NEEDS

ANNUAL REPORT 2008

SOLUTIONS

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.

BRIEF PORTRAIT.

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 72 countries and 12 900 employees link customers directly to Sika and ensure the success of all our partners. In the pursuit of value creation for all stakeholders Sika achieves annual sales of CHF 4.6 billion.

KEY FIGURES

SIKA GROUP

in CHF mn	2007	as % of net sales	2008	as % of net sales
Net sales	4 573.2		4 624.5	
Operating profit before depreciation (EBITDA)	637.8	13.9	556.1	12.0
Depreciation/Amortization/Impairment	-127.0	-2.8	-134.1	-2.9
Operating profit (EBIT)	510.8	11.2	422.0	9.1
Net profit after taxes	342.0	7.5	267.4	5.8
Earnings per share in CHF[1]	135.4		107.0	
Cash flow from operating activities	362.7	7.9	376.8	8.1
Free cash flow	182.7	4.0	89.5	1.9
Operating free cash flow	191.4	4.2	165.8	3.5
Balance sheet total	3 317.8		3 209.4	
Shareholders' equity	1 474.9		1 464.7	
Equity ratio in %[2]	44.5		45.6	
ROCE in %	26.0		20.3	
Number of employees	11 723		12 900	
Net sales per employee in CHF 1 000[3]	397		376	

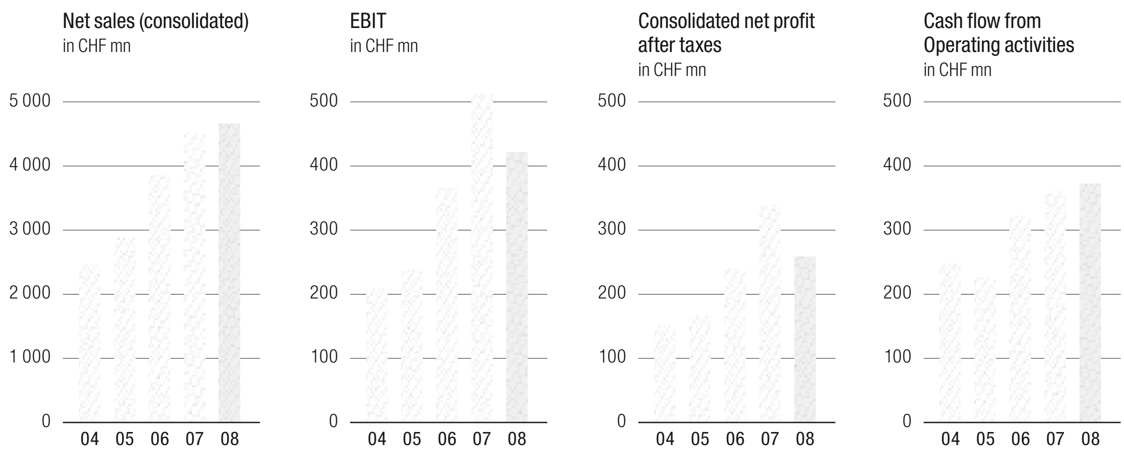
[1] excluding minority interests
[2] Shareholders' equity divided by balance sheet total
[3] calculated based on the annual average of number of employees

GROUP. RECORD SALES DESPITE ECONOMIC CRISIS AND CURRENCY EXCHANGE LOSSES. NET SALES: +1.1% TO CHF 4 625 MILLION.

CONSTRUCTION. GROWTH IN NEARLY ALL REGIONS AND MARKETS. NET SALES: +2.8% TO CHF 3 700 MILLION.

INDUSTRY. SLACKENING SALES IN THE AUTOMOTIVE INDUSTRY BURDEN THE RESULT. NET SALES: -5.0% TO CHF 925 MILLION.

OUTLOOK. LONG-TERM GROWTH OPPORTUNITIES REMAIN INTACT.



Net sales by region (consolidated)

Europe North	CHF 1 743.9 mn (37.7%)
Europe South	CHF 1 050.4 mn (22.7%)
North America	CHF 656.8 mn (14.2%)
Latin America	CHF 432.9 mn (9.4%)
IMEA	CHF 257.7 mn (5.6%)
Asia/Pacific	CHF 482.8 mn (10.4%)
Total	**CHF 4 624.5 mn**

Net sales by division (consolidated)

Construction	CHF 3 699.6 mn (80.0%)
Industry	CHF 924.9 mn (20.0%)
Total	**CHF 4 624.5 mn**

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NEEDS AND SOLUTIONS. The photographs in this Annual Report illustrate the solutions that Sika delivers in fulfilling the needs of customers, shareholders and society. Sika engages its entire know-how, from an enterprise history of nearly one hundred years, and the commitment of its employees, to improve these solutions ever further. Thereby today's requirements should be accommodated without risking that future generations should no longer be able to satisfy their own needs, because economic, ecological and social aspects converge in an ever more intimate interrelation.

Westside: a new landmark in Bern, the capital city of Switzerland, since the autumn of the reporting year. Designed by Daniel Libeskind, the building unites shopping and leisure, entertainment and consumption on a useful surface of some 81 000 square meters. Sika demonstrated its competence from the basement to the roof in the construction of Westside. The demands on system solutions were high, as relayed by Sika's customers on pages 13, 33, 49, 59 and 73.

SIKA ACCEPTS THE MARKET'S CHALLENGES. THE KEYS TO SUCCESS ARE: INNOVATIVE PRODUCTS, SUSTAINABLE PROCESSES AND COMMITTED EMPLOYEES.

Dr. Walter Grüebler, Chairman of the Board of Directors; Ernst Bärtschi, Chief Executive Officer

REPORT OF WALTER GRÜEBLER AND ERNST BÄRTSCHI

MARKET ENVIRONMENT AS CHALLENGE. The year 2008 will go down in history as the year in which global market conditions changed more quickly than ever before in the history of economics. What began as a financial crisis in real estate in the USA broadened during the course of the year under review to a comprehensive crisis of the real economy, and in the third and above all fourth quarter led to negative developments in most Sika markets.

The massive, short-term increases in raw material prices during the course of the second half of the year could either not be passed on to customers, or only in part. In addition, in a number of markets local currencies suffered substantial losses in value, for example in Great Britain, Australia and Korea, which eroded corresponding margins within a very short time.

PREPARED FOR THE FUTURE. The automotive industry incurred an especially harsh deterioration of conditions. In the first half of the year automotive manufacturers – except in the USA – were still able to raise the number of automobiles sold in comparison with the corresponding period of the previous year. In the third and foremost in the fourth quarter worldwide turnover plummeted. The sales of manufacturers of trucks, busses and yachts developed similarly with greater accentuation.

In the construction industry the picture did not become gloomy so rapidly. At first the slump was limited to the USA; in the third quarter Great Britain, Ireland, Spain and New Zealand followed, and in the course of the fourth quarter the recession gripped nearly all countries. So for example in Russia towards the end of the reporting period, various major construction projects were stopped, and the kickoff of planned construction projects was temporally postponed, possibly to be given up completely. Many countries, however, have announced economic stimulus programs, which across the board include extensive investments in infrastructure. Here Sika is well positioned to profit from such programs, above all in the refurbishment sector. From experience nevertheless, some time elapses between the approval and realization of such projects.

In response to the negative developments of the past months, we have reacted in accordance with the respective situation of individual factories and regional companies. So for example in Spain, where building and construction activity demonstrated clear weaknesses very early, we reduced costs and adapted ourselves to the new conditions. In the current business year we will proceed with this situation-appropriate reaction to country-specific changes. Included here among other things is the review of all planned investments and new hires.

FURTHER GROWTH. Overall Sika achieved growth of 7.3% in local currencies in the year under review, resulting from organic growth of 5.9% and growth through acquisitions of 1.4%. Most currencies lost considerable value opposite the Swiss franc during the course of the year; this had a negative effect of -6.2% on sales. Growth in Swiss francs thereby amounted to 1.1%. Sika lost in 2008 the enormous growth dynamic of recent years. We are gaining additional customers and increasing our customer penetration; nevertheless the overall business of most customers has fallen back considerably.

Earnings could not reach the record result of the previous year. Not only the lost growth dynamism, but above all the high exchange rate of the Swiss franc and the enormous, short-term price increases for raw materials, which could only be passed on to the market in small part, had a strong effect on the result. EBITDA dropped 12.8% to CHF 556.1 million, and net profit after taxes fell by 21.8% to CHF 267.4 million. This is nonetheless the second-best result in Sika's history.

