

# NEEDS

Sika 2009

# SOLUTIONS



Innovation & since  
Consistency 1910

Modern roofs represent so much more than structural completion. Architecturally and functionally they are vital parts of buildings. Roofs are complex systems in which our core competencies are brought to bear in exemplary fashion: sealing, bonding, damping, reinforcing and protecting. The more consistently and rigorously they are implemented, the greater the quality of life and work in the buildings, the better the energy efficiency and sustainability. Five Sika projects show how structures can be topped off.



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Sika AG, located in Baar, Switzerland, is a globally active, specialty chemicals company. Sika supplies the building and construction and manufacturing industries (vehicle, appliance and building component production). Sika is a leader in processing materials used in sealing, bonding, damping, reinforcing and protecting load-bearing structures.

Sika's product range features 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 for buildings. Total solutions from Sika replace older technologies such as bolting, riveting and welding, opening unforeseen innovation possibilities for customers. Our objective is to help customers generate added value and always stay one step ahead of the competition.

Worldwide local presence with subsidiaries in more than 70 countries and approximately 12 000 employees link customers directly to Sika and ensure the success of all our partners. Sika achieves annual sales of CHF 4.2 billion.

## Brief Portrait and Key Figures

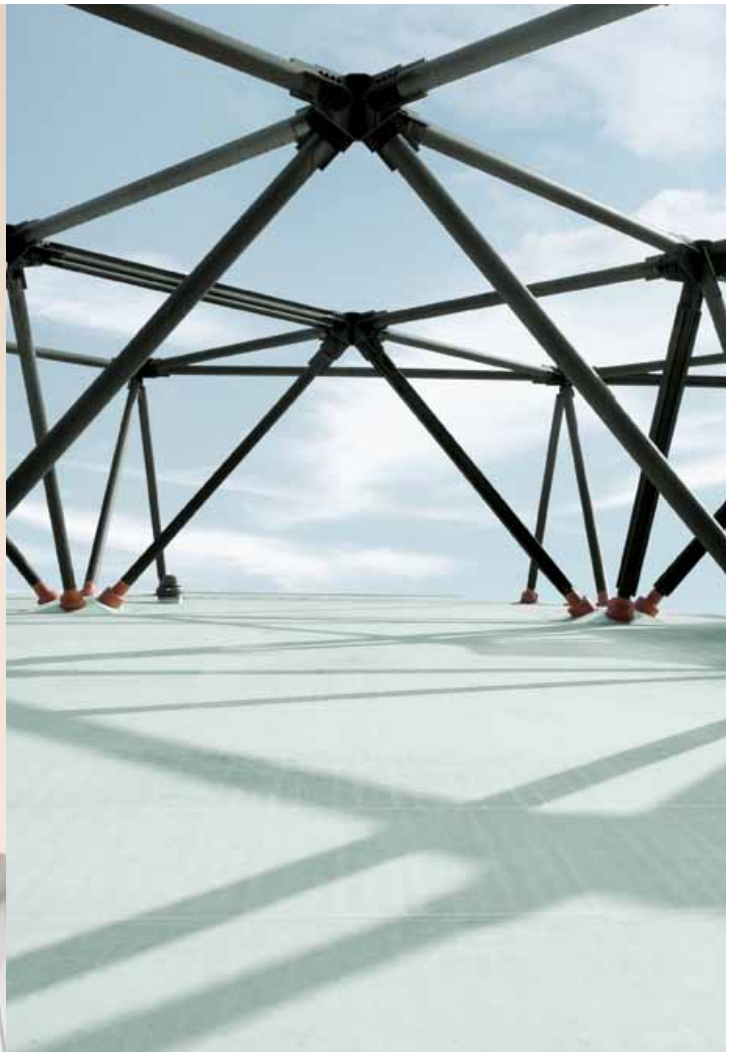
### SIKA GROUP

in CHF mn	2008	as % of net sales	2009	as % of net sales
Net sales	4 624.5		4 154.9	
Operating profit before depreciation and restructuring	556.1	12.0	539.9	13.0
Depreciation/Amortization/Impairment without restructuring	-134.1	-2.9	-139.3	-3.4
Operating profit before restructuring	422.0	9.1	400.6	9.6
Net profit after taxes	267.4	5.8	225.7	5.4
Earnings per share in CHF <sup>1</sup>	107.00		91.03	
Cash flow from operating activities	376.8	8.1	526.3	12.7
Free cash flow	89.5	1.9	312.5	7.5
Operating free cash flow	165.8	3.6	368.7	8.9
Balance sheet total	3 209.4		3 629.4	
Shareholders' equity	1 464.7		1 593.0	
Equity ratio in % <sup>2</sup>	45.6		43.9	
ROCE before restructuring in %	20.3		19.3	
Number of employees	12 900		12 369	
Net sales per employee in CHF 1 000 <sup>3</sup>	376		329	

<sup>1</sup> Excluding minority interests

<sup>2</sup> Shareholders' equity divided by balance sheet total

<sup>3</sup> Calculated based on the annual average of number of employees



A tornado destroyed our roof. Just before the start of the basketball season. Time and money were limited. Nonetheless, as a public institution we had to honor our responsibility and also do right by the environment.

Sika recycles worn-out roofing membranes and processes them into new ones. Without loss of time or additional costs.

**JEFF HAYES**, Engineer at the University of Iowa, Iowa City, IA, USA. As project manager, Jeff Hayes underwrote and carried responsibility for the renovation of Carver-Hawkeye Arena.

**SIKA ROOF RECYCLING PROGRAM.** Carver-Hawkeye Arena opened the season with a new roof: on time and within budget. The old roofing membranes were entirely reintroduced into the production process. Sika's roof recycling program in the USA has given new life to more than 10 million kilograms of production waste and some 100 000 m<sup>2</sup> of worn-out roofing membranes since its introduction. So Sika shows its pioneer spirit also on the topic of sustainability, for which we have received an award in the USA.

## One Brand, One Goal: Profitable Market Leadership

The Sika brand stands for innovative products, quality and service. To achieve its goal of market leadership or a strong number two position in all its target markets, Sika continuously opens up and leverages market potential.

**VISION //** With process materials for sealing, bonding, damping, reinforcing and protecting load-bearing structures, Sika strives for the leadership position or a strong number two in its clearly defined target markets.

Sika's target markets are: concrete production, elastic sealing and bonding, waterproofing, roofing systems, flooring systems, refurbishment and strengthening, as well as industrial manufacturing (primarily motor vehicle construction).

**MARKET POTENTIAL AND STRATEGY //** With its strategy, Sika systematically leverages all growth potential inherent in its target markets. So as demand continues rising from the construction industry as well as in industrial manufacturing for energy and cost-efficient solutions, the company can play to its strong capability for innovation. Examples of this are such new roofing systems that deliver clear energy balance improvements for buildings or modern, weight and time-saving adhesives in motor vehicle manufacturing. Comprehensive total solutions for key customers, active worldwide, and for major key projects are decisive factors for success in light of increasing globalization.

