	90
Gross result as % of net sales	58.7	55.7	53.9	53.3	51.7
Operating profit (EBIT) as % of net sales	8.2	8.4	9.5	11.2	9.1
Consolidated net profit as % of net sales (ROS)	4.8	5.3	6.0	7.5	5.8
Consolidated net profit as % of shareholders' equity (ROE)	13.0	14.1	18.4	23.2	18.3

¹ Restatement of 2007 figures due to application of IFRIC 14

CONSOLIDATED NET SALES BY GEOGRAPHIC AREA 2004–2008

in CHF mn (consolidated)	2004	2005	2006	2007	2008
Europe North	851	1 106	1 439	1 713	1 744
Switzerland	203	228	347	332	321
Germany	430	396	516	644	640
Europe South	930	846	947	1 101	1 050
France	204	220	253	293	292
North America	316	376	637	681	657
USA	281	333	576	606	587
Latin America	177	235	302	377	433
Brazil	30	42	50	66	81
IMEA¹			164	223	258
Asia/Pacific	286	354	407	478	483
Japan	79	89	84	79	76
Consolidated net sales	2 560	2 917	3 896	4 573	4 625

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

IMPRINT

PUBLISHED BY

Sika AG
Zugerstrasse 50
CH-6341 Baar
Switzerland
Phone +41 58 436 68 00
Fax +41 58 436 68 50
sikagroup@ch.sika.com
www.sika.com

PROJECT MANAGEMENT

Dr. Rainer Weihofen and Christin Kukan, Sika Services AG
Corporate Communications & Investor Relations

CONCEPT, DESIGN AND REALIZATION

Ramstein Ehinger Associates AG, Zurich

PRINTED BY

Kalt-Zehnder-Druck AG, Zug

PHOTOGRAPHY

Marc Eggimann: Portraits, Westside
Walter Geiersperger, Jupiterimages: p. 4
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Simon B. Opladen: p. 18

ENGLISH TRANSLATION

Language Refinery, Andrew DeBoo, Zug

Sika AG

Zugerstrasse 50

CH-6341 Baar

Switzerland

Phone +41 58 436 68 00

Fax +41 58 436 68 50

sikagroup@ch.sika.com

www.sika.com