A SOLID FINANCIAL POSITION. The balance sheet and the financing of our enterprise are solid. The net working capital in proportion to net sales could be reduced from 20.2% to 19.3% as a result of improved management of receivables and due to currency-related shifts in mix. New structures and processes along the supply chain led in contrast to a temporary increase in inventories. With a syndicated line of credit of CHF 450 million that is presently not being drawn on, together with own cash and cash equivalents, liquidity is on a sound level.

SUSTAINABLE DEVELOPMENT. In the year under review Sika identified various demands that the principle of sustainable development makes on our company. So for example the sustainable handling of water is a duty that Sika accepts to preserve this valuable resource also for future generations. Our concrete admixtures are making a contribution already today by substantially reducing water consumption in the manufacture of concrete (see page 42). Another example are grinding aids, with which cement producers are able to significantly lower energy consumption in their manufacturing process. For 2010 Sika is planning a detailed report of its achievements regarding sustainable development.

OUTLOOK. Due to the spreading economic crisis we reckon with losses in many of the markets that are relevant for us. The Construction Division feels the cooling demand with some delay, and on the other hand will also profit later from an economic recovery. Economic stimulus packages in infrastructure building and construction will help in part to compensate growth slumps in private sector construction. Sika will continue to exploit all available growth possibilities, and thereby make use of the greater readiness of customers to apply higher-value technologies that based on experience emerges above all in crisis situations, taking this opportunity to introduce new products and solutions to market. Further development of markets, raw material prices and exchange rates remain highly uncertain, so that presently no exact forecast of sales and profit are possible. We proceed from a persistent recession scenario, which allows anticipation of clear growth signals at the earliest in 2010.

We will employ the current business year to increase the efficiency of our production facilities and our global supply chain still further. In addition, with regard to the manufacturing of our products we will review and optimize the allocation of individual facilities and factories.

We remain furthermore convinced that on mid-term annual average we can achieve organic growth between eight and ten percent. We have developed this potential systematically during the last few years. Thus foremost in building and construction, the markets for nearly all the technologies that we offer are still largely fragmented, and the consolidation process that we can accompany as a globally established company has only just begun. Our keys to success continue to be innovation, progression of market penetration and convincing solutions adapted to customer needs. Above all comprehensive, total solutions for key customers who are active worldwide, and for major key projects will thereby become ever more critical.

We will continue to pursue our acquisition strategy of securing new technologies that reinforce or complement core business, and the acquisition of market share in North America, India, the Middle East and East Asia. The present economic situation has significantly improved the changes for successful acquisitions that represent value for money.

PROPOSALS OF THE BOARD OF DIRECTORS. The Board of Directors proposes to the Annual General Meeting the payment of a gross dividend of CHF 45.00 (previous year: CHF 45.00) per bearer share, and respectively of CHF 7.50 (CHF 7.50) per registered share. The payout sum thereby amounts to CHF 111.5 million, representing roughly 42% (33%) of consolidated net profit. Sika thus continues its long-time dividend policy.

The Annual General Meeting is requested to elect Dr. Paul Hälg, President of Group Management, Dätwyler AG, to the Board of Directors. Dr. Toni Rusch, who has declined reelection, receives our thanks for his commitment in particular as Chairman of the Audit Committee. Board Members Daniel Sauter, Prof. Dr. Ulrich Suter and Fritz Studer stand for reelection.

We once again extend our thanks to our customers, suppliers, shareholders and our employees, who have also all demonstrated as times become more difficult what partnership is worth and what committed dedication can accomplish.

Sincerely,

Dr. Walter Grüebler	Ernst Bärtschi
Chairman of the Board	Chief Executive Officer

STOCK PRICE DEVELOPMENT

SLIGHT RECOVERY AT YEAR-END

Despite good results, Sika shares in 2008 stood continually under selling pressure as a result of the worldwide financial and economic crisis. A slight recovery set in only at the end of the year. The numerous governmental investment programs in many countries that anticipate comprehensive infrastructure projects were one possible reason. These projects provide Sika with sales opportunities.

STOCK PRICE DEVELOPMENT. From January 1 to December 31, 2008, the Sika stock price fell by 58%, from CHF 2 136 to CHF 900. The shares reached the year's high right on the first trading day of the year, whereafter as a result of the financial crisis, which affected the real economy more and more, the shares experienced the strongest decline in prices in their history. The stock reached its 52-week low on December 1, 2008, with a closing price of CHF 788.

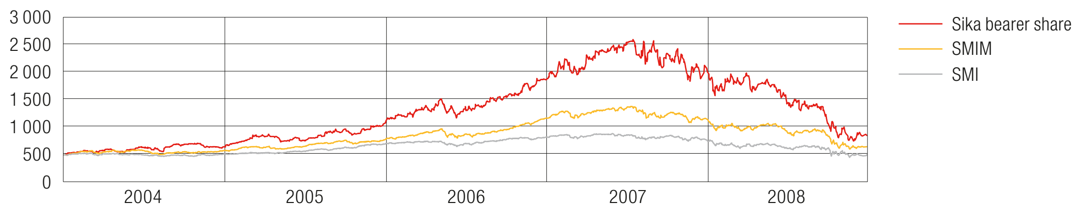
The sales figures for the business year 2007 that the Group published on January 10, 2008, lay above the expectations of analysts. Sales increased by 17.4% to just under CHF 4.6 billion. Organic growth contributed 13.3%, acquisitions 1.6%, and 2.5% of overall growth were attributed to beneficial currency effects. At the end of February 2008 Sika could publish the best figures in the history of the enterprise. The Group had profited in 2007 from the worldwide booming building and construction industry. The operative result rose by 38.2%. The Construction and Industry Divisions each contributed in roughly equal measure. Consolidated net profit grew by 47.6% to a record high of CHF 346.1 million. Net debt dropped to CHF 352 million, or just below 24% of shareholders' equity.

Following a first clear slump in the stock price in January, shares were traded again through April at significantly higher prices. Due to disadvantageous exchange rates opposite the dollar and the euro, a negative currency effect of -4.5% appeared in the first quarter of 2008 which set sales growth in Swiss francs back to 3.2%. Following announcement of quarterly results the stock price fell by 11.8%. From this point forward Sika shares, as many other industrial stocks, stood under strong selling pressure.

During the first half year of the period under review, the cooling of business in some southern European countries and in the USA became more marked. This notwithstanding, Sika achieved organic growth in this period of 8.9%. Combined with a negative currency effect of -5.9%, sales in Swiss francs grew by 3.6% to CHF 2.3 billion. In comparison with the period of the previous year income stagnated due to higher costs that resulted from the strong growth of the previous years and preparatory efforts made for the future. The stock market reacted with further share price losses.

In November Sika published the result for the first nine months of the business year, surprising the financial markets with organic growth of 8.4%, to which all Regions contributed. In Swiss francs the Group increased sales by 3.7% to CHF 3.5 billion. Higher raw material prices, however, burdened the result. In comparison with the record of the previous year period, consolidated net profit dropped by 4.8% to CHF 258.3 million.

Performance of Sika bearer shares in Swiss francs from January 1, 2004, to December 31, 2008
Share price as of December 31, 2008: CHF 900.00



After Sika shares stood under heavy selling pressure from May to October, losing half of their value, a slight recovery set in towards the end of the year. In many countries major infrastructure projects are being planned as a consequence of governmental investment programs; these projects provide Sika with considerable sales opportunities. On the other hand, Sika was under pressure as a supplier to the automotive industry.

PER SHARE DATA

		2004	2005	2006	2007	2008
Bearer shares[1, 2]: Nominal value CHF 9.00						
Number of shares as of December 31		2 151 199	2 151 199	2 151 199	2 151 199	2 151 199
of which entitled to dividend		2 149 766	2 149 202	2 149 205	2 117 179	2 089 691
of which entitled to vote		2 149 766	2 149 202	2 149 205	2 117 179	2 089 691
Gross dividend or repayment of nominal value, resp.	CHF	16.80	19.20	31.20	45.00	45.00[3]
Stock quotations						
high	CHF	750	1 090	1 900	2 595	2 082
low	CHF	540	683	1 108	1 850	788
year-end	CHF	682	1 090	1 890	2 136	900
Stock price performance	%	27.7	59.8	73.4	13.0	-58.0
Average daily trading volume[4]	Shares	5 034	5 827	4 757	8 870	8 871
Registered shares[5, 6]: Nominal value CHF 1.50						
Number of shares as of December 31		2 333 874	2 333 874	2 333 874	2 333 874	2 333 874
of which entitled to dividend		2 333 874	2 333 874	2 333 874	2 333 874	2 333 874
of which entitled to vote		2 333 874	2 333 874	2 333 874	2 333 874	2 333 874
Gross dividend or repayment of nominal value, resp.	CHF	2.80	3.20	5.20	7.50	7.50[3]
Key data per bearer share[7]						
Consolidated net profit per share (EPS)[8, 9]						
basic EPS	CHF	47.8	60.1	91.4	135.4	107.0
diluted EPS	CHF	47.8	60.1	91.4	135.4	107.0
EPS development	%	27.6	25.8	52.0	50.0	-22.0
Cash flow per share[9]	CHF	91.4	104.3	152.5	196.7	152.4
Equity per share[9]	CHF	369	428	498	584	587
Price-earnings ratio (P/E), year-end[9]		14.4	18.1	20.7	15.8	8.4
Dividend/repayment of nominal value yield	%	2.5	1.8	1.7	2.1	5.0[3]
Other information						
Market capitalization[10]	CHF mn	1 732	2 769	4 801	5 426	2 286
in % of equity	%	185	255	380	369	156
Total dividend /repayment of nominal value amount[7]	CHF mn	42.7	48.8	79.3	111.5	111.5[3]
in % of consolidated net profit (payout ratio)	%	35	32	34	33	42