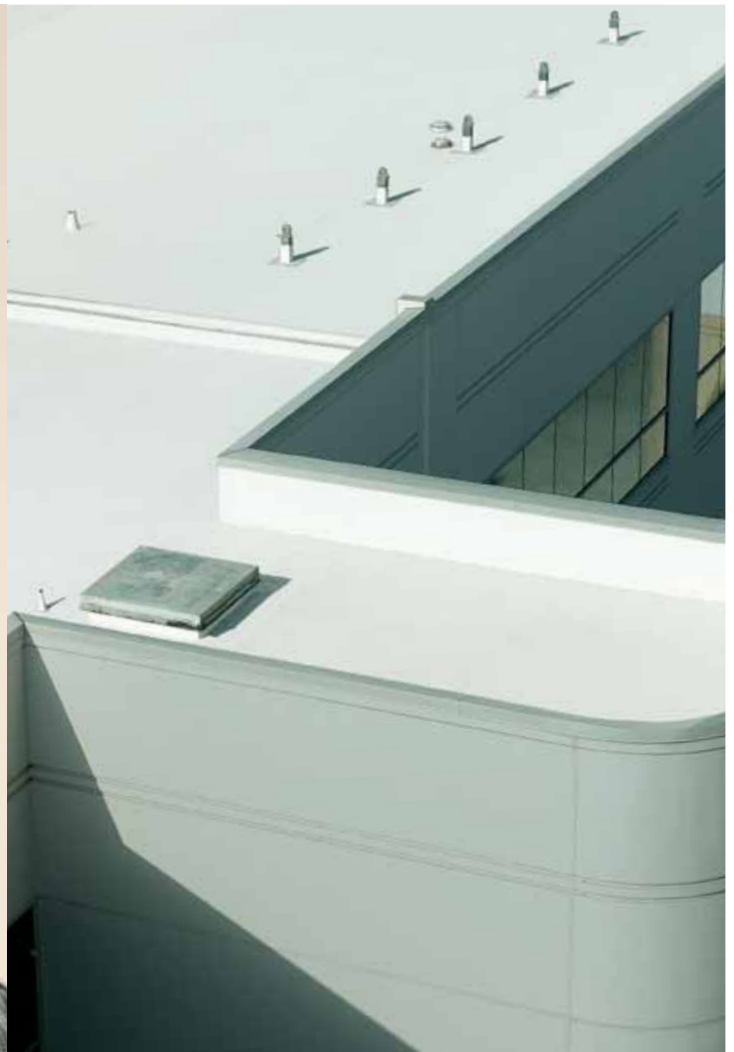
In Latin America, Eastern Europe, parts of Asia and the Middle East, the emerging markets especially important for Sika, market growth may be large although in many cases technologies are employed that do not correspond with the state-of-the-art. To leverage the dynamics of these markets, Sika relies on cost-effective solutions for initial market development, while at the same time preparing these markets for implementation of new and more efficient technologies through investment in education and training of employees and customers, which improves the penetration of the newer technologies.

**THE SIKA BRAND //** Products become distinguishable through branding, and a brand lends a product an associated value perception. Company founder Kaspar Winkler grasped this; he not only invented the Sika name but also created the logo. It does homage to the founder's foresight that the Sika brand has developed to what it is today. The logo has changed only slightly since its creation, thus embodying continuity and solidity, and is recognized the world over as a sign of quality, innovation and service. The word-image brand is nearly as old as the enterprise, having proven itself through the decade-long expansion of the Sika Group throughout the world. In all cultural circles both the word "Sika" and the logo with its characteristic red and yellow are readily applicable.

**WORLDWIDE TRADEMARK PROTECTION //** Since Sika has a high degree of brand awareness particularly as a logo, the company places high value on consistent and standardized use of the logo and reviews compliance with the corresponding design guidelines. Customers throughout the entire world can rely on receiving Sika quality and service wherever the Sika logo appears. Observed attempts to copy the logo in recent years are evidence that Sika possesses considerable intangible value with its logo.

The Sika family brand as well as 575 additional Sika product trademarks such as Sikaflex®, Sika® ViscoCrete®, SikaBond® or Sarnafil® create essential market advantages for the company. Accordingly, trademark protection is an important management responsibility, administered globally at Group level as well as locally at country level. In total Sika held 13 147 trademark registrations in 161 countries at the close of the period under review. Sika monitors its trademarks constantly and immediately initiates pertinent legal measures in cases of infringement.

**MARKETING //** The slogan "Know-how from Site to Shelf" clarifies what Sika stands for in the distribution business: through distributors Sika sells exclusively high-value, quality products that have proven their performance capability on the largest construction sites in the world, and from there find their way directly to the shelf in building supplies stores in convenient packaging. Customers of every magnitude worldwide benefit from this quality advantage. "From Roof to Floor" is another slogan which describes the breadth of the company's offerings. Within the Sika assortment customers find suitable products and systems for every phase of construction.



The hospital management expected the new roof to help reduce energy costs. For us, efficient processes and thereby competitiveness stood in the forefront.

The hospital selected light-reflective membranes, while the firm DRI Commercial chose adaptable materials and flexible systems. The supplier was the same: Sika.

**TOD FRITTS**, Senior Project Manager, DRI Commercial, Irvine, CA, USA. DRI Commercial oversaw the project and installed the roofing system at St. John's Regional Medical Center in Oxnard, CA.

**LIGHT-REFLECTIVE MEMBRANES.** California is America's sun-drenched patio. Light-reflective membranes, such as the EnergySmart® membranes from Sika Sarnafil used at St. John's Regional Medical Center, reflect more than 80% of sunlight. This effectively prevents the heating-up of the building and lowers the costs for cooling. In addition the membrane system is exceptionally flexible, individually adaptable and thus economical in application. This, particularly for renovations, is a significant competitive advantage.

## Individual Solutions for Global Needs

At all levels of management, Sika's growth strategy focuses on four customer groups, whose differing requirements are fulfilled actively and precisely – across the world, across Regions and in individual countries.

**CUSTOMERS //** In marketing, service and sales Sika concentrates on four customer groups with widely individual needs.

**Concrete producers** ("Concrete") need cost-optimized solutions adapted to the cement and the application. These solutions must be adjusted individually in ready-mix concrete works, on construction sites or in concrete element precast factories. Business success is thereby essentially based on local presence in all relevant markets. Nevertheless, key account management is playing an ever-larger role, since major cement and concrete producers are increasingly globalizing their business.

**Contractors** ("Contractors") purchase Sika products such as polymeric sealing membranes and process them into an impervious roof or to waterproofing for a basement level. Liquid polymers are processed into industrial flooring or protective coatings, adhesives and sealants into leakproof building joints or bonded wooden floors. These tasks are always part of a consolidated effort, so that Sika confers as early as possible with building owners, architects, engineering firms and other project participants to provide advice and corresponding know-how. The key to success lies in advising all parties professionally. Sika captures this holistic approach in its slogan "From Roof to Floor."

