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Half-Year Report 2009

Sika shows fortitude in a tough market environment

Latin America, Region IMEA (India, Middle East, Africa) and China continue to show solid growth figures, while USA, Europe and some Asian countries register slumps in volume as a result of the financial crisis and also due to currency effects. The drops in volume are notwithstanding lower than the sector average. At -6% the currency effects remain strongly negative. Adjusted for acquisitions and currency influences, sales declined 9% in comparison with the prior year period. Country-specific cost reduction programs are demonstrating impact, even though with some delay. Sika anticipates further sustained growth for the second half-year in a number of emerging countries, but no general recovery of recessive markets.

In the first half-year of 2009, consolidated Group sales declined by 6.3% in local currencies. Included therein is an acquisition effect of 2.7%. Exchange rate fluctuations brought a negative impact of 6.0%, so that sales in Swiss francs in comparison with the first half-year of the prior year decreased by 12.3% from CHF 2 262.1 million to CHF 1 982.9 million.

Adjusted for currency influences Sika grew further in the Regions IMEA (+9.2%) and Latin America (+9.6%). In the remaining Regions, sales development in local currencies was negative: Europe North -11.6%, Europe South -6.4%, North America -12.0% and Asia/Pacific -2.6%. In almost all countries Sika lies however above the general market development. Sales of products for the construction industry declined 2.4% during the reporting period with adjustment for currency effects and including an acquisition effect of 3.5%. Among products for industrial manufacturing the decrease in sales amounted to 20.1%, as activities in automotive manufacturing (automobile, trucks and busses) have sputtered along at a very low level since the beginning of the year.

Material costs declined as anticipated during the reporting period. Negative currency effects and the revaluation of inventories undid this somewhat, such that gross profit improved by only 0.7 percentage points in relation to sales. Lower utilization above all of plants in central factories burdened the result. Personnel costs rose slightly, dropping somewhat however when adjusted for acquisitions. Savings measures in personnel costs will first show impact in the second half-year. Other operating expenses could be reduced in the first half-year in accordance with reductions in volume. Overall the operating profit before depreciation EBITDA declined by 31.1% to CHF 214 million, yielding an EBITDA margin of 10.8%. Operating profit registered at CHF 148.3 million and thereby lay 40.8% below the prior year.



Operating free cash flow increased by CHF 72 million as a result of the reduced net working capital. Cash flows from investment and financing activities were influenced by the successful placement of a five-year bond issue in the Swiss capital market with an amount of CHF 300 million and a coupon of 3.5% per annum. The payment under subscription took place on June 4, 2009. The transaction serves the long-term, general financing of the company.

Acquisitions

During the reporting period Sika acquired the English Iotech Group Limited with subsidiaries in Great Britain, USA and Belgium. Iotech is specialized in the formulation, production and distribution of polyurethane liquid membranes and precursor products. Liquid membranes are used worldwide in the market sectors roofing and waterproofing, with application here mainly for renovation and refurbishment of small and mid-sized roofs. The global market for these membranes is strongly fragmented; active are only local or regional suppliers. Growth rates lie above that of the building sector as a whole.

Outlook

With the exception of Eastern Europe, Sika anticipates further growth in emerging countries in the course of the year, above all due to continually high demand in the area of infrastructure. In the mid-term sales in this segment should show additional positive development, since the economic stimulus programs agreed to by many countries will presumably display their first impact as of 2010. In contrast to this the company sees but few positive signals among commercial buildings for an early recovery. Sika rather anticipates a further decline in building activity, since many companies are postponing their investments. Residential construction has endured a low ceiling of activity for some time now. Sales are increasingly shifting from new construction to renovation. Sika is well positioned here. Motor vehicle manufacturing will very likely remain in its current low gear. The segments railroad and mass transit busses form an exception, because here again economic stimulus packages could revive demand. Sika sees growth in the area of renewable energy production, in the construction of wind and solar power facilities.

Regarding raw material prices, Sika expects for the entire year some relief in comparison with the prior year, even if prices in the second half-year might increase slightly.

Sika will continue its cost-reduction efforts unabated in the second half of the year. In addition, during the phase of relatively low capacity utilization the company will update the process technology of its production network to the state of the art. Sika strives to maintain the necessary workforce of well qualified employees for a solution-oriented sales approach as far as possible, in order to exploit available market opportunities in our target markets also in periods of crisis.



Media Release

Seite 3 / 4

in CHF mn	6/30/2008	6/30/2009	Change in %
Sika Group			
Net sales	2 262.1	1 982.9	-12.3
Operating profit before depreciation (EBITDA)	310.7	214.0	-31.1
Depreciation/Amortization/Impairment	-60.2	-65.7	
Operating profit (EBIT)	250.5	148.3	-40.8
Net profit after taxes	162.6	92.1	-43.4
Earnings per share in CHF ¹	65.0	37.1	-43.0
Cash flow from operating activities	2.0	83.3	
Operating free cash flow	-65.1	6.9	
Free cash flow	-114.6	-120.1	
Balance sheet total	3 348.3	3 512.5	4.9
Shareholders' equity	1 425.5	1 469.6	3.1
Equity ratio in % ²	42.6	41.8	-1.9
Return on capital employed (ROCE) in % ³	23.0	14.0	-39.1

1 Excluding minority interests

2 Shareholders' equity divided by balance sheet total

3 Capital employed = operating assets. /.Cash and cash equivalents./.non interest-bearing current liabilities (each at average value)

Detailed information on the half-year results can be found in our Half-Year Report 2009. Information can be downloaded directly from our website www.sika.com or obtained in printed form from the above address.



Conference call today, July 31, 2009 at 4 pm (CEST)

In connection with the publication of half-year results a conference call will take place today. Please dial in 10 to 15 minutes before the start at

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

An operator will then connect you with Ronald Trächsel (CFO) and Rainer Weihofen (IR).

The conference call will be recorded and remains retrievable for 72 hours under the following numbers:

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

Upon request please enter the code ID **12866**, followed by the symbol #.

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 and membranes. 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.