1 registration no. 58797/Reuters: SIK.S, Bloomberg: SIK SW
2 of which, in 2008, Sika owned 61 508 (34 020) bearer shares not entitled to dividend or voting rights.
3 pursuant to proposal to Annual General Meeting
4 average daily volume traded on SIX Swiss Exchange (Source: SIX Swiss Exchange, Zurich)
5 The registered shares of Sika AG were delisted from the SIX Swiss Exchange on September 4, 2003.
6 of which, in 2008, Sika AG owned no (0) registered shares
7 excluding minority interests
8 for EPS calculation, see note 29
9 previous year figures adjusted due to application of IFRIC 14 (note 11)
10 The registered shares were delisted from the Swiss stock exchange in 2003. In our calculation these are taken into account with 1/6 of the bearer share price of December 31, 2008.

WHEN YOU CONSTRUCT A TUNNEL YOU ENTER NEW GROUND – IN THE TRUEST SENSE OF THE WORD. SINCE NO GROUND IS LIKE ANY OTHER, THE SECURING, REINFORCING AND SEALING OF TUNNEL WALLS MUST ALWAYS BE ADAPTED TO NEW AND SOMETIMES SURPRISING CONDITIONS.

NEEDS

SOLUTIONS

IN 1910 THE FIRST WATERPROOF MORTAR, AND SHORTLY THEREAFTER THE FIRST PATENT FOR SHOTCRETE – WITH ITS CONCRETE ADMIXTURES AND SEALING SYSTEMS, SIKA CONTINUALLY ACHIEVES PIONEERING ACCOMPLISHMENTS, AND IS THEREFORE DEEPLY EMBEDDED IN MODERN TUNNEL CONSTRUCTION.

MARKET LEADERSHIP IS THE TARGET. THE STRATEGY: CUSTOMER FOCUS, INNOVATIVE PRODUCTS AND WORLDWIDE PRESENCE.

TO MARKET LEADERSHIP WITH THE RIGHT STRATEGY

The Sika brand stands for innovative products, quality and service in the areas of construction and industry. In order to reach market leadership or a strong second place in all target markets, Sika consistently leverages market potential.

VISION. In its clearly defined target markets of construction and industry, Sika strives for technology and cost leadership in process materials for sealing, bonding, damping, reinforcing and protecting load-bearing structures. The company aims to achieve the position of market leader or a strong second in all target markets.

MARKET POTENTIAL AND STRATEGY. Sika has tapped significant worldwide potential for organic growth that the company exploits in diverse ways. The markets for nearly all technologies that the company provides are still largely fragmented. In addition, in some customer groups a consolidation process has started that Sika can actively accompany as a globally established enterprise.

The keys to Sika's sustainable success under these market conditions are better market penetration, enhancement of the maturity of applied technologies above all in emerging markets, innovation and convincing solutions that are adapted to customer needs. First and foremost, comprehensive package solutions for globally active key customers and for major key projects are important success factors in the increasing globalization within the construction industry.

Sika pays particular attention to emerging markets – foremost Eastern Europe, the BRIC countries Brazil, Russia, India and China, as well as the Middle East. Market growth there is indeed large, and in individual countries up to 30% of world production for various construction chemicals is consumed, such as concrete admixtures in China. The maturity of applied technologies in these markets is often, however, still below the standard in Western countries. Being able to take part in market development compels on one hand high investments in the education of employees and customers, and on the other exceedingly cost-effective solutions. Sika faces these challenges with the goal of achieving market leadership also in these markets in the long term.

THE SIKA BRAND. Brands show much more than just the company from which a product originates. Products first become distinguishable through the brand, and the brand lends a product an associated value perception. Enterprise founder Kaspar Winkler knew this; he not only invented the Sika name, but also created the logo. It is thanks to the founder's foresight that the Sika brand has been able to develop to where it stands today. The logo, which has hardly changed since its creation and thereby embodies continuity and solidity, is recognized the world over as a sign of quality, innovation and service.

The word-image brand is almost as old as the company itself, and has proven itself in the expansion of the Sika Group throughout the world that has continued for decades. Both the word "Sika" and the logo with its red and yellow colors are applicable in all cultural circles in which Sika is active.

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 in 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 614 additional Sika trademarks such as Sikaflex®, Sika® ViscoCrete® or SikaBond® create essential market advantages for the company. Accordingly, trademark protection is an important management responsibility, administered globally at the Group level as well as locally at the country level. In total, Sika held over 13 039 trademark registrations in 163 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 AND SPONSORING. 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 profit from this quality advantage.

In sponsoring the Swiss bobsled, luge and skeleton federation, SBSV, the Sika logo is represented internationally by the Swiss national bobsled team and appears also with Gregor Stähli in the discipline skeleton. In addition, some country subsidiaries have their own trademark ambassadors, for example in motorcycle racing, cross-country skiing, ice hockey or soccer.

ANTON GÄUMANN, CEO, Neue Brünnen AG/Westside, Bern.
Anton Gäumann underwrote Westside as overall project leader.
Neue Brünnen AG is the owner of Westside.

IT WAS CLEAR TO ME FROM THE START: TO BRING A PROJECT LIKE THE LEISURE AND SHOPPING CENTER WESTSIDE IN ON TARGET, ONE NEEDS RELIABLE PARTNERS AND PRODUCTS THAT ARE OPTIMALLY ADAPTED TO EACH OTHER – PREFERABLY FROM A SINGLE SOURCE.

SEALING, BONDING, DAMPING, REINFORCING AND PROTECTING – WITH INNOVATIVE, HIGH-QUALITY SOLUTIONS "FROM THE BASEMENT TO THE ROOF," SIKA IS A COMPETENT PARTNER IN EVERY PHASE OF THE BUILDING PROCESS.

SIKA AT WESTSIDE. At Westside concrete admixtures, sealing strips and roofing membranes from Sika guarantee a watertight building envelope, corrosion and fire protection coatings protect the structural steel, protective coatings on the parking deck maximize the service life of the screeding, while jointless wall and flooring coatings in the waterpark area fulfill alongside functional demands also aesthetic ones as well. The Westside example shows: Sika is a leading building and construction industry partner.

STRUCTURES TAILORED TO SERVE THE CUSTOMER

At all levels of management, Sika focuses on four customer groups, whose differing needs are fulfilled worldwide, regionally and locally through precise action.

CUSTOMER FOCUS. Sika's growth strategy focuses on four customer groups that have strongly differing needs. Whether in the area of organization or sales, the focus on these four groups is a recurrent theme throughout the entire company.

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.

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 advises building owners, architects, engineering firms and other participants in a building project as early as possible with the corresponding know-how. The key to success lies in advising all participants professionally.

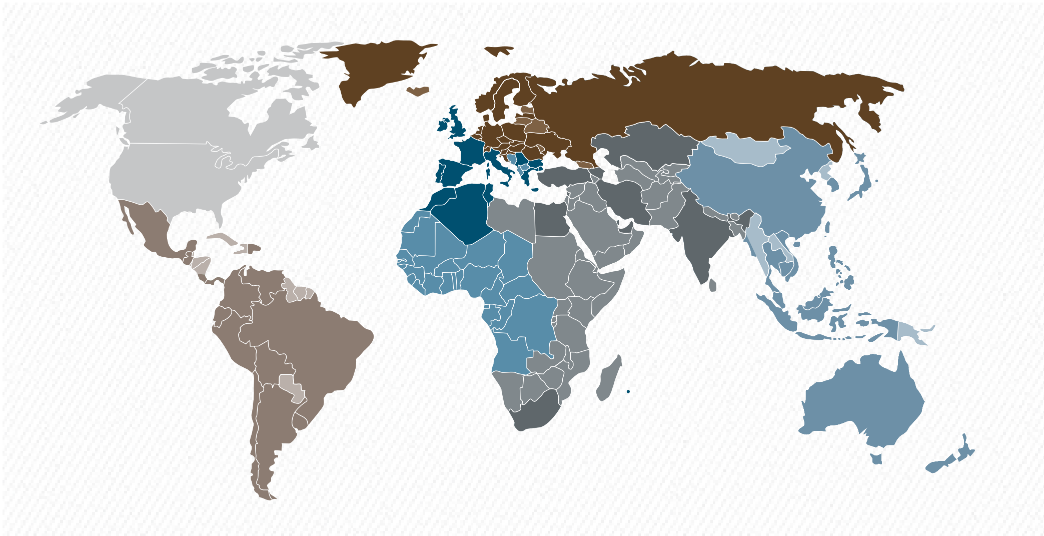
Distributors ("Distribution") supply primarily generalists such as craftspeople or building contractors, but also specialist processors. They advise them and ensure short-term supply availability. In this area also, indirect knowledge transfer is a central topic. Beyond this the professional outfitting of sales shelves is also important.