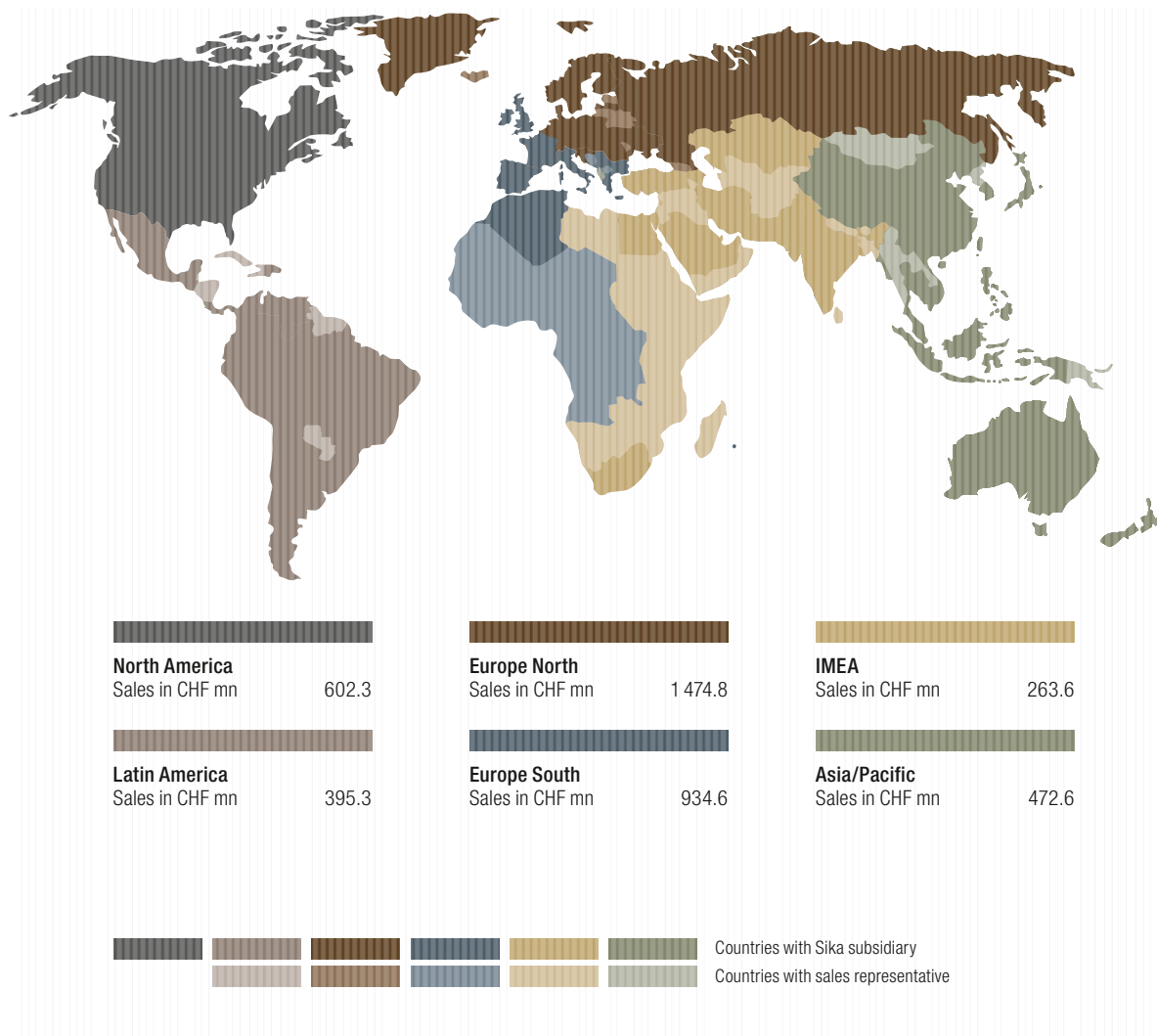
**Distributors** ("Distribution") play a varying role from country to country, depending on building traditions that have grown over time. While in some countries primarily small handicraft businesses fulfill their needs in builder's merchant shops, while building contractors and larger specialty processors purchase products directly from Sika, the distribution channel in other countries is the most important source of supply for nearly all users. Distributors thereby assume the role of advisors for the great many challenges of building. This function of distribution is important for Sika above all in emerging markets such as India or Latin America, since distributors serve as multipliers who aid market penetration through their activity.

**Industrial customers** ("Industry") usually need large quantities of Sika products that are specially adapted to their needs. Applications in the areas of bonding, reinforcing and damping of sound draw frequent focus. Sika technologies find primary employment in the manufacture of motor vehicles such as automobiles, busses and trucks as well as railcars and ships. Industrial production of fenestration, wind turbine and solar power station construction are also attractive sales markets.

**REGIONS //** Since its founding in 1910, Sika has grown continuously. The first subsidiary outside Europe opened its doors in Japan already in 1932. The Group was divided into regions early, so that subsidiaries could exploit synergies and found additional companies. These Regions, of which there are six in all, have been driven since 1993 by regional managers who form the leadership structure. Regional managers are members of Group Management and bear line responsibility for their Region. The regional management structures encompass sales functions as well as the marketing and development activities oriented toward the customer groups.

In 2002 the strongly grown Region Europe was segmented into the Regions Europe North and Europe South. The most recent restructuring came in 2006: Sika's potential in the Middle East had been considered insufficiently tapped for years. Therefore the Middle East was consolidated together with South and East Africa as well as India to a new Region: IMEA. The acronym IMEA stands for India, Middle East and Africa. This segmentation has proven an important step for the growth of the Group. Since its founding, the Region IMEA has been one of Sika's growth engines.

#### Worldwide Market Presence







Curvatures and indentations, countersunk downspouts and lightning conductors applied directly to the roofing membranes. It was clear to me from the very start that in order to do justice to the architect's aesthetic will we would need an experienced partner.

With commitment and competence, continuous consultation and technical support, Sika accompanies its customers from the concept to the target, the perfect symbiosis of form and function.

**CÉDRIC LUCE**, Project Manager Losinger AG, General Contractor. In the construction of the Rolex Learning Center in Lausanne, Cédric Luce was responsible for the correct and timely handling of all work in the roofing area.

**FROM CONCEPT TO TARGET. FROM CONCEPT TO TARGET.** From the start of planning, Sika Sarnafil provided assistance, continually promoting the best solution. Sika examined all alternatives with upstream tests and intensive variation studies, and found the ideal solution in terms of aesthetics, technology and costs. Beyond this, with solution-oriented service personnel and realization checks on site, Sika thereby guaranteed an optimal quality of execution and a maximum service life for the roof.

## Investments in a Sustainable Future

In 2009 34% of Sika sales derived from products that have been on the market for five years or less. The foundation of this success is supported by strategic focus, a professional R&D management that above all is focused on client projects, efficient development processes and the targeted orientation toward customer group demands.

**INNOVATIONS AND GROWTH** // Innovations are critical drivers in the growth strategy of the company. They contribute essentially to the target of achieving mid-term organic growth of 8 to 10% on annual average. Research and development, R&D, is correspondingly significant within the enterprise. The R&D strategy that Sika has pursued for some years is highly successful, a fact reflected in numerous patents, many new products and a high rate of innovation. In the year under review Sika generated some 34% (2008: 34%) of sales with products that have been on the market five years or less.

**CORE COMPETENCIES** // A primary element of Sika's successful research and development undertaking is the strategic focus on clearly defined core competencies. These are: sealing, bonding, damping, reinforcing and protecting load-bearing structures in construction and in manufacturing industries.

