

Shareholder Letter

Nine Months 2011



Still Growing Strong

SIKA INCREASED SALES BY 17.2% IN LOCAL CURRENCIES IN THE FIRST NINE MONTHS OF THE YEAR.

The company witnessed double-digit growth in all regions apart from Europe South. The result for the third quarter was also pressured by continually rising raw material prices and currency effects.

SALES. In the first nine months of the current business year, Sika increased sales by 17.2% in local currencies, including an acquisition effect of 3.9%. Translated into CHF, sales were up by 3.2% year-on-year from CHF 3 318.6 million to CHF 3 424.8 million.

REGIONS. Sika posted gains in local currencies in all regions. As was the case in the first half of the year, Sika could rely on sustained strong demand from the emerging markets. In North America too, Sika gained further share in a fiercely contested market. While Europe North saw double-digit growth, Europe South was able to maintain single-digit growth thanks to the French and UK markets. Broken down by regions, Sika reported the following local currency sales growth for the first nine months: Asia/Pacific 37.0%, North America: 25.1%, Latin America 22.6%, IMEA (India, Middle East and Africa) 13.1%, Europe North 11.8% and Europe South 4.2%.

EARNINGS. At end-September 2011 the gross margin stood at 50.8% (end-September 2010: 54.7%), due primarily to higher raw material prices. The substantial price rises faced in the first and second quarters will feed through to margins in the third and fourth quarters with a time lag. Likewise, the sales price increases subsequently implemented will not have an impact until after a certain delay and so failed to offset continually rising material costs.

Despite the expansion drive underway in the emerging markets, Sika saw a 0.8 percentage point improvement in cost efficiency (costs expressed as a percentage of net sales) from 40.5% to 39.7%. Operating profit (EBIT) after nine months came to CHF 281.3 million (previous year: CHF 368.7 million), corresponding to a margin of 8.2% (previous year: 11.1%). Consolidated net profit amounted to CHF 169.3 million (previous year: CHF 249.2 million).

OUTLOOK. Apart from country-specific exceptions (North Africa), the outlook in the emerging markets remains positive. In Europe, on the other hand, the situation is somewhat uncertain. While key operating figures do not reveal any noticeable levelling off of business, the financial and political backdrop makes it difficult to gauge developments going forward.

Since increases in material prices only impact on the income statement after a delay of 3 to 6 months, the gross result will remain under pressure. Accordingly, efforts to lift sales prices will continue.

Even factoring in further efficiency increases on the cost side, net profit for full year 2011 will be well below the figure for 2010.

Consolidated Income Statement from January 1 till September 30, 2011

Income statement

in CHF mn	%	1/1/2010– 9/30/2010	%	1/1/2011– 9/30/2011	Change in %
Net sales	100.0	3 318.6	100.0	3 424.8	3.2
Other operating income	0.1	4.2	0.1	3.8	
Changes in inventory	0.0	0.0	0.0	0.0	
Operating revenue	100.1	3 322.8	100.1	3 428.6	3.2
Material expenses	-45.4	-1 506.3	-49.3	-1 688.3	
Gross result	54.7	1 816.5	50.8	1 740.3	-4.2
Personnel expenses	-21.5	-711.9	-20.8	-713.9	
Other operating expenses	-19.0	-634.3	-18.9	-650.4	
Operating profit before depreciation and restructuring	14.2	470.3	11.0	376.0	-20.1
Depreciation	-2.3	-76.9	-2.1	-72.4	
Amortization	-0.8	-24.7	-0.8	-22.3	
Impairment	0.0	0.0	0.0	0.0	
Operating profit (EBIT)	11.1	368.7	8.2	281.3	-23.7
Interest income	0.1	2.5	0.2	5.8	
Interest expenses	-0.8	-23.5	-0.8	-25.4	
Other financial income	0.1	4.0	0.0	0.5	
Other financial expenses	-0.3	-9.8	-0.6	-20.2	
Income from participations	0.1	3.9	0.2	8.0	
Net profit before taxes	10.4	345.8	7.3	250.0	-27.7
Income taxes	-2.9	-96.6	-2.4	-80.7	
Net profit	7.5	249.2	4.9	169.3	-32.1
Profit attributable to Sika shareholders	7.5	248.9	4.9	168.6	
Profit attributable to non-controlling interests	0.0	0.3	0.0	0.7	

Net Sales Segmentation

Net sales in the first nine months

in CHF mn	1/1/2010– 9/30/2010	1/1/2011– 9/30/2011	Change compared to prior year (+/- in %)		
			In Swiss francs	In local currencies ²	Currency impact
By region					
Europe North	1 003.5	1 018.8	1.5	11.8	-10.3
Europe South	680.7	623.9	-8.3	4.2	-12.5
North America	437.9	459.7	5.0	25.1	-20.1
Latin America	354.4	379.7	7.1	22.6	-15.5
IMEA ¹	216.2	199.2	-7.9	13.1	-21.0
Asia/Pacific	462.9	568.5	22.8	37.0	-14.2
Not segmented	163.0	175.0	7.4	21.1	-13.7
Consolidated net sales	3 318.6	3 424.8	3.2	17.2	-14.0
Products for construction industry	2 661.8	2 778.1	4.4	18.5	-14.1
Products for industrial manufacturing	656.8	646.7	-1.5	12.0	-13.5

¹ India, Middle East, Africa (IMEA)

² Including acquisitions

Financial Calendar

TUESDAY, JANUARY 10, 2012

Net sales 2011

THURSDAY, MARCH 1, 2012

Full-year results 2011; media conference/analysts' presentation

TUESDAY, APRIL 17, 2012

Shareholder letter (net sales three months)
Annual General Meeting

THURSDAY, JULY 26, 2012

Shareholder letter (Half-Year Report 2012)

WEDNESDAY, OCTOBER 31, 2012

Shareholder letter (nine months 2012)

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