Industrial customers ("Industry") usually need large quantities of Sika products that are specially adapted to their requirements – particularly in the areas of bonding, sealing, reinforcing, protecting and noise damping. Here Sika offers technologies, with emphasis in motor vehicle construction including busses, trucks and railcars, but also in related applications such as fenestration or the building of wind turbines.

WORLDWIDE MARKET PRESENCE. Since its founding in 1910, Sika has grown continuously. Already in 1932 the first Sika subsidiary outside Europe opened its gates in Japan. The Group was divided into regions early, so that the subsidiaries could exploit synergies and found additional companies. These Regions, of which there are now six in all, have only been led by regional managers since 1993. Previously the general managers of large subsidiaries were responsible for the regions or parts thereof.

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, together with South and East Africa as well as India, were consolidated into a new Region: IMEA. The acronym IMEA stands for India, Middle East and Africa. This segmentation proved an important step for the growth of the Group. Since its founding, the Region IMEA has been one of Sika's growth engines. In the year under review it grew 30.0% (previous year: 34.7%) in local currencies.

Worldwide market presence



North America		**Europe North**		**IMEA**	
Sales in CHF mn	657	Sales in CHF mn	1 744	Sales in CHF mn	258
– Construction	497	– Construction	1 315	– Construction	220
– Industry	160	– Industry	429	– Industry	38
Latin America		**Europe South**		**Asia/Pacific**	
Sales in CHF mn	433	Sales in CHF mn	1 050	Sales in CHF mn	483
– Construction	373	– Construction	904	– Construction	391
– Industry	60	– Industry	146	– Industry	92

Countries with Sika subsidiary

Countries with sales representative

KEYS FOR FURTHER GROWTH

Innovations form a crucial driver in Sika's growth strategy. In 2008 34% of sales stemmed from products that have been on the market a maximum of five years. The basis of this success is laid by professional R&D management, efficient development processes and the targeted orientation of research and development towards the demands of the market.

INNOVATIONS AND GROWTH. Innovations are significant elements in enterprise growth strategy. They contribute essentially to the target of achieving mid-term organic growth of eight to ten percent on annual average. Correspondingly significant in the enterprise is research and development, R&D. The R&D strategy that Sika has pursued for some years is highly successful; this is reflected in numerous patents, many new products and a high rate of innovation. In the year under review Sika generated 34% of sales (2007: 34%) with products that have been on the market a maximum of five years.

The driving forces in research and development are on one hand global trends, such as the desire for constantly more efficient methods of construction, the demand for energy-saving construction materials or the necessity to save weight in vehicle manufacturing. On the other hand, due to differing local construction industry specifications, considerable product adaptations to respective requirements are necessary.

R&D STRATEGY. The company R&D strategy includes centralized and decentralized components that are logically enmeshed. Centrally organized research handles long-term research programs, provides analytical services and establishes R&D management for the entire Sika Group. These responsibilities are consolidated in the subsidiary Sika Technology AG. The long-term research programs are aligned with the core competencies of the company (see inside of front cover) and focus on solutions for sealing, bonding, damping, reinforcing and protecting load-bearing structures in construction and manufacturing industries.

The objectives of research and development endeavors are manifold. Decisively improving existing products or opening new fields of application for them can thereby stand as much in focus as the search for new raw materials for entire product families. So-called Corporate Expert Teams play a crucial role in the assessment and execution of research and development projects. Depending on the technology, these teams comprise representatives of various regional departments, from marketing to fabrication and logistics to purchasing. The teams ensure that all relevant aspects of a project are given consideration.

The second component in the R&D strategy is the adaptation of products, solutions and applications to regional or customer-specific requirements. Eleven technology centers in America, Europe and Asia assume this task in close collaboration with regional, customer-oriented support centers. The support centers in the country subsidiaries can quickly adjust for example concrete admixtures to local climatic conditions or locally obtainable aggregates such as gravel or sand. These centers are in addition responsible for finding appropriate regional or local raw materials to facilitate cost-optimized manufacturing of products on site.

BASIC RESEARCH. Sika allocates limited capacity for basic, fundamental research. The company, however, collaborates 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. In addition, Sika attempts to counteract the shortage of engineers and chemists prevailing in some countries with sizable engagement, thereby bringing the company closer to suitable candidates for employment.

As in previous years Sika participated in various international projects and was active among other organizations in 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. Sika Technology AG actively took part in different 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).
- MUST: project partners are collaborating on chromium-free corrosion protection for steel and light alloys (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).

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

R&D MANAGEMENT. Expenditures for research and development in the Group amounted to CHF 74.1 million (2007: CHF 65.2 million) in the year under review or 1.6% of sales (2007: 1.4%). The R&D budget was apportioned in accordance with strategic priorities. Thus as in previous years roughly three-fourths of the budget were invested in product development and maintenance.

The Sika Group's R&D organization is adapted to enterprise strategy and focuses on research in technology platforms and strategically critical R&D projects. The product development process is uniform worldwide in order to enter the market with patented products as quickly as possible. Sika wants not only to be swift, but also especially efficient, striving therefore in addition for 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 and thereby to simplify processes and lower costs in marketing, production and distribution.

PRODUCT DEVELOPMENT AND MARKET INTRODUCTION PROCESS. On the way from an inspirational idea to market introduction, new developments traverse a clearly defined, seven-stage Product Creation Process (PCP), and must thereby repeatedly fulfill very stringent internal and external standards for cost-effectiveness and environmental, health and safety protection. The PCP has the objectives of reducing risks, minimizing costs, shortening time-to-market (TTM) and continuously improving product quality.

Due to the great significance of the PCP for Sika AG's innovation capability, responsible employees in subsidiaries worldwide are regularly schooled in the application of the process. In addition, an interactive training program is available for all Sika employees; this is actively used and thus sensitizes all participants for Sika's high standards.

The regional technology support centers are responsible for observance of the PCP in their Region, and review the quality of processes regularly with the help of PCP audits. It is thereby ensured 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 collected and leveraged for the Group.

PATENTS. Sika filed for 70 patents in 2008 (2007: 60). The number of invention disclosures amounted to 84 in the year under review (2007: 90). As in the previous year both divisions introduced numerous new, promising products into the market.

TARGETED OPENING OF NEW MARKET OPPORTUNITIES

Sika safeguards its growth strength worldwide with carefully weighed investments in capacity expansion and in the efficiency of installations. The Group targets acquisitions with the goal of securing new technologies that are complementary to core business or to close geographic gaps.

ACQUISITION STRATEGY. Organic growth stands at the center of enterprise strategy at Sika. The acquisition strategy derived from this consequently targets above all the purchase of new technologies that strengthen or complement core business. Sika often finds technologies such as these in small enterprises in Europe, the USA and in some Asian countries. These companies are usually not in a position to market their technologies worldwide, and place this task in the hands of the globally operating Sika, which can leverage the entire potential of these technologies.

If geographic gaps of strategic significance require closure or if fragmented markets require consolidation, then acquisition of market share can also be attractive for Sika. The company has continually bettered its position in recent years through such acquisitions foremost in North America and in Asia.

In general the investment volume lies in the range of CHF 5 million to CHF 50 million per acquisition. Sika has not strictly defined key financial figures for assessment of an acquisition offer, such as a ratio to operating profit or sales. Since acquired companies are as a rule integrated entirely into Sika, great value is placed on an integration process that proceeds as smoothly as possible. Sika therefore devotes particular attention to enterprise culture prior to an acquisition.