**Sealing** // Sealing minimizes the flow of gases and liquids between cavities and interstices as well as the dissemination and transfer of heat or cold. Immense flat roofs, complicated tunnel constructions, easily damageable water reservoirs and sophisticated façades are durably impervious to wind and rain, resistant to temperature, age and vibration. The functionality and comfort of rooms within are thereby enhanced.

**Bonding** // Bonding joins different materials permanently, elastically and securely. Vehicles, windows, and even concrete elements of several tons for bridges are bonded using new processes. Sika bonding technologies increase the safety of end products and enable greater freedom of design. These applications also optimize the manufacturing process by reducing cycle times.

**Damping** // In fixed and moving objects, damping reduces vibrations of all wavelengths, resulting in fewer reverberations and noise emissions in load-bearing structures and cavities. Noise in vehicle interiors, for example – whether in a car, a bus or a cruise ship – is silenced, and comfort increases significantly.

**Reinforcing** // Reinforcing bolsters the carrying capacity of statically or dynamically stressed load-bearing structures in a targeted manner, from lightweight window frames to crash-resistant automotive bodies to imposing concrete bridges. Solutions for reinforcing fortify existing and optimize new load-bearing structures.

**Protecting** // Protecting extends the durability of load-bearing structures and preserves the substance of new and renovated objects. Sika solutions guarantee sustained protection against climatic conditions, chemical influence, pollution and fire for concrete and steel structures.

**RESEARCH STRATEGY //** Two forces propel research and development at Sika. These are on one hand global trends defined by the principles of sustainable development, such as the demand for building methods that conserve resources, for energy-saving construction materials or lower-weight motor vehicles. On the other hand the diverse specificities of the construction industry from country to country such as differences in raw materials, climate or legal regulations require considerable adaptation of products to meet local needs. In accordance with these circumstances, the company research strategy has both centralized and decentralized components.

Organized centrally in the subsidiary Sika Technology AG are long-term research programs, analytical services and research management. The long-term research programs are aligned with the core competencies of the company. The marked improvement of existing products or opening up of new fields of application for them can thereby stand as much in focus as the search for entirely new products or alternative raw materials.

Corporate Expert Teams play a crucial role in the management of research and development projects. These global teams are composed of representatives of various enterprise functions, from marketing to fabrication or logistics to purchasing, and ensure that the diverse viewpoints are given consideration within the projects.

The eleven technology centers in America, Europe and Asia operate in a decentralized fashion. These have specific technology responsibilities and independently develop new products and applications. In addition, the centers bear responsibility for the worldwide market launch of innovations, which they adapt to the needs of their Region. They hereby work closely with regional, customer-oriented support centers. Having their own laboratories, the support centers can quickly adjust new products to suit local requirements, for example adapting concrete admixtures to climatic conditions or for use of locally obtainable aggregates such as gravel or sand. The search for locally available raw materials also lies within the mandate of the support centers, the purpose being to optimize production costs.

**COOPERATION //** In the area of basic, fundamental research Sika relies primarily on collaboration with first-class universities, including institutions in Switzerland, the USA, in Germany, Spain, France, China and India. Professional and geographic proximity often lead swiftly and unbureaucratically to solutions with advantages for both parties. Furthermore, Sika attempts to mitigate the prevailing shortage of engineers and chemists in some countries through substantial engagement, thus also bringing the company closer to suitable candidates for employment.

Sika is continuously active in various international projects, committed among others to the NanoCem Consortium. This European research network studies phenomena occurring in nano- and microdimensions that can influence the performance of cementitious materials and the products and structures made from them. The company also collaborates with its most important suppliers, in order to provide innovative stimulus as early in the supply chain as possible.

Sika Technology AG participates actively in a range of projects funded by the European Union:

- FUTURA: this project has the objective of establishing multifunctional materials in the automotive industry, and realizing modular, scalable approaches to design and production of vehicles ([www.futura-ip.eu](http://www.futura-ip.eu))
- MUST: project partners are collaborating on chromium-free corrosion protection for steel and light alloys ([www.must-eu.com](http://www.must-eu.com))
- I-SBB: safe and intelligent construction methods for earthquake-endangered areas
- TunConstruct: collaborative European research and development of innovative methods, materials and machines for tunnel construction ([www.tunconstruct.org](http://www.tunconstruct.org))

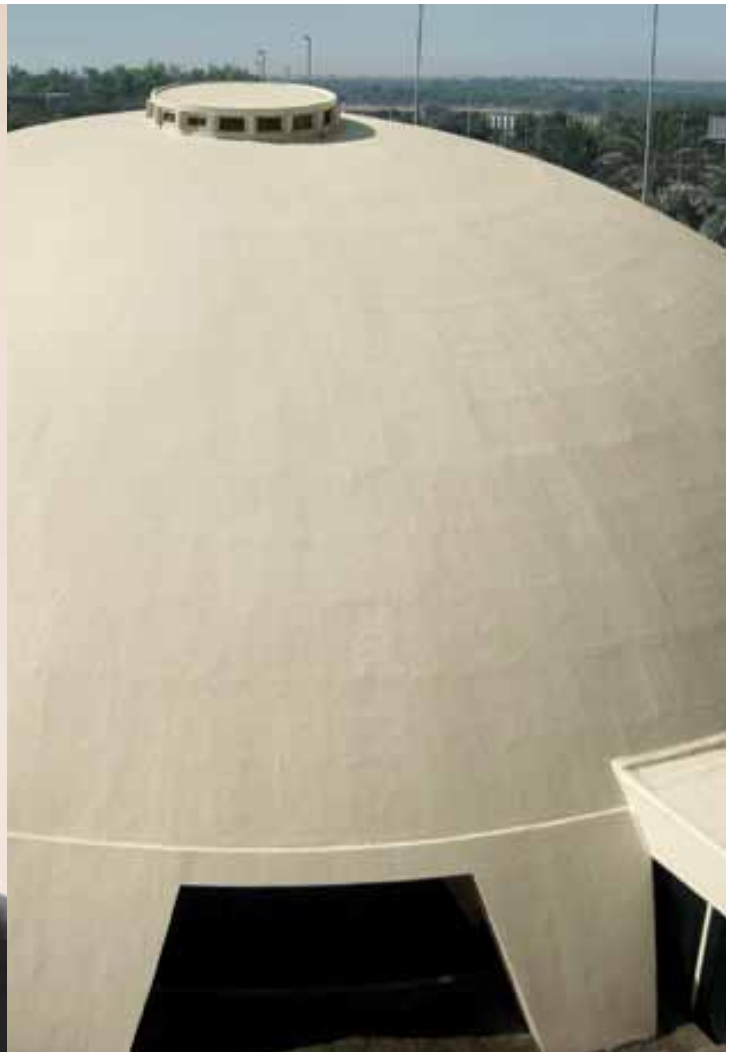
The United Nations Sustainable Building & Construction Initiative, SBCI, represents another Sika Technology AG engagement. The SBCI targets the establishment of solutions in the construction industry worldwide that are based on sustainable development principles.

**MANAGEMENT** // Expenditures for research and development in the Group in the year under review amounted to CHF 74.7 million (2008: CHF 74.1 million), or roughly 1.8% of sales (2008: 1.6%). The R&D budget was apportioned in accordance with strategic priorities.

