

Sika AG

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Sika on Track for Profitable Growth – Significant Rise in Gross Margin

- Sales growth of 3.4% on CHF 2,307.0 million (6.4% in local currencies)
- 10.7% growth in emerging markets in local currencies
- Gross result of 53.1% (first half of 2011: 51.9%)
- Sharp 10.1% rise in EBIT to CHF 195.5 million

In the first half of 2012, Sika increased sales by 6.4% in local currencies. In Swiss franc terms, after adjusting for exchange rate changes of -3.0%, sales increased by 3.4% year-on-year to CHF 2,307.0 million. Sika also further improved its gross result, which now stands at 53.1%.

Sika's strong global presence and its successful growth strategy in the emerging markets are enabling the company to compensate for the current weakness in Europe and China through sustained growth in the Americas and large parts of Asia. In local currencies, Sika recorded a 6.4% increase in sales in the first half of the current business year. In Swiss franc terms, the company lifted its sales by 3.4% year-on-year to CHF 2,307.0 million.

Thanks to steady efforts in the first half of the year, Sika succeeded in passing on to the market increases in the cost of raw materials. This widened the gross result in percentage of net sales from 49.4% in the second half of 2011 to 53.1%. After factoring in additional acquisition-related costs, Sika posted an operating profit of CHF 195.5 million, corresponding to an increase of 10.1% (first half of 2011: CHF 177.6 million). As a result, the EBIT margin improved to 8.5% (first half of 2011: 8.0%). Sika increased its profit to CHF 126.1 million (first half of 2011: CHF 113.6 million), which represents an improvement of 11.0%.

In the first half of the year, Sika posted double-digit growth in both North and South America. The Region North America grew by 13.9% on the back of solid project business and buoyant renovation activities, while the Region Latin America lifted sales by 16.6% thanks to gains in market share and expansion of production capacity.

With growth of 10.1%, the Region IMEA (India, Middle East, Africa) is back in the double-digit growth range. In the Region Asia/Pacific, Sika grew by 2.1%. The lower growth is due to the negative trend in China, where halted infrastructure projects and a government-decreed slowdown led to a sharp decline in sales. Developments in the rest of the region were in line with high expectations.



In Europe, the economy continued to slow under the impact of the euro crisis. This was also apparent in the Region Europe North, where sales were down 2.7% on the previous year. Sika was still able to grow in Eastern Europe and the Nordic countries. The Region Europe South grew by 2.8% year-on-year, but this was due to a strong acquisition effect of 9.7%. While the markets in the Mediterranean countries are still suffering, the performances turned in by Sika France and Sika UK had a stabilizing effect. In the UK, Sika benefited from extensive roof and other renovation activities.

“Other segments and activities” generated very strong growth of 35.9%, which includes sales in the automotive business area. Here, Sika was mainly able to make gains through the use of new technologies and benefited from its strong presence in the premium automotive segment, which is enjoying high growth rates in North America, Latin America, and Asia. 19.2% of the increase is attributable to acquisition effects.

In local currencies, Sika increased sales of products for the construction industry by 4.8%, 4.3% of which was attributable to acquisitions. Sika posted a high growth rate of 13.3% for products for industrial manufacturing. 5.6% of this growth is attributable to acquisitions.

Outlook

In the second half of the year, Sika still expects growth stimuli to come from the emerging markets in the Regions Latin America, IMEA, and Asia/Pacific. The second half of the year is also likely to see a revival in construction activities and infrastructure projects in China, which will benefit growth in the Region Asia/Pacific.

While the solid growth in North America should continue, the trend in Europe is difficult to assess. In the Mediterranean countries in particular, which have been badly affected by the euro crisis, there is little sign of recovery. However, even in these countries Sika's good market position should enable it to gain additional market share.

Having increased slightly in the first quarter, raw material prices stabilized toward the end of the first half of the year.

Sika expects its margins to remain on a positive year-on-year trend during the second half of the year.



Key Figures Half-Year 2012

in CHF mn	1/1/2011- 6/30/2011	1/1/2012- 6/30/2012	Change in %
Sika Group			
Net sales	2,231.5	2,307.0	3.4
Operating profit before depreciation (EBITDA)	241.7	263.3	8.9
Operating profit (EBIT)	177.6	195.5	10.1
Net profit after taxes	113.6	126.1	11.0
Earnings per share in CHF ¹	44.96	49.75	10.7
Cash flow from operating activities	15.0	39.6	
Operating free cash flow	-28.0	-13.8	
Balance sheet total ²	3,830.4	3,941.1	
Shareholders' equity ²	1,839.1	1,858.1	
Equity ratio in % ^{2, 3}	48.0	47.1	
Return on capital employed (ROCE) in % ⁴	18.3	15.5	

1 Excluding non-controlling interests

2 As of December 31, 2011 / June 30, 2012

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 2012. Information can be downloaded directly from our website www.sika.com or obtained in printed form from the above address.



Conference call today, July 26, 2012 at 4 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)91 612 8100	(Europe, Asia)
+1 631 982 4566	(North America, Latin America)
+44 (0)121 281 8012	(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, Asia)
+1 (1) 866 416 25 58	(North America, Latin America)
+44 (0) 207 108 62 33	(UK)

Upon request please enter the code **17648**, followed by the #sign.

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 15,300 employees link customers directly to Sika and guarantee the success of all partners. Sika generates annual sales of CHF 4.556 billion. Visit our website at www.sika.com.

