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Sika on track – Net Profit up 37.7%

Sika posted a 6.3% increase in sales in the 2010 business year, achieving net sales of CHF 4.416 billion. In local currencies, Sika lifted sales by 10.2%. Consolidated net profit amounted to CHF 310.9 million, 37.7% above the previous year's level of CHF 225.7 million.

Despite mixed market performances, reticence on the part of public sector customers and rising raw material prices, Sika succeeded in lifting sales and net profit and is confident about 2011. The emerging markets in Latin America and Asia offer the greatest potential.

Sales

The 6.3% increase in annual net sales to CHF 4.416 billion comprises organic growth (6.1%), growth through acquisitions (4.1%) and a negative currency effect (-3.9%).

Sika's performance in the year under review varied considerably from Region to Region. While the high turnover Regions Europe and North America achieved only a very hesitant recovery, Sika posted substantial gains in the emerging markets throughout the entire year. Growth rates in the individual Regions in local currencies: Europe North 4.5%, Europe South 1.7%, North America 8.5%, Latin America 18.0%, IMEA (India, Middle East, Africa) 9.5%, Asia/Pacific 41.4%. Particularly developments in North America and Asia/Pacific were additionally influenced by acquisitions.

Owing to the significant increase in sales achieved in emerging markets, the proportion of Sika Group sales generated by these countries rose to 36%.

In local currencies, Group sales of products for the building and construction industry were up by 8.7% in the 2010 business year; of this figure, 4.9% were attributable to acquisitions. Sales of products for industrial manufacturing increased 16.7% in local currencies, including an acquisition effect of 0.6%.

The strong franc was not without influence on the sales figures. The overall currency effect of -3.9% almost exclusively corresponds to a translation effect. The currency effect was particularly substantial in the final quarter of 2010. The Group's decentralized regional structuring and the largely local-based generation of value added at Sika's 120-plus locations in 74 countries provides a good natural hedge against exchange rate movements.

During the reporting period Sika acquired six companies: The auto glass replacement business of ADCO Products, Inc., USA, the construction sealants operations of Henkel Japan Ltd., Czech-



based flooring manufacturer Panbex Group, structural waterproofing manufacturers Dyflex HD Co. Ltd. Japan, Greenstreak Group, Inc., North America, and US-based silicone and polyurethane products manufacturer May National Associates, Inc.

Profit

Raw material prices witnessed increases in 2010, owing primarily to low supplier capacity at the beginning of the year coinciding with increased demand. The fact that higher raw material prices could only be passed on to sales prices after a certain time lag squeezed the gross margin. Overall, Sika increased its gross profit to CHF 2.385 billion (2009: 2.295 billion), corresponding to a gross margin of 54.0%.

Sika improved operating profit before restructuring by 9.7% to CHF 439.5 million (2009: CHF 400.6 million; 2009 operating profit after restructuring: 344.0 million), resulting in an operating profit margin of 10.0%. At CHF 310.9 million (2009: CHF 225.7 million), consolidated net profit was up 37.7% year on year. One-off tax effects also had a positive impact on consolidated net profit.

Investments, liquidity and balance sheet

Sika's unchanged investment strategy is geared to consolidating its global presence, built up during the last few years, and unlocking new markets or expanding its existing activities. To encourage focused growth, selected markets, customers, technologies and products are prioritized. Given the changed economic climate triggered in many parts of the world by the financial crisis, Sika has reviewed all investment plans and adjusted these to the new conditions. The volume of investment during the period under review therefore remained below the level of the previous years at CHF 100 million.

Operating free cash flow reached CHF 332.2 million (2009: CHF 368.7 million) in the year under review. Cash and cash equivalents increased from CHF 801.6 million to CHF 938.4 million as of the end of the year. Net debt could be pared from CHF 264.8 million to CHF 164.5 million, reducing the ratio of net debt to shareholders' equity (gearing) from 16.6% to 9.4%. The equity ratio increased from 43.9% to 44.6%. The syndicated credit limit of CHF 450 million was not drawn on in 2010. It expired on November 15, 2010. Given the company's high level of cash holdings, Sika opted not to have the limit extended.