The R&D organization of the Sika Group is aligned with enterprise strategy and focuses on research in technology platforms and strategically critical R&D projects. The seven-stage development process for products, the so-called Product Creation Process, PCP, is uniformly organized worldwide, in order that new and patented products can be brought to market as swiftly as possible. Sika strives, however, not only to be speedy, but also especially efficient, therefore likewise pursuing cost leadership for its products in all target markets. In collaboration with Corporate Operations the R&D organization also works to tighten the comprehensive product range, thereby simplifying processes and lowering costs in marketing, production and distribution.

The regional technology support centers are responsible for compliance with the PCP in their Region, and review the quality of processes regularly with the help of PCP audits. These ensure that employees' standard of knowledge is always current and corresponds to the Sika norm, keeping local chemists conversant with the newest technologies. In parallel, innovative ideas from the Regions are gathered and leveraged for the Group.

**PATENTS** // Sika filed for 63 patents in 2009 (2008: 70). The number of invention disclosures amounted to 81 in the year under review (2008: 84).



Dome roofs mark the lasting impression of Abu Dhabi Airport. External sealing, heat-sensitive insulation and difficult working conditions were a challenge, and the airport's color concept needed to be preserved.

Liquid membranes from Sika adapt to every form and every subsurface, are applied seamlessly in a cold state and are available in virtually any color. The result: efficient, secure and practically indiscernible.

**JOSEPH GEDEON**, Managing Director Pro-Tect Middle East W.L.L. Pro-Tect Middle East W.L.L. bore responsibility for carrying out roofing refurbishment operations at Abu Dhabi International Airport.

**LIQUID MEMBRANES.** Liquid membranes such as Sikalastic® 601 BC and 621 TC, employed at Abu Dhabi International Airport, function without complicated installation or finishing and without any open flame. Sika's Sikalastic® Coldstik revolutionary cold-bonding technology makes this possible. It simplifies and accelerates the working process, simultaneously maximizing operational safety. The project ran successfully, was completed earlier than planned, and the new roofs – with a surface area totaling 15 300 m<sup>2</sup> – are a perfect color match to those of existing buildings.

## Speaking the Customer's Language

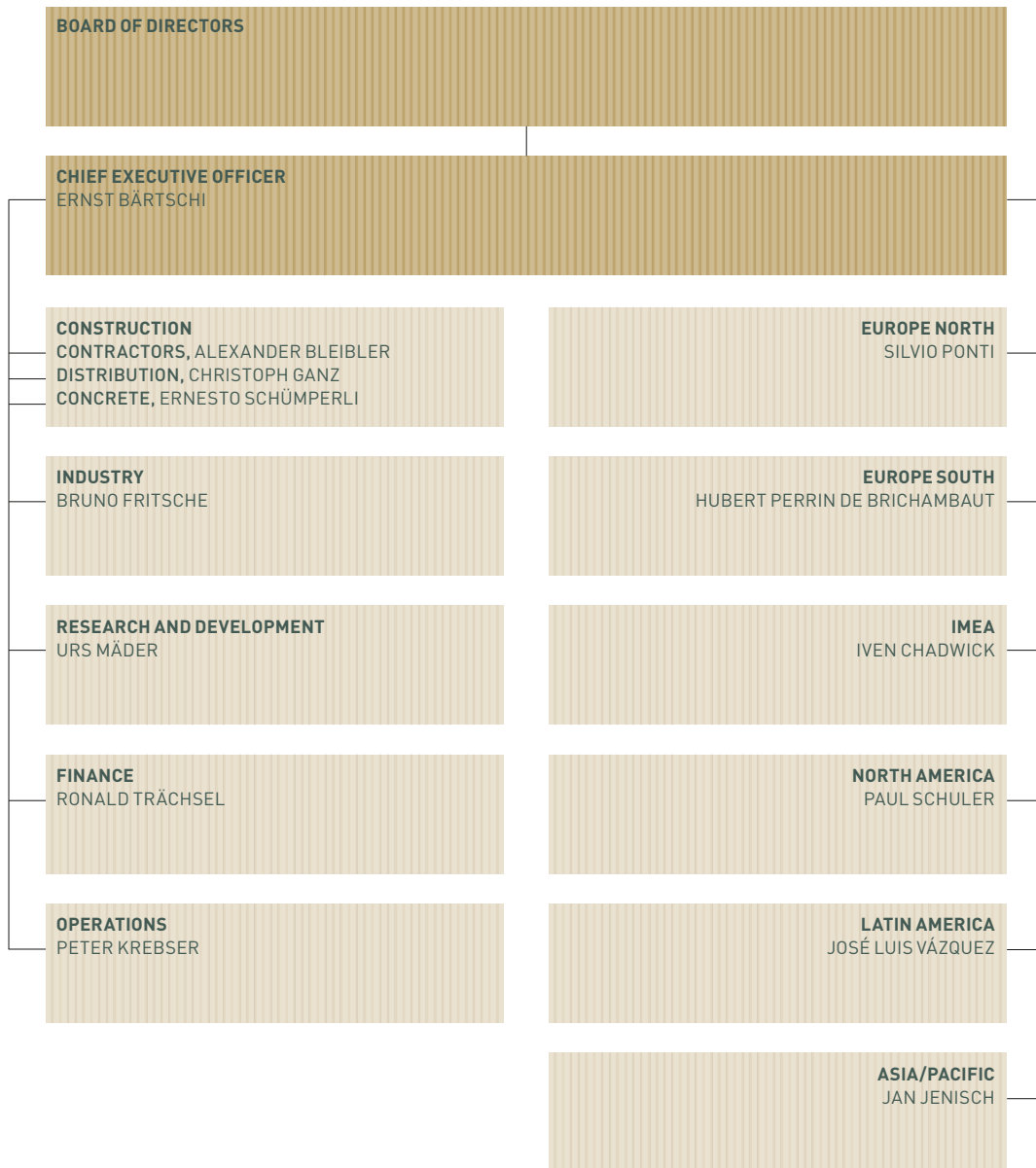
Sika's organizational structure is strongly decentralized, relying on the management teams in the Regions and in the regional companies. At every level of management the company focuses on four customer groups, either from the construction industry or the area of industrial manufacturing.

**ORGANIZATIONAL STRUCTURE //** Since the start of its international expansion, Sika carries out its worldwide activities in countries which were subsequently consolidated to Regions having higher management functions. The heads of the Regions are members of Group Management. The regional management and the management within the countries bear full profit and loss responsibility, and proceeding from Group strategy determine the country-specific growth and sustainability targets as well as the allocation of resources.

The composition of the Regions does not follow the generally observed geographic allocation of countries to continents, but is rather a reflection of diverse organizational, commercial and cultural conditions. So for example the Region IMEA (India, Middle East, Africa) conjoins among others the countries of the Middle East and India, since these countries are strongly interdependent in their building and construction industries. The exact composition of the Regions is shown on page 6.

Sika has oriented its internal organization furthermore toward four customer groups (see also page 5) which stem from the construction industry or from industrial manufacturing. These four customer groups are represented in Group Management as well as in the Regional management teams and those of individual countries. The corresponding managers are responsible for the definition and introduction of new products, for the implementation of best demonstrated practices, as well as for assortment and pricing policy of group products, those that are offered on a worldwide basis rather than in a country-specific manner.

