

SHAREHOLDER LETTER NINE MONTHS 2014

2014

WWW.SIKA.COM

SHAREHOLDER LETTER

STRONG GROWTH MOMENTUM: ALL REGIONS WITH DOUBLE-DIGIT SALES GROWTH IN THIRD QUARTER

RESULTS FOR THE FIRST 9 MONTHS OF 2014:

- 15.8% sales growth (9.6% in Swiss francs) to CHF 4,174.4 million
- Growth in all regions
- Sales up 16.5% in emerging markets
- Net profit 21.2% higher

Sika CEO Jan Jenisch: “We achieved further strong growth in the third quarter and, despite challenging market conditions worldwide, increased sales by over 11% and posted an above-average rise in net profit. We are on track to realize the targets set under Strategy 2018. Our success is based on the accelerated expansion of growth markets, our investments in new factories, acquisitions and new product launches, coupled with the achievements and know-how of our employees.”

Sika achieved sales growth of 11.7% in the third quarter. All regions reported double-digit sales increases in local currencies. Negative currency effects weakened and sales in Swiss francs rose by 8.0%.

GROWTH IN ALL REGIONS

In the first nine months of the business year, sales increased by 15.8%. All regions contributed to the sales growth. The currency effect had a negative impact of 6.2%. Adjusted to Swiss francs, sales were 9.6% higher.

Sales in the region EMEA (Europe, Middle East, Africa) saw a 17.4% increase in the first nine months of the year. Visible growth drivers in the Middle East and Africa and the moderate recovery seen in the southern European markets had a positive impact on the region's development. In addition, the acquisitions made in 2013 and product roll-outs contributed to the strong growth.

North America recorded an 8.5% increase in sales. Projects delayed at the beginning of the year due to the harsh winter are now under construction and investments are being made in infrastructure projects and commercial buildings.

The region Asia/Pacific grew by 15.6%. China, Japan, Southeast Asia and Australia showed double-digit growth. This positive performance is being driven by gains in market share, entry into new markets, the launch of new products, and newly opened factories.

At 17.1%, sales growth remained consistently high in Latin America. In a demanding business environment, Sika succeeded in achieving double-digit growth in the majority of countries and increasing market share further. Substantial devaluations of a number of local currencies led to high exchange rate losses.

SIX NEW FACTORIES OPENED AND THREE COMPANIES ACQUIRED

The accelerated expansion of emerging markets continued in the first nine months. New factories were commissioned in Brazil, Indonesia, India and Serbia. In the US, a production facility for concrete admixtures and an additional mortar plant were built.

Three companies with combined annualized sales of CHF 53 million were acquired in the first nine months: Lwart Química, a leading supplier of waterproofing systems in Brazil, a company producing flooring and coatings in South Korea, and Klebag, a manufacturer of adhesives for the interior finishing market in Switzerland.

SIGNIFICANT INCREASE IN NET PROFIT

In the third quarter the EBIT margin reached 12.6% (third quarter of 2013: 12.1%). Strong sales growth, a higher gross result and selective efficiency improvements led to an above-average increase in profitability. At 53.0%, the gross result for the first nine months of the year was slightly higher (first nine months of 2013: 52.6%). EBIT increased by 17.2% to CHF 457.3 million (first nine months of 2013: CHF 390.0 million). Net profit after taxes was 21.2% higher at CHF 310.2 million (first nine months of 2013: CHF 255.9 million).

OUTLOOK

Through further investments in growth markets, the launch of new products, and the recently acquired companies, Sika is set to continue its growth strategy in the current year. Currency movements, volatile conditions in many markets, as well as one-off positive effects reported in the previous year, present a challenge for the fourth quarter. Sika is projecting 9% to 11% sales growth in local currencies and an 8% to 12% increase in EBIT for 2014 as a whole.

INCOME STATEMENT

in CHF mn	%	1/1/2013 - 9/30/2013	%	1/1/2014 - 9/30/2014	Change in %
Net sales	100.0	3'807.7	100.0	4'174.4	9.6
Material expenses	-47.4	-1'804.3	-47.0	-1'959.9	
Gross result	52.6	2'003.4	53.0	2'214.5	10.5
Personnel expenses	-20.6	-783.6	-19.8	-825.1	
Other operating expenses	-18.9	-719.2	-19.3	-809.8	
Operating profit before depreciation	13.1	500.6	13.9	579.6	15.8
Depreciation and amortization expenses	-2.9	-110.6	-2.9	-122.3	
Operating profit	10.2	390.0	11.0	457.3	17.2
Interest income	0.1	2.5	0.0	1.7	
Interest expenses	-0.6	-23.5	-0.6	-24.9	
Other financial income	0.1	4.3	0.1	4.5	
Other financial expenses	-0.5	-18.6	-0.2	-11.3	
Income from associated companies	0.0	0.7	0.0	1.1	
Profit before taxes	9.3	355.4	10.3	428.4	20.5
Income taxes	-2.6	-99.5	-2.9	-118.2	
Net profit	6.7	255.9	7.4	310.2	21.2
Profit attributable to Sika shareholders	6.7	253.8	7.4	308.6	
Profit attributable to non-controlling interests	0.1	2.1	0.0	1.6	

NET SALES IN THE FIRST NINE MONTHS

in CHF mn	1/1/2013 - 9/30/2013	1/1/2014 - 9/30/2014	Change compared to prior year (+/- in %)			
			In CHF	In local currencies ¹	Currency impact	Acquisition effect
By region						
EMEA	1'822.5	2'086.5	14.5	17.4	-2.9	12.3
North America	541.7	556.6	2.8	8.5	-5.7	0.0
Latin America	462.7	467.2	1.0	17.1	-16.1	4.7
Asia/Pacific	708.0	756.9	6.9	15.6	-8.7	3.8
Other segments and activities	272.8	307.2	12.6	16.7	-4.1	0.0
Net sales	3'807.7	4'174.4	9.6	15.8	-6.2	7.2
Products for construction industry	3'058.8	3'374.3	10.3	16.7	-6.4	8.9
Products for industrial manufacturing	748.9	800.1	6.8	11.8	-5.0	0.0

¹ Including acquisitions

FINANCIAL CALENDAR

NET SALES 2014	Tuesday, January 13, 2015
MEDIA CONFERENCE/ANALYST PRESENTATION ON FULL-YEAR RESULTS 2014	Friday, February 27, 2015
SALES FIRST QUARTER 2015	Tuesday, April 14, 2015
47TH ANNUAL GENERAL MEETING	Tuesday, April 14, 2015
HALF-YEAR REPORT 2015	Friday, July 24, 2015
RESULTS FIRST NINE MONTHS 2015	Thursday, October 29, 2015

SIKA AG
Zugerstrasse 50
6341 Baar
Switzerland

Contact
Phone +41 58 436 68 00
Fax +41 58 436 68 50
www.sika.com