Proposals of the Board of Directors

The Board of Directors proposes to the Annual General Meeting payment of an unchanged gross dividend of CHF 45.00 per bearer share and CHF 7.50 per registered share. In addition, the Board proposes to reduce the nominal value of the bearer shares from CHF 9.00 to CHF 0.60 and that of the registered shares from CHF 1.50 to CHF 0.10. The payout sum amounts to CHF 134.0 million, representing approximately 43% (2009: 50%) of consolidated net profit. The proposal is an expression of the consistency of Sika's dividend payout policy.



Furthermore, the Annual General Meeting is recommended to reelect current Board member Urs F. Burkard and to newly elect Monika Ribar, CEO of Panalpina, to the Board of Directors.

Outlook

The markets are likely to present a similarly mixed picture in terms of performance in 2011 as they did in 2010. Economists are predicting modest growth for Europe. Much hinges on how the real economy is impacted by the high sovereign debt levels in various European countries, austerity programs and the euro crisis. The trend toward a moderate recovery should continue in North America. There is a backlog of demand from the infrastructure sector in particular. Unlike Europe and North America the emerging markets continue to witness strong growth. The Asian markets will gain further in significance; the potential for structural growth has not been exhausted by a long way yet.

Renovation work will become an increasingly important factor in the construction sector – in particular in the roofing and waterproofing sectors. Investments in commercial buildings will probably persist at a low level, whereas investments in infrastructure are more likely to increase.

The market recovered surprisingly fast in the industrial sector in 2010 – especially in the motor vehicle segment. Further growth is expected for 2011 as well, albeit at a lower level owing to the higher baseline for comparison. The order books are full, and Sika has won market share with new products.

Targets confirmed

Sika will continue to consistently pursue its acquisition strategy in 2011, focusing on expanding market access and market penetration in emerging markets and buying new technologies which fit in well with the existing portfolio and can be globally marketed via Sika's network.

Sika's medium-term growth targets envision an 8 to 10% increase in sales per year, with an EBITDA margin in the order of 12 to 14%. Sika seeks to win further market share in its key sales markets, to attain a 20% share in all Regions and target markets in the longer term and to achieve an annual turnover totaling CHF 8 billion in the medium term.



Key figures 2010

in CHF mn	as % of net sales	2009	as % of net sales	2010	Δ in %
Net sales		4'154.9		4'416.0	6.3
Depreciation/amortization/ Impairment	-3.4	-139.3	-3.1	-137.5	
Operating profit before restructuring	9.6	400.6	10.0	439.5	9.7
Net profit after tax	5.4	225.7	7.0	310.9	37.7
Net profit per share (EPS) in CHF		91.03		124.6	36.9
Cash flow from operating activities	12.7	526.3	9.6	424.8	-19.3
Free cash flow	7.5	312.5	5.5	243.9	-22.0
Operating free cash flow	8.9	368.7	7.5	332.2	-9.9
Balance sheet total		3'629.4		3'931.7	8.3
Shareholders' equity		1'593.0		1'752.2	10.0
Equity ratio in %		43.9		44.6	
NWC	20.1	836	18.2	802	-4.1
ROCE in %		19.3		21.3	
Number of employees		12'369		13'482	9.0

The Annual Report and the presentation held at the media conference and analyst meeting covering business in 2010 can be retrieved at www.sika.com.

Link Annual report

http://www.sika.com/en/group/Publications/annual_reports01.html

Link Presentation

<http://www.sika.com/en/group/investors/presentations.html>

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 74 countries and some 13 500 employees link customers directly to Sika and guarantee the success of all partners. Sika generates annual sales of CHF 4.4 billion. Visit our website at www.sika.com.