**ORGANIZATIONAL DIAGRAM**



**CHANGES IN GROUP MANAGEMENT //** In the year under review there were no changes in Group Management. Sika's Group Management remains at 14 members.

# Group Management



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1 **ERNST BÄRTSCHI**

LIC. OEC. HSG, 1952, SWISS, CEO

2 **SILVIO PONTI**

DIPL. BAU-ING. ETH, MBA, 1953, SWISS, DEPUTY CEO, EUROPE NORTH

3 **ALEXANDER BLEIBLER**

DIPL. BAU-ING. HTL, 1953, SWISS, CONSTRUCTION, CONTRACTORS

4 **IVEN CHADWICK**

MBA, 1960, BRITISH, IMEA

5 **BRUNO FRITSCHÉ**

BBA, 1952, SWISS, INDUSTRY

6 **CHRISTOPH GANZ**

LIC. OEC. HSG, 1969, SWISS, CONSTRUCTION, DISTRIBUTION

7 **JAN JENISCH**

LIC. RER. POL., 1966, GERMAN, ASIA/PACIFIC





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8 **PETER KREBSER**

DR. SC. TECHN., DIPL. CHEM. ING. ETH, 1951, SWISS, OPERATIONS

9 **URS MÄDER**

DR. RER. NAT., DIPL. CHEM. ING. HTL, 1955, SWISS, RESEARCH AND DEVELOPMENT

10 **HUBERT PERRIN DE BRICHAMBAUT**

MBA, 1957, FRENCH, EUROPE SOUTH

11 **PAUL SCHULER**

MBA, 1955, SWISS, NORTH AMERICA

12 **ERNESTO SCHÜMPERLI**

DIPL. BAU-ING. ETH, MBA, 1955, SWISS, CONSTRUCTION, CONCRETE

13 **RONALD TRÄCHSEL**

LIC. RER. POL., 1959, SWISS, FINANCE

14 **JOSÉ LUIS VÁZQUEZ**

DR.-ING., MBA, 1947, SPANISH, LATIN AMERICA

## Sika's Success Has Many Names

**With a cooperative management style, as well as targeted development and continued education programs that correspond to individual capabilities, Sika advances competence and individual scope of action, promoting genuine engagement of employees, while at the same time accommodating the company's dynamic development.**

**MANAGEMENT PRINCIPLES //** Sika nurtures continuity and the preservation of ethical values, whereby mutual respect as well as trust in management and colleagues are of central significance. Sika's dynamic development requires the integration of widely differing people and the global exchange of knowledge and experience. Discrimination is not tolerated in any form.

The activities of all employees are clearly oriented towards strategic, operative and company policy targets. Chains of command are transparently ordered, and the principle of farthest possible delegation of responsibility prevails. Employees are led by means of target agreements (MbO: Management by Objectives). This management style ensures that employees participate in processes and decision-making. Managers should provide examples for their employees, and should advance their initiative and creativity. The flow of information through all hierarchical levels is as systematic, current and easily surveyable as possible. Gifted employees should be promoted and continuous education must be assured.

**DEVELOPMENT OF MANAGERS //** To be as attractive an employer as possible, Sika relies on global human resources management. At the core lies the so-called Performance and Talent Management, a modern system for identification and further development of performance and capabilities. This supports systematic employee succession planning and assists the company moreover in identifying additional talented individuals for further growth and fostering them intentionally. Various talent pools for different management functions have been created in this way.

In the year under review Talent Management has again been expanded and now also encompasses the various levels of management in the Regions. Within the scope of its search for talent, Sika not only counts on regularly scheduled development courses, but also on practical project work. In the way that they handle concrete tasks, employees can thereby demonstrate what they have in them. The project results thus often gain entry into the company's standard business operations.

Alongside training, further education and supervision of the widest possible range of functions, experience in other countries and above all in other cultures are important elements in the systematic, advanced development of potential managers. Group-internal guidelines create security and transparency for employees who leave their home country on behalf of Sika, as well as a fair contract adapted to the specific circumstances of the host country. At the same time Sika grants all delegates so-called "home harbor rights," guaranteeing employment upon return to their home base country.

**SIKA BUSINESS SCHOOL //** Changes in the organization and in working processes require a continuous and systematic flow of information and knowledge transfer. Sika Business School was instituted to realize the idea of a learning organization, and will be developed further on a systematic basis.

In 2009 Sika proceeded advancing its "Train the Trainer" concept. Thereby the expertise present within the Group is made available to employees who are in regular contact with customers. Standing at the center of training sessions is the transformation of complex content into practically applicable know-how that can subsequently be transferred to customers. "Train the Trainer" is thus immediately relevant for business success, since many of the company's products can only be employed successfully if users have adequate command of the necessary know-how.

Collaboration with the Institute for Management Development, IMD, in Lausanne, Switzerland, continued throughout the year under review. The objective of this cooperation, which was initiated in 2007, lies in the development and expansion of so-called Executive Management Training for upper-level managers. Previously developed training units have met with high acceptance and have been judged by all participants to be extraordinarily valuable.

In the reporting year Sika spent overall some CHF 6.6 million (2008: CHF 9.6 million) for employee development. Included therein are specific training sessions organized on a decentralized basis in the Regions and countries as well as worldwide sales training.

**COMPENSATION POLICY //** Sika began in the year under review with the implementation of a worldwide, uniform compensation policy based on comprehensive functional evaluations and compensation analyses. This initiative ensures both the external marketability of the company as well as establishing internally as equitable a salary structure as possible. The analysis of ancillary benefits such as insurance protection and retirement provisions conducted in the previous year in various countries was concluded. The information gained was incorporated into an initial concept for worldwide protection of employees against the risks of accident and illness. The concept will be developed further in order to adequately accommodate location-specific circumstances.

Sika maintains a variable compensation model for members of Sika Senior Management. The variable portion of compensation is oriented toward relative parameters, for example in comparison of key figures with competitors, as well as parameters affecting liquidity such as cash flow or net working capital. This system thereby reflects the strategy of the company also in years that are affected by crisis. The variable portion is paid out in Sika shares as a percentage of compensation freely chosen to be as high as 40%. These shares, allocated at fair market value, are precluded from trading for a period of four years.

**PERSONNEL DEVELOPMENT //** 2009 was marked by the economic crisis. In many countries local Sika companies had to adapt their costs to market conditions that in some cases altered drastically. Often this could not be done without personnel reductions. Sika thereby extended supportive offerings to the affected employees wherever possible, such as occupational reorientation and in cases of particular hardship.