ACQUISITIONS 2008. In January 2008 Sika purchased the business of the German Tricosal GmbH & Co. KG in Illertissen. Tricosal is one of the leading enterprises in the area of sealing and waterproofing of buildings and civil engineering structures in Germany. The production and distribution activities of Tricosal BBZ AG in Hauptwil in Switzerland were also acquired. With this purchase Sika expanded its product palette and know-how for the sealing of structures, and with Tricosal's area-wide distribution encompassing four branch offices as well as on-site services, has strengthened its project business in the German market. Along with sealing and waterproofing activities, Sika also took over the product area plaster.

Likewise in January, Sika took over the business for polymer-based industrial flooring of The Valspar Corporation in the USA. With this acquisition the company fortified its position in the flooring systems sector. The flooring business purchased includes a broad product portfolio based on epoxy and polyurethane technologies. This fits very well with Sika's growth strategy in North America, where our position in the flooring market was weak in the past. Three months later Sika added another respected player to its portfolio in the business field of industrial flooring in the USA: the ICS Garland, Inc. business for polymer-based commercial and industrial flooring. This business also comprises products based on epoxy and polyurethane. The purchase also brings ESD technologies (electrostatic sensitive devices) with it. The established product palettes of both acquired businesses and their networks of employees, specialist processors and retailers have sustainably improved Sika's position.

The partnership established between Sika and the Sichuan Keshuai Additive Co., Ltd. in June 2008 was primarily motivated by expansion of our market position. Keshuai Additive is a leading provider of concrete admixtures for the dynamically expanding Western Chinese markets. The company's largest production facilities are located near Chengdu in the western province of Sichuan. Sika purchased a majority participation of 80% in the company. Sichuan Keshuai Additive Co., Ltd. enjoys a good reputation in view of its products, technology and personnel. In Western China the company has access to a far-reaching sales and distribution network. This collaboration makes it possible for the two parties to supply the construction industry in this dynamic region with technologies and a broad palette of locally manufactured, first-class products.

Both aspects of Sika's acquisition strategy were given consideration in the purchase of Cappar Ltd., located in Ontario, Canada. On one hand Sika expanded its presence in Canada in the areas of polymer flooring, sealing and waterproofing, and coatings. On the other Sika bolstered its technological basis in specialist applications for epoxy resins, for example for structural repair of breaks, for sealing and for composite materials of concrete and polymers. Since its founding in 1974, Cappar has consistently extended its business with injection and sealing systems as well as coatings. From the very start the company was known for its innovative solutions in the area of construction chemicals, and its broad product palette for renovation and structural protection.

Sika took over Pelplast Utvecklings AB with headquarters in Vadstena, Sweden, under these same aspects. This acquisition strengthened Sika's lineup of offerings in the area of specialized epoxy resins for floor covering systems, and enlarged its market position for industrial flooring. The integration of Pelplast's flooring technologies and products enabled Sika to serve a wider spectrum of customers, particularly in the area of industrial flooring in Northern Europe, but also worldwide. Furthermore, an existing network of application specialists and customers opens itself to Sika. Pelplast is known for its innovative capabilities and the broad range of specialized, resin-based products for flooring with high aesthetic requirements.

In January of the current business year, Sika purchased the English Iotech Group Limited with subsidiaries in Great Britain, the USA and Belgium. Iotech is specialized in the formulation, production and distribution of polyurethane liquid membranes and their precursor products. Liquid membranes are employed worldwide in the market segments roofing and waterproofing, and are used here mainly for renovation of small to mid-sized roofs. This market is highly profitable and largely resistant to crises. This acquisition allows Sika to extend its own technology base and market know-how significantly, and with Iotech's renowned research and development organization to develop a technology center for liquid membranes.

INVESTMENTS 2008. Due to continuously growing demand for the products Sika® ViscoCrete® and Sikaflex®, as well as for roofing and flooring systems, Sika's production plants have operated in recent years near full capacity. Sika routinely needed additional production capacity, since in existing plants only limited optimization potential was available for boosting production. Consequently the company invested year-on-year more in property, plant and equipment. Investments flowed on one hand into new facilities, and on the other into extension or modernization of existing production plants. In the last quarter of the year under review, demand pressure eased for the first time in a considerable period, which led to a review of outstanding investment projects. The investment volume during the reporting period therefore remained slightly below planned values. This demonstrates that Sika is in a position to adapt investments quickly to changing market conditions.

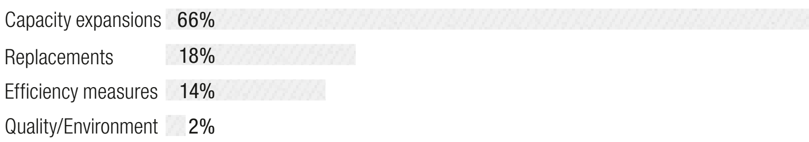
The new production facility for Sikaflex® in Düdingen, Switzerland, is the largest single investment in the history of the company. Start of construction was 2006. In the year under review the plant was brought on line, and made its first deliveries to customers in the second half of the year. The entire investment volume for this facility amounted to CHF 100 million. Production capacity for Sikaflex® in Europe has thereby doubled, and at the same time a new, markedly more profitable production technique based on a highly automated process has been installed. With the new capacity, large-volume products primarily for motor vehicle, façade and fenestration manufacturing can be produced.

The new Sika Research and Development Center in Zurich, Switzerland, could also be opened in the reporting year. Some 180 employees from the area of research and development find their place in the new building. The investment of roughly CHF 40 million in structural expansion in the area of innovation is fundamental for growth and success in the coming years.

The enlargement of capacity for roofing membranes was also completed during the year under review in Düdingen, Switzerland. In total Sika invested approximately CHF 30 million in this project for a new production line.

During the reporting year a number of additional facilities commenced operation. Among them were production units for high-viscosity polyurethane adhesives in the USA and in Japan, a facility for concrete additives in China and two installations for Sika® ViscoCrete® in Belgium and Germany.

2008 Investments



INVESTMENT VOLUME. In the year under review investments in property, plant and equipment increased from CHF 179 million to CHF 224 million, which corresponds to 4.8% of net sales. The focus of investment lay, as in the previous year, in the worldwide expansion of production of Sikaflex® and Sika® ViscoCrete®, since these product groups show the greatest growth potential.

The proportion of investments in capacity expansion remained steady at 66%. The remaining investments were divided as follows: 14% (2007: 10%) were employed for rationalizations, 18% (2007: 22%) were necessary for the replacement of existing facilities and 2% (2007: 2%) flowed into the areas of Quality and Environment.

FUTURE INVESTMENTS. In view of the altered economic circumstances in many parts of the world, all investment plans will be reviewed and continually adapted to new conditions. Investments will be concentrated in those regions in which new markets are being developed. Among these belong Eastern Europe, China, the USA, India and the Middle East.

SOME 80 000 HIGHWAY BRIDGES IN THE USA ALONE WILL NEED RENOVATION IN THE COMING YEARS. THE REASONS FOR THIS ARE INCREASED LOADS, TIGHTENED SAFETY REGULATIONS AND SYMPTOMS OF OLD AGE.

NEEDS

SOLUTIONS

RENEW INSTEAD OF TEAR DOWN AND REBUILD. SIKA'S HIGH-STRENGTH COMPOSITE MATERIALS REINFORCE CONCRETE, STEEL, MASONRY AND WOODEN STRUCTURES EFFICIENTLY AND DURABLY. THAT SAVES TIME, MONEY AND RESOURCES.

SIKA IS EQUIPPED FOR GROWTH – WHETHER WITH A NEW, CUSTOMER-ORIENTED ORGANIZATIONAL STRUCTURE OR EMPLOYEES TARGETED FOR DEVELOPMENT.

CUSTOMER FOCUS IS THE RECURRING THEME

Sika's new process-oriented organizational structure extends through all levels of the company and thereby reflects an integrated focus on four target customer groups. Simultaneously the decentralized target and profit responsibility mirrors the international orientation of the Group, thus promising further profit improvements.

PROCESS-ORIENTED ORGANIZATIONAL STRUCTURE. Sika has completely converted its internal organization from a functional structure to a process structure oriented towards target customers. Employee focus on the four customer groups wends like a recurring theme through the entire company: four managers work in Group Management, each responsible for one customer group, with similar cascades in regional management teams and local companies. They are responsible for the definition and introduction of new products, for the implementation of best demonstrated practices – the best solutions available in the Group – as well as for assortment and pricing policy for Group products, meaning for products that are not country specific, but rather are provided worldwide.

The lines of responsibility, and thereby those for profit, lie with the regional managers and the country heads, who hold the overall Sika strategy in view. It is their task to determine the growth and sustainability targets as well as the resource allocations, in order to achieve the expected profit improvements. In this manner an optimally adapted management and highly motivated employees ensure that sales can grow more strongly than the investments necessary for that growth, so guaranteeing its sustainability.

