

**Sika AG**  
Zugerstrasse 50  
CH-6341 Baar, Switzerland  
www.sika.com

Contact: Dominik Slappnig  
Corporate Communications & Investor Relations  
Tel.: +41 58 436 68 21  
Fax: +41 58 436 68 50  
slappnig.dominik@ch.sika.com

## **19.5% growth in local currencies – results influenced by high raw material prices**

**Sika posted a 6.6% increase in sales in the first half of 2011, achieving net sales of CHF 2 231.5 million. In local currencies, Sika lifted sales by 19.5%. The currency effect for the first half-year stood at -12.9%. Margins were squeezed by the rising raw material prices.**

In terms of local currencies, Sika posted a 19.5% increase in sales in the first half of the present business year. This figure includes an acquisition effect of 4.7%. Due to the negative exchange rate effects (-12.9%), sales in Swiss francs were only 6.6% up year-on-year, from CHF 2 094.3 million to CHF 2 231.5 million.

Margins were squeezed by the rising raw material costs. Although price rises have been implemented, these can only be passed on to the market after a certain time lag. Consequently, the gross result in relation to sales dropped below the previous year's level to 51.9%. At the level of operating profit before depreciation, the narrowing margins were partly offset by efficiency gains. The EBITDA margin now totals 10.8% (2010: 13.6%). Operating profit sank accordingly and, at CHF 177.6 million (2010: CHF 216.5 million), is 18.0% down year-on-year. Net profit now stands at CHF 113.6 million (2010: CHF 150.5 million), equivalent to a decline of 24.5%.

### **Expansion in all regions**

Adjusted for exchange rates, Sika's sales grew in all regions. The emerging countries continued to record positive trends, with significant growth rates in terms of local currencies: sales in the Asia/Pacific region increased by 52.2%, with new acquisitions accounting for 27.8%. Latin America continued to perform strongly, with sales up by 24.4%. At 10.2%, growth in IMEA (India, Middle East, Africa) was to some extent dampened by the political unrest in North Africa and the Middle East. The picture in the more mature markets was as follows: expanding market access in North America paved the way for a 25.4% rise, including an acquisition effect of 8.5%. Europe North grew by 14.8% as the region benefited heavily from the mild winter. The figures for Europe South eased gently upwards by 3.7% despite flagging markets.

The first half-year witnessed a brisk demand for both construction sector and industrial manufacturing products. In terms of local currencies, sales to the construction sector rose by 21.7%, with acquisitions accounting for 6.0%. For the sector industry, the growth in local currencies ran to 11.4%, including an acquisition effect of 0.2%.



## **High raw material prices, crises in southern Europe and North Africa, strong Swiss franc**

The price situation for the key raw materials needed by Sika remains challenging. The uptrend in raw material prices witnessed in the second half of 2010 failed to level off in the first half-year and, in some cases, even gathered pace. At the same time, it was only possible to pass on higher material costs to the market with a certain time lag.

The difficult situation in Europe's peripheral countries has worsened, thereby denting the performance of the relevant national organizations. Nor were the results helped by the political unrest in North Africa and the Middle East.

The sharp appreciation of the Swiss franc compared with the first half of 2010 has taken its toll. The exchange rate shifts negatively impacted sales to the tune of -12.9%. This almost exclusively corresponds to translation effects. The Group's decentralized organization and the fact that procurement, manufacturing and sales take place in the same currency area, provide a good natural hedge against exchange rate movements.

### **Outlook**

Sika expects the positive trends in the emerging countries to continue into the second half – in contrast to the somewhat mixed picture predicted for the mature markets. Sika should still be able to exceed average market growth rates and win new market share.

Sika assumes that raw material prices will remain high. However, given the price increases implemented, the pressure on margins should ease during the course of the year.

**Details relating to today's conference call can be found on page 4.**



## Key Figures Half-Year 2011

in CHF mn	1/1/2010- 6/30/2010	1/1/2011- 6/30/2011	Change in %
<b>Sika Group</b>			
Net sales	2,094.3	<b>2,231.5</b>	6.6
Operating profit before depreciation (EBITDA)	284.2	<b>241.7</b>	-15.0
Depreciation/Amortization/Impairment	-67.7	<b>-64.1</b>	-5.3
Operating profit (EBIT)	216.5	<b>177.6</b>	-18.0
Net profit after taxes	150.5	<b>113.6</b>	-24.5
Earnings per share in CHF <sup>1</sup>	60.42	<b>44.96</b>	-25.6
Cash flow from operating activities	56.0	<b>15.0</b>	
Free cash flow	-30.5	<b>-34.4</b>	
Operating free cash flow	13.2	<b>-28.0</b>	
Balance sheet total <sup>2</sup>	3,931.7	<b>3,901.6</b>	
Shareholders' equity <sup>2</sup>	1,752.2	<b>1,714.3</b>	
Equity ratio in % <sup>2, 3</sup>	44.6	<b>43.9</b>	
Return on capital employed (ROCE) in % <sup>4</sup>	20.6	<b>18.3</b>	

1 Excluding non-controlling interests

2 As of December 31, 2010 / June 30, 2011

3 Shareholders' equity divided by balance sheet total

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

Detailed information on the half-year results can be found in our Half-Year Report 2011. Information can be downloaded directly from our website [www.sika.com](http://www.sika.com) or obtained in printed form from the above address.



## Conference call today, July 26, 2011 at 3 pm (CET)

In connection with the publication of the half-year results a conference call will be held 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) 203 059 58 62** (UK)

An operator will then connect you with Ronald Trächsel (CFO) and Dominik Slappnig (Head IR).

The conference call will be recorded and remains retrievable for 24 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 **19552**, followed by the #sign.

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### Sika AG Corporate Profile

Sika AG, located in Baar, Switzerland, is a globally active specialty chemicals company. Sika supplies the building and construction industry as well as manufacturing industries (automotive, bus, truck, rail, alternative energies, building components). Sika is a leader in processing materials used in sealing, bonding, damping, reinforcing and protecting load-bearing structures. 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. Worldwide local presence in 76 countries and some 14 000 employees link customers directly to Sika and guarantee the success of all partners. Sika generated 2010 annual sales of CHF 4.4 billion. Visit our website at [www.sika.com](http://www.sika.com).