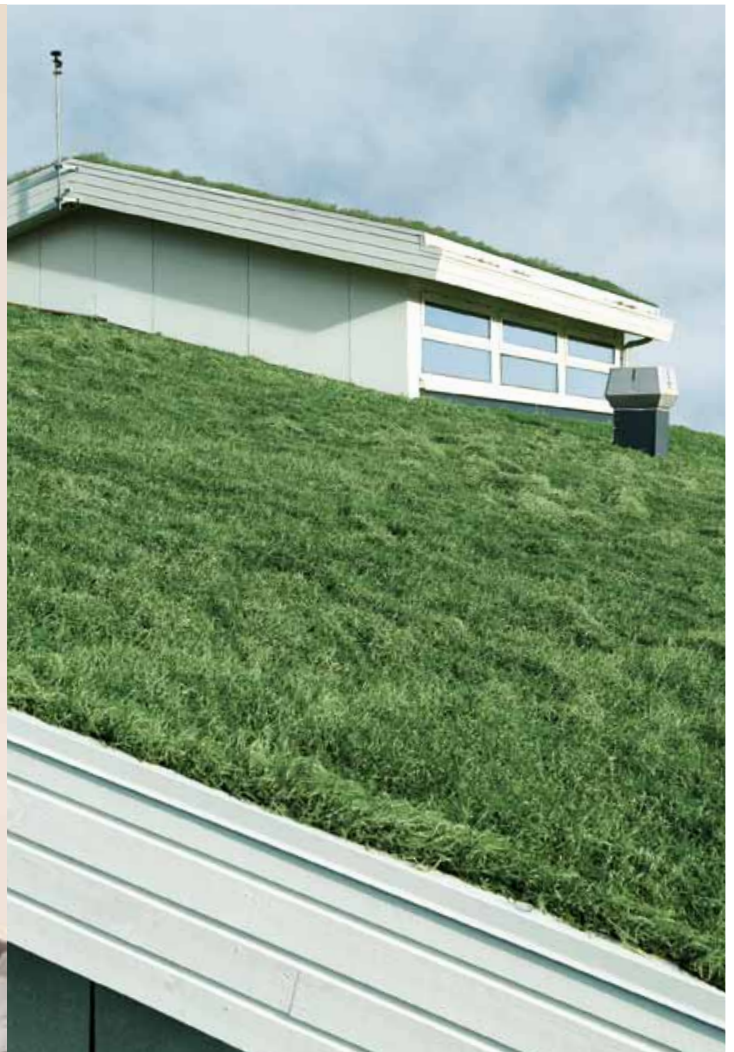
Worldwide the Group employed 12 369 persons (2008: 12 900) at the close of the year under review. Employees are distributed among the Regions as follows: Europe North 4 417 (2008: 4 741), Europe South 2 108 (2008: 1994), North America 1 163 (2008: 1 358), Latin America 1 561 (2008: 1 729), IMEA 892 (2008: 873), Asia/Pacific 2 228 (2008: 2 205).

Together all Sika employees generated in 2009 a net added value of CHF 1 298 million (2008: CHF 1 380 million). Relative to personnel expenses they produced a percentage net added value of 136% (2008: 144%). The achieved net added value per employee declined by some 8.0% from CHF 112 000 to CHF 103 000.



#### Number of employees by Region

Europe North	4 417 (35.7%)
Europe South	2 108 (17.0%)
North America	1 163 (9.4%)
Latin America	1 561 (12.6%)
IMEA	892 (7.2%)
Asia/Pacific	2 228 (18.1%)
<b>Total</b>	<b>12 369</b>



It had to be a green roof, because these have a long tradition on the Faroe Islands. But it had to conform to current guidelines and regulations, as well as fulfilling claims for modern quality and comfort.

The new green roof of the Kollefjord Svømmehall links traditional building design with the most modern materials and technologies. It absorbs sound and insulates outstandingly, defying the weather and maximizing the functional life of the roof.

**SJÚRDUR HOLM**, Owner Búsetur sp. l., Tórshavn, Faroe Islands, Denmark. Búsetur oversaw the roofing work on the Kollefjord Svømmehall.

**GREEN ROOF.** Whether a cold, warm or inverted roof: all types of construction are appropriate for erection of green roofs. The moist layer of earth has a warming effect in the winter and a cooling one in summer, damping sound at all times of year. It simultaneously protects the roofing membranes against strong winds and intensive solar radiation, maximizing the expected service life of the roof. Sika green roofs can be realized at an incline of up to 45°, and are undemanding in their maintenance requirements. At Kollefjord Svømmehall they mow the roof once per year.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

ASSETS

in CHF mn	2008	2009
<b>Current assets</b>		
Cash and cash equivalents	318.3	801.6
Securities	3.1	9.4
Accounts receivable	778.7	739.4
Inventories	512.7	451.4
Accrued income	74.5	60.9
Other current assets	56.5	30.4
<b>Total current assets</b>	<b>1 743.8</b>	<b>2 093.1</b>
<b>Non-current assets</b>		
Property, plant and equipment	832.9	861.7
Property	104.6	106.0
Plant	235.6	270.7
Plants under construction	122.3	60.2
Equipment	370.4	424.8
Financial assets	27.2	33.5
Investments in associated companies	19.6	24.0
Other financial assets	7.6	9.5
Intangible assets	524.9	562.0
Goodwill	253.8	279.3
Software	44.7	61.0
Trademarks	75.6	76.7
Customer relations	118.7	115.4
Other intangible assets	32.1	29.6
Deferred tax assets	62.6	69.2
Employee benefit assets	15.7	8.8
Other non-current assets	2.3	1.1
<b>Total non-current assets</b>	<b>1 465.6</b>	<b>1 536.3</b>
<b>Total assets</b>	<b>3 209.4</b>	<b>3 629.4</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

in CHF mn	2008	2009
<b>Liabilities</b>		
Current liabilities		
Bank loans	13.3	1.6
Non-current liabilities due in the next 12 months	0.1	0.3
Accounts payable	398.1	355.2
Taxes payable	40.1	38.2
Accrued expenses	197.4	211.8
Provisions	14.0	43.5
Other current liabilities	22.0	15.7
<b>Total current liabilities</b>	<b>685.0</b>	<b>666.3</b>
Non-current liabilities		
Bank loans and mortgages	0.2	0.6
Bonds	767.9	1 066.9
Other non-current liabilities	5.0	6.6
Provisions	93.1	103.1
Deferred tax liabilities	65.8	62.6
Employee benefit obligation	127.7	130.3
<b>Total non-current liabilities</b>	<b>1 059.7</b>	<b>1 370.1</b>
<b>Total liabilities</b>	<b>1 744.7</b>	<b>2 036.4</b>
<b>Shareholders' equity</b>		
Capital stock	22.9	22.9
Capital surplus	256.0	256.0
Treasury shares	-117.6	-106.3
Currency translation differences	-224.6	-224.2
Fluctuations in value of financial instruments	-4.9	-0.1
Retained earnings	1 530.3	1 640.0
<b>Equity attributable to Sika shareholders</b>	<b>1 462.1</b>	<b>1 588.3</b>
Minority interests	2.6	4.7
<b>Total shareholders' equity</b>	<b>1 464.7</b>	<b>1 593.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>3 209.4</b>	<b>3 629.4</b>

**CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31**

in CHF mn	%	2008	%	2009	Change in %
<b>Net sales</b>	<b>100.0</b>	<b>4 624.5</b>	<b>100.0</b>	<b>4 154.9</b>	<b>-10.2</b>
Other operating income	0.2	7.9	0.2	7.4	
Changes in inventory	0.2	9.4	-0.4	-16.2	
<b>Operating revenue</b>	<b>100.4</b>	<b>4 641.8</b>	<b>99.8</b>	<b>4 146.1</b>	<b>-10.7</b>
Material expenses	-48.7	-2 251.0	-44.5	-1 850.8	
<b>Gross result</b>	<b>51.7</b>	<b>2 390.8</b>	<b>55.2</b>	<b>2 295.3</b>	<b>-4.0</b>
Personnel expenses	-20.7	-957.8	-23.0	-954.3	
Other operating expenses	-19.0	-876.9	-19.3	-801.1	
<b>Operating profit before depreciation and restructuring</b>	<b>12.0</b>	<b>556.1</b>	<b>13.0</b>	<b>539.9</b>	<b>-2.9</b>
Depreciation	-2.2	-101.0	-2.5	-104.5	
Amortization	-0.6	-27.1	-0.8	-32.0	
Impairment	-0.1	-6.0	-0.1	-2.8	
<b>Operating profit before restructuring</b>	<b>9.1</b>	<b>422.0</b>	<b>9.6</b>	<b>400.6</b>	<b>-5.1</b>
Restructuring	0.0	0.0	-1.4	-56.6	
<b>Operating profit</b>	<b>9.1</b>	<b>422.0</b>	<b>8.3</b>	<b>344.0</b>	<b>-18.5</b>
Interest income	0.1	5.1	0.1	3.1	
Interest expenses	-0.6	-25.8	-0.7	-27.4	
Other financial income	0.1	3.2	0.0	0.9	
Other financial expenses	-0.8	-37.4	-0.2	-10.3	
Income from associated companies	0.1	6.2	0.1	5.3	
<b>Profit before taxes</b>	<b>8.1</b>	<b>373.3</b>	<b>7.6</b>	<b>315.6</b>	<b>-15.5</b>
Income taxes	-2.3	-105.9	-2.2	-89.9	
<b>Net profit</b>	<b>5.8</b>	<b>267.4</b>	<b>5.4</b>	<b>225.7</b>	<b>-15.6</b>
Profit attributable to Sika shareholders	5.8	266.7	5.4	225.9	
Profit attributable to minority interests	0.0	0.7	-0.0	-0.2	
<b>Earnings per bearer share (in CHF)</b>		<b>107.00</b>		<b>91.03</b>	<b>-15.0</b>

in CHF mn	%	2008	%	2009	Change in %
<b>Pro forma results before restructuring costs</b>					
Operating profit	9.1	422.0	9.6	400.6	-5.1
Profit before taxes	8.1	373.3	9.0	372.2	-0.3
Net profit	5.8	267.4	6.5	269.4	0.7



### CHANGES IN NET SALES

in CHF mn	2008	2009	Change compared to prior year (+ / - in %)		
			In Swiss francs	In local currencies	Currency impact
<b>By Region</b>					
Europe North	1 735.9	1 474.8	-15.0	-8.8	-6.2
Europe South	1 050.4	934.6	-11.0	-4.0	-7.0
North America	656.8	602.3	-8.3	-7.7	-0.6
Latin America	432.9	395.3	-8.7	8.0	-16.7
IMEA	257.7	263.6	2.3	11.2	-8.9
Asia/Pacific	482.8	472.6	-2.1	-0.1	-2.0
Central Services	8.0	11.7	46.3	46.3	-
<b>Consolidated net sales</b>	<b>4 624.5</b>	<b>4 154.9</b>	<b>-10.2</b>	<b>-3.9</b>	<b>-6.3</b>
Products for construction industry	3 699.6	3 381.7	-8.6	-2.0	-6.6
Products for industrial manufacturing	924.9	773.2	-16.4	-11.3	-5.1

### PERFORMANCE FIGURES

in CHF mn	2008				2009			
	Operating profit before restructuring	Depreciation / amortization	Impairment	Capital expenditures	Operating profit before restructuring	Depreciation/ amortization	Impairment excluding restructuring	Capital expenditures
Europe North	190.5	27.5	6.0	66.7	159.0	28.5	2.0	45.3
Europe South	144.8	15.0	0.0	21.4	136.4	19.2	0.2	16.8
North America	46.6	24.9	0.0	26.1	63.6	25.3	0.0	23.6
Latin America	59.0	6.3	0.0	25.6	56.7	6.2	0.0	7.7
IMEA	32.0	3.0	0.0	7.1	42.5	3.2	0.0	10.7
Asia/Pacific	31.6	11.6	0.0	19.5	54.3	12.6	0.6	10.8
Central Services	-82.5	39.8	0.0	63.9	-111.9	41.5	0.0	46.3
<b>Total</b>	<b>422.0</b>	<b>128.1</b>	<b>6.0</b>	<b>230.3</b>	<b>400.6</b>	<b>136.5</b>	<b>2.8</b>	<b>161.2</b>

**CONSOLIDATED INCOME STATEMENT 2005–2009**

in CHF mn	2005	2006	2007	2008	2009
<b>Net sales</b>	<b>2 917</b>	<b>3 896</b>	<b>4 573</b>	<b>4 625</b>	<b>4 155</b>
<b>Operating revenue</b>	<b>2 924</b>	<b>3 910</b>	<b>4 573</b>	<b>4 642</b>	<b>4 146</b>
Material expenses	1 298	1 809	2 137	2 251	1 851
<b>Gross result</b>	<b>1 626</b>	<b>2 101</b>	<b>2 436</b>	<b>2 391</b>	<b>2 295</b>
Personnel expenses	687	845	926	958	954
Other operating expenses	587	741	872	877	801
<b>Operating profit before depreciation and restructuring</b>	<b>352</b>	<b>515</b>	<b>638</b>	<b>556</b>	<b>540</b>
Depreciation / amortization / impairment	107	143	127	134	139
<b>Operating profit before restructuring</b>	<b>245</b>	<b>371</b>	<b>511</b>	<b>422</b>	<b>401</b>
Restructuring	0	0	0	0	57
<b>Operating profit</b>	<b>245</b>	<b>371</b>	<b>511</b>	<b>422</b>	<b>344</b>
Interest income / expense	5	18	22	21	24
Financial income / expense	6	19	9	28	4
<b>Net profit before taxes</b>	<b>234</b>	<b>334</b>	<b>480</b>	<b>373</b>	<b>316</b>
Income taxes	79	99	138	106	90
<b>Net profit</b>	<b>155</b>	<b>235</b>	<b>342</b>	<b>267</b>	<b>226</b>
Free cash flow	-249	146	183	90	313
Gross result as % of net sales	55.7	53.9	53.3	51.7	55.2
Operating profit (EBIT) as % of net sales	8.4	9.5	11.2	9.1	9.6
Consolidated net profit as % of net sales (ROS)	5.3	6.0	7.5	5.8	5.4
Consolidated net profit as % of shareholders' equity (ROE)	14.1	18.4	23.2	18.3	14.2

## **IMPRINT**

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### **CONCEPT, DESIGN AND REALIZATION**

Ramstein Ehinger Associates AG, Zurich

### **PRINTED BY**

Kalt-Zehnder-Druck AG, Zug

### **FOTOGRAFIE**

Marc Eggimann, Basel

### **ENGLISH TRANSLATION**

Language Refinery, Andrew DeBoo, Zug

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