Yet to be concluded is the reorganization of factory structures and logistics. To ensure effects of scale and expeditious service to markets, new processes in manufacturing and logistics will be introduced regionally in the coming years. The Regional Distribution Centers are one example, which will guarantee a swifter and more efficient supply of markets while binding less capital. The first of these centers began operation during the period under review and supplies European customers with polyurethane adhesives from Frankfurt, Germany.

ORGANIZATIONAL DIAGRAM.

BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER
Ernst Bärtschi

- CONSTRUCTION
  - CONTRACTORS, Alexander Bleibler
  - DISTRIBUTION, Christoph Ganz
  - CONCRETE, Ernesto Schümperli
- INDUSTRY
  - Bruno Fritsche
- RESEARCH AND DEVELOPMENT
  - Urs Mäder
- FINANCE
  - Ronald Trächsel
- OPERATIONS
  - Peter Krebser
- EUROPE NORTH
  - Silvio Ponti
- EUROPE SOUTH
  - Hubert Perrin de Brichambaut
- IMEA
  - Iven Chadwick
- NORTH AMERICA
  - Paul Schuler
- LATIN AMERICA
  - Fernando Rudolph, till 12/31/08
  - José Luis Vázquez, from 1/1/09
- ASIA/PACIFIC
  - Jan Jenisch

CHANGES IN GROUP MANAGEMENT. The previous manager of Region Latin America, Fernando Rudolph, retired at the end of the reporting year. José Luis Vázquez, formerly responsible for the Region Europe South, took up succession as of January 1, 2009.

At the same time, Hubert Perrin de Brichambaut, the former managing director of Sika in France, assumed the management of Europe South.

The Board of Directors of Sika AG nominated Iven Chadwick as a member of Group Management. The appointment became effective as of January 1, 2009. Iven Chadwick came to Sika in April 2007 as head of the newly introduced Region IMEA, which encompasses India, the Middle East and Africa.

In addition to his function as head of the customer group Distribution, Christoph Ganz has likewise taken over the responsibilities of managing director of Sika in France as of January 1, 2009.

Sika Group Management comprises 14 members in all as of the beginning of the year.

GROUP MANAGEMENT.

ERNST BÄRTSCHI
lic. oec. HSG,
1952, Swiss,
CEO

SILVIO PONTI
Dipl. Bau-Ing. ETH, MBA,
1953, Swiss,
Deputy CEO, Europe North

ALEXANDER BLEIBLER
Dipl. Bau-Ing. HTL,
1953, Swiss,
Construction, Contractors

IVEN CHADWICK
MBA,
1960, British,
IMEA

BRUNO FRITSCHE
BBA,
1952, Swiss,
Industry

CHRISTOPH GANZ
lic. oec. HSG,
1969, Swiss,
Construction, Distribution

JAN JENISCH
lic. rer. pol.,
1966, Swiss,
Asia/Pacific

PETER KREBSER
Dr. sc. techn.,
Dipl. Chem. Ing. ETH,
1951, Swiss,
Operations

URS MÄDER
Dr. rer. nat.,
Dipl. Chem. Ing. HTL,
1955, Swiss,
Research and Development

HUBERT PERRIN
DE BRICHAMBAUT
MBA,
1957, French,
Europe South

ERNESTO SCHÜMPERLI
Dipl. Bau-Ing. ETH, MBA,
1955, Swiss,
Construction, Concrete

PAUL SCHULER
MBA,
1955, Swiss,
North America

RONALD TRÄCHSEL
lic. rer. pol.,
1959, Swiss,
Finance

JOSÉ LUIS VÁZQUEZ
Dr.-Ing., MBA,
1947, Spanish,
Latin America

BOARD OF DIRECTORS.

Walter Grüebler, Dr. oec. HSG, Chairman
Nationality: Swiss, Year of birth: 1942, Member since: 2004, Elected till: 2010
1968–1974 Project Leader and Member of Executive Board, Hayek Engineering AG, Zurich, **1974–1990** CEO and Vice Chairman of the Board of Directors, Airex AG, Sins, **1990–1999** Member of Group Management, alusuisse, Zurich, **2000–2004** CEO, Sika AG, Baar, **Chairman, Board of Directors** Adval Tech AG, Niederwangen, **Member, Board of Directors** Nationale Suisse, Basel; Quadrant AG, Lenzburg; Petroplus Holdings AG, Zug

Thomas W. Bechtler, Dr. iur., L.L. M., Vice Chairman
Nationality: Swiss, Year of birth: 1949, Member since: 1989, Elected till: 2010, Committees: Chairman Nomination and Compensation Committee
1975–1977 Managing Assistant, Luwa AG, **1977–1982** Divisional Manager, Luwa AG, **since 1982 CEO**, Hesta AG and Hesta Tex AG, Zug, **Member, Board of Directors** Credit Suisse, Zurich; Swiss Re, Zurich; Bucher Industries, Niederweningen; Conzzeta Holding AG, Zurich, **Chairman of the Board** Human Rights Watch Committee, Zurich

Urs F. Burkard, Carpenter/Interior Designer
Nationality: Swiss, Year of birth: 1957, Member since: 1990, Elected till: 2011, Committees: Nomination and Compensation Committee
1987–1989 Head of planning, Denz Office Furniture, Zurich, **since 1989** Principal, Burkard Office Design GmbH, Rotkreuz, **Chairman, Board of Directors** Unitrend Burkard AG, Rotkreuz, **Vice Chairman, Board of Directors** Schenker-Winkler Holding AG, Baar

Urs B. Rinderknecht, lic. iur
Nationality: Swiss, Year of birth: 1946, Member since: 1998, Elected till: 2010, Committees: Nomination and Compensation Committee
Until mid-2008 General Manager UBS AG, **Chairman, Board of Directors** Scintilla AG, Solothurn; sia Abrasives AG, Frauenfeld; Widder Hotel AG, Zurich, **Vice Chairman, Board of Directors** Robert Bosch Int. Beteiligungen AG, Zurich, **Member of the Supervisory Council** Robert Bosch GmbH, Stuttgart, **Chairman Foundation Council** UBS Cultural Foundation, Zurich, **Member of Board** economiesuisse, Zurich

Toni Rusch, Dr. oec. publ.
Nationality: Swiss, Year of birth: 1944, Member since: 2000, Elected till: 2009, Committees: Chairman Audit Committee
1969–1974 Project Leader, Ciba-Geigy AG, Basel, **1974–1979** Corporate Development, Bühler AG, Uzwil, **1979–1985** CFO, Togo Group, Romanshorn, **1985–2005** CEO, Filtrox Group, St. Gallen, equity-holder since 1992, **Chairman, Board of Directors and Delegate** Filtrox Group, St. Gallen, **Chairman, Board of Directors** Sefar Holding AG, Thal SG; Kraftwerk Burentobel AG, St. Gallen, **Member, Board of Directors** ISSG, International School of St. Gallen AG

Daniel J. Sauter, Financial Expert
Nationality: Swiss, Year of birth: 1957, Member since: 2000, Elected till: 2009, Committees: Audit Committee
1976–1983 Several banks, incl. Bank Leu, Zurich, **1983–1998** Senior partner and CFO, Glencore International AG, Baar, **1994–2001** CEO and Delegate of Board of Directors, Xstrata AG, Zug, **Chairman, Board of Directors** Alpine Select AG, Zug, **Member, Board of Directors** Sulzer AG, Winterthur; Charles Vögele Holding AG, Pfäffikon; Julius Bär Holding AG, Zurich; Model Holding AG, Weinfelden

Fritz Studer, Banking Expert
Nationality: Swiss, Year of birth: 1943, Member since: 2006, Elected till: 2009
Committees: Audit Committee
1965–1978 National/International Loan Specialist incl. Export Financing, Schweizerische Volksbank, 1979–1982 Head of Directorate-General, Schweizerische Volksbank, 1983–1993 Member of Executive Board, Luzerner Kantonalbank, 1994–2003 CEO, Luzerner Kantonalbank; Member of the Board of Directors, Swiss Bankers Association and Association of Swiss Cantonal Banks; Member of the Board of Directors and periodically President or Vice President, Mortage bond clearing house of the Swiss Cantonal Banks, AGI Holding AG, Swisscom IT Services AG, Adler & Co. Privatbank AG, 2004–2006 Chairman of the Board of Directors, Sarna Polymer Holding Inc., Chairman, Board of Directors Luzerner Kantonalbank, Member Bank Council Swiss National Bank, Member of Board Lucerne Symphony Orchestra

Ulrich W. Suter, Dr. sc. techn., Professor
Nationality: Swiss, Year of birth: 1944, Member since: 2003, Elected till: 2009,
1982–1989 Professor, MIT, Department of Chemical Engineering, Cambridge, USA, 1988–2008 Professor, ETH Zurich, Department of Material Science, 2001–2005 Vice President for Research, ETH Zurich, Member, Board of Directors WICOR Holding AG, Rapperswil SG; Global Surface AG, Nussbaumen TG; Quadrant AG, Lenzburg, Member Foundation Council Academia Engelberg; Werner Oechslin Library Foundation; Foundation Entwicklungsfonds Seltene Metalle ESM; Stiftung zur Förderung der Denkmalpflege

Christoph Tobler, dipl. El. Ing. EPFL
Nationality: Swiss, Year of birth: 1957, Member since: 2005, Elected till: 2010,
1988–1994 McKinsey & Company, Zurich, 1994–1998 Adtranz Schweiz, 1998–2004 Sika AG, Head of Industry Division and Member of Group Management, since 2004 CEO, Sefar Holding AG, Thal SG, Member, Board of Directors Committee Sefar Holding AG, Thal SG, Member, Board of Directors Schenker-Winkler Holding AG, Baar; AG Cilander, Herisau, Member of Board Committee economiesuisse, Zurich

CHANGES IN THE BOARD OF DIRECTORS. The composition of the Board of Directors remained unchanged during the period under review. The Annual General Meeting of Sika AG of April 8, 2008, confirmed Urs Burkard as a member of the Board of Directors for a further term of three years.

Internal Audit
Robert Fürböck, Dr. iur.

Auditors
Ernst & Young AG, Zug

FINDING AND PROMOTING TALENT

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

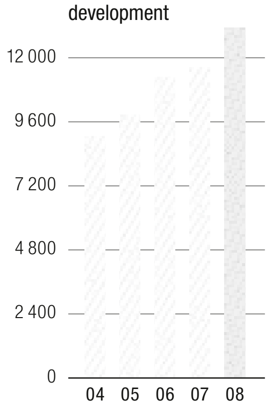
MANAGEMENT PHILOSOPHY. Sika promotes an operating climate in which employees can develop in accordance with their professional qualifications and personal capacities. A cooperative management style with delegation of responsibility to the lowest possible level favors participation of all employees. Discrimination is not tolerated in any form.

The company upholds 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 at the same time requires new forms of collaboration and readiness for change. Important in this are the integration of widely differing people and the advancement and global exchange of knowledge and experience. Line and human resource managers have various new platforms and committees at their disposal, for example a "Sounding Board" for exchange of so-called Best Demonstrated Practices.

The company is proud to have created a work and management environment which encourages individual freedom of action and decision-making as well as enthusiasm for one's own work, openness to change and genuine employee commitment. Sika desires that employees experience satisfaction in their work and in the success of the company. The slogan "Be proud of Sika and let Sika be proud of you!" bears witness to this.

Management principles are derived from the enterprise mission statement. Subsequently, the activities of all employees are clearly oriented towards strategic, operative and company policy targets. Chains of command are clearly ordered, and the principle of farthest possible delegation of responsibility prevails. 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 should be systematic, current and easily surveyable. Gifted employees should be promoted and continuous education must be assured.

Employee development



BERND HOFER, Project Manager ARGE TU Westside, Rhomberg Bau AG/ Strabag AG, Bern. ARGE TU Westside as full service general contractor was responsible for coordination as well as timely construction of the new leisure and shopping center.

TO REALIZE MAJOR PROJECTS AT THE REQUIRED QUALITY STANDARD, ON TIME AND WITHIN BUDGET, PROFESSIONAL COORDINATION IS NEEDED, AS WELL AS PARTNERS WHO ACT IN CONCERT.

CONTINUOUS CONSULTING AND GUIDANCE FROM PLANNING TO EXECUTION, A CONTACT PARTNER FOR ALL CONCERNS, INCLUDING ENGAGED AND SOLUTION-ORIENTED SERVICE PERSONNEL ON-SITE – TEAMWORK AT SIKA IS WRIT LARGE.

KEY ACCOUNT MANAGEMENT. Sika accompanies its customers with advice and action from project planning to turn-key structure – also at Westside. Whether coating the parking decks or sealing the building envelope, based on intensive variation studies, cost-benefit analyses over the entire lifecycle of the building as well as continuous optimization steps in the construction process, a Sika key account manager finds together with the customer the respective best solution regarding deadline, quality and costs.

EMPLOYEE SATISFACTION. The regional companies conduct detailed analyses of employee satisfaction on a local level. At the global level the employee fluctuation rate serves as an indicator for employee satisfaction. In the year under review this amounted to 13.0% (2007: 13.4%).

The fluctuation rate was once again influenced by the worldwide economy, which continued to boom through the first nine months of the reporting year and thereby facilitated the finding of new external challenges for employees. It was also apparent that changes in personnel were disproportionately high in the strongly growing countries, where demands on employees are increasing continually and the size of units and thereby also of responsibilities rapidly alter. At the same time, corrections were initiated in individual countries that were affected by the economic crisis early on; these have been included in the calculation of fluctuation. Successful managers at Sika are often targeted in external headhunting attempts, another proof of the performance capability of Sika's workforce. With the targeted identification and development of talents on the Group and above all at the regional level, Sika attempts to counter employees' willingness to seek change outside of the company.

DEVELOPMENT OF MANAGERS. To further improve its attractiveness as an employer, 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 period under review the search for talent was expanded at management levels below that of senior executive. This encompasses some 800 employees, whose performance and capability profiles were included in the system. In all, 250 employees were subsequently allocated to the talent pools of different business areas in order to prepare them specifically for new responsibilities.

Alongside training, further education and new, diverse tasks, 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 that 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 country of origin.

SIKA BUSINESS SCHOOL. Committed, competent and responsible employees at every level are crucial for achieving the company's goals. 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 systematically developed further.

During the year under review, existing study units were revised and updated. Furthermore, new units were developed for independent, online training and made available worldwide through the intranet. In various subjects such as management, systems, applications and technology, flexible tools are available for targeted advancement.

In the reporting year at the global level, the so-called Executive Management Training was continued at the Institute for Management Development, IMD, in Lausanne, Switzerland. Heavily promoted by Group Management, this training gives executives deep insight into Sika's strategy process, conveying necessary resources for change processes. The high acceptance of the Executive Management Training and the results achieved there, judged by all participants to be extraordinarily valuable, have encouraged Sika once again to further develop the training in the current business year in collaboration with IMD.

Sika spent overall some CHF 9.6 million (2007: CHF 9.2 million) for employee development during the reporting year. Included therein are specific training sessions organized on a decentralized basis in the Regions and countries as well as worldwide sales training.

Number of employees by Region

Europe North	4 741 (36.8%)
Europe South	1 994 (15.4%)
North America	1 358 (10.5%)
Latin America	1 729 (13.4%)
IMEA	873 (6.8%)
Asia/Pacific	2 205 (17.1%)
Total	**12 900**

COMPENSATION POLICY. Comprehensive functional evaluations and compensation analyses were completed in the year under review for various functions and organizational units. It is now possible to formulate a globally uniform compensation policy and thereby to ensure the marketability of the company as well as the internal justification of salaries. Furthermore, an analysis of ancillary benefits such as insurance protection and retirement provisions was begun in various countries. These analyses will proceed during the current business year. The target is to define a worldwide, uniform minimum standard for retirement provisions and for insurance to protect against the risks of accident and illness; this standard would be maintained independent of local legal regulations.

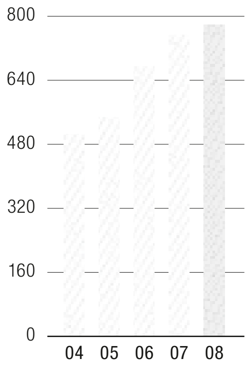
Since January 1, 2009, a new bonus system, developed during the year under review, is valid for the members of Sika's senior management. The most important change is the shift away from performance evaluation based on absolute indicators from a budgeting process. As of the current business year, the bonus system orients itself towards relative key figures such as the growth of markets and market share as well as liquidity-related factors such as net working capital. The system thereby reflects the company's growth strategy.

PERSONNEL DEVELOPMENT 2008. Worldwide the Group employed 12 900 persons in the year under review, 1 177 more than in the previous year (2007: 11 723).

Employees are distributed among the Regions as follows: Europe North 4 741 (2007: 4 248), Europe South 1 994 (2007: 1 922), North America 1 358 (2007: 1 319), Latin America 1 729 (2007: 1 539), IMEA 873 (2007: 789), Asia/Pacific 2 205 (2007: 1 906). New jobs were created primarily in the emerging markets in Eastern Europe, in Asia and the Middle East.

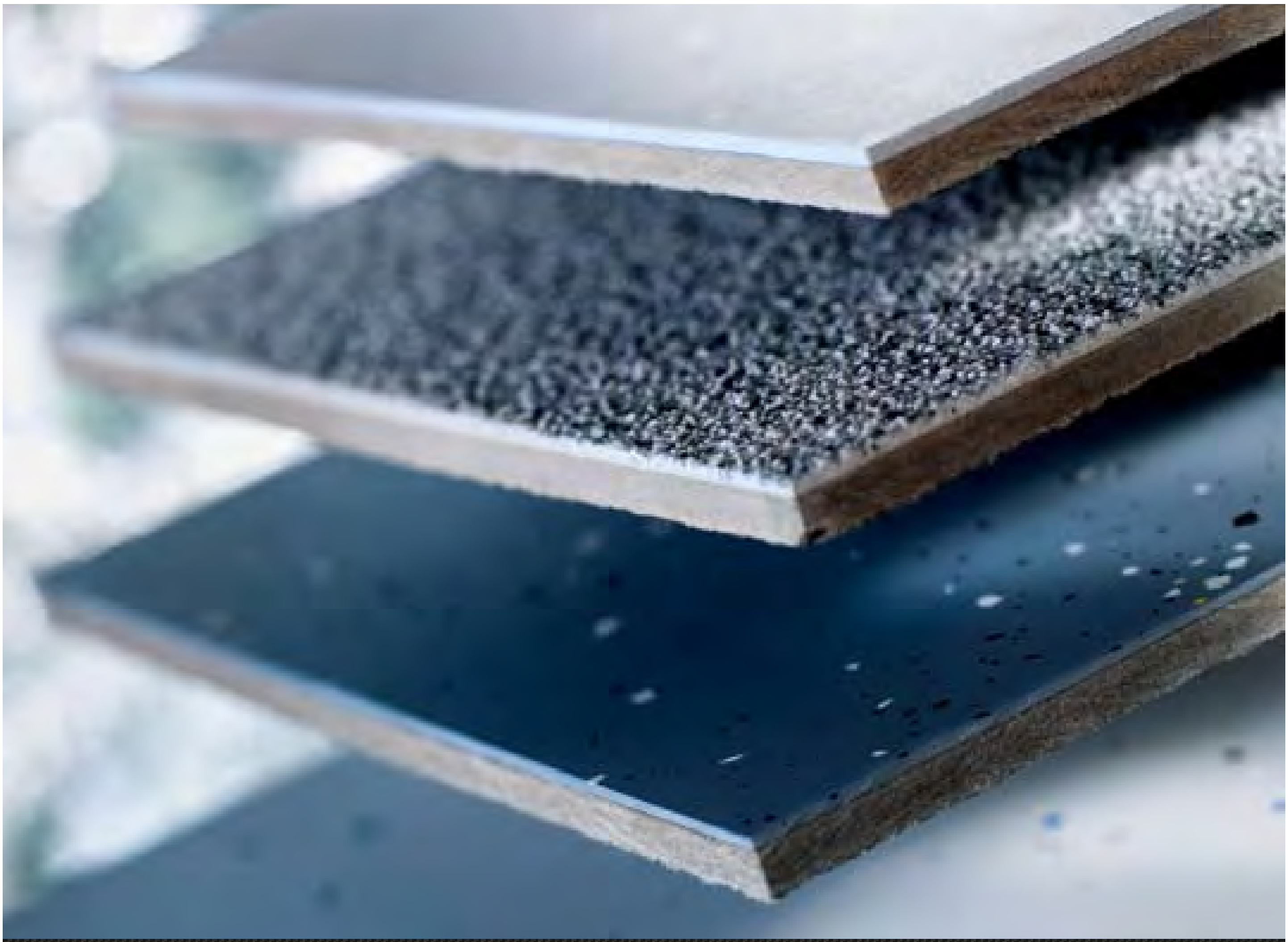
Together all Sika employees generated in 2008 a net added value of CHF 1 380 million (2007: CHF 1 437 million). Relative to personnel expenses they produced a percentage net added value of 144% (2007: 156%). The achieved net added value per employee decreased by roughly 10.3% from CHF 124 800 to CHF 112 000. Please see also page 144 in this Report.

Salary expenses
in CHF mn



FLOORING MUST BE FAR MORE THAN MERELY WALKABLE. IT MUST BE ISOLATING OR ANTISTATIC, ABRASION- OR SHOCKPROOF, TEMPERATURE- OR CHEMICAL-RESISTANT, EASY TO CLEAN OR SUITABLE FOR DISINFECTION.

NEEDS



SOLUTIONS

SIKA'S TAILORED FLOORING SYSTEMS CAN BE USED ANYWHERE. INSIDE OR OUTSIDE, FOR LIVING OR WORKING, WHETHER IN THE FOOD, PHARMACEUTICAL OR CHEMICAL INDUSTRY, IN ELECTRONICS OR MACHINE CONSTRUCTION – SIKA HAS THE SOLUTION DOWN PAT.

AT SIKA, BEARING RESPONSIBILITY MEANS: SAFE PRODUCTS, SUSTAINABLE PROCESSES AS WELL AS TRANSPARENCY AND RESPECT IN DEALING WITH ALL STAKEHOLDERS.

SUCCESS OBLIGES RESPONSIBILITY

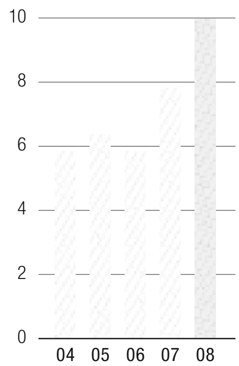
Sika commits itself to genuinely sustainable added value along the entire value chain. This demands prudent equilibration of economic, social and ecological aspects. Highest priority is thereby given to environmentally friendly products and the safety of employees and local populations.

COMMITMENT. Sika is committed to the guiding idea of sustainable development. This leading concept endorses the fulfillment of the needs of the current generation without risking that future generations would be unable to provide for their own needs, and is the comprehensive demand that management and employees of the company place on their daily activity. Economic, ecological and social aspects thereby align in an ever more intimate context.

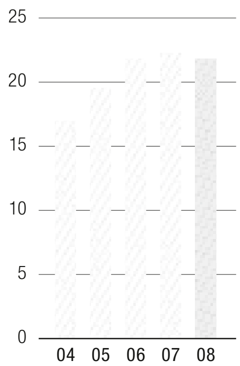
PRODUCT ECOLOGY. In its mission statement, Sika has described how it deals with its products: "We want to assume our responsibility for safety and the environment along the entire value chain." Consequent to this mission statement, the optimization of resource consumption and the safety of products are permanent components in any developmental work within the enterprise, and thereby part of sustainable development. Another considerably more significant part of sustainable development is borne by the products themselves. For they ensure that resource consumption for our customers – or in the further course of the value chain for their customers – sinks measurably. The energy and raw material use in the production of Sika products is thus often compensated many times over.

Sika's products are process materials, the properties of which generate important competitive advantages for customers. Competitive advantages then emerge when customers can respond better than competitors to the demands of their consumers. And just these demands are increasingly influenced by the concept of sustainable development. So the circuit closes, and the guiding idea of sustainable development becomes a central challenge in the development of economically successful products.

Investments
in Environment and Safety
in CHF mn



Operating expense
for Environment and Safety
in CHF mn



PRODUCT EXAMPLES. Already today Sika products contribute substantially to sustainable development.

Need: efficient use of raw materials and energy
Solution: grinding aids for the cement industry

The manufacture of cement is highly energy intensive. Producers therefore look for ways to lower energy consumption, and as a result the carbon dioxide emissions of their processes. For a long time Sika has supplied grinding aids that accelerate the grinding process, thereby reducing energy consumption in cement manufacturing by around 10%. A new generation of products gives the grinding aids additional functions, so that the quality of the cement is improved during grinding.

Need: containment of climate change
Solution: adhesives for solar panel installations and wind generators

Wind power and solar energy are gaining significance for the generation of electricity. Sika provides the manufacturers of wind generators and solar panels with adhesives that are perfectly adapted to the extreme operating conditions of their installations. Adhesives for solar modules must withstand high temperatures, while those for the rotor blades on a wind power generator must resist high mechanical forces.

Need: sustainable systems for mobility and transport
Solution: systems for vehicle construction

Lightweight construction is the future. If an automobile is 100 kg lighter, it consumes per 100 km driven 0.3 liters less fuel and emits 700 grams fewer of carbon dioxide. Structural adhesives from Sika help manufacturers of cars, trucks, busses or railcars to reduce vehicle weight by making deployment of lighter materials such as carbon-fiber-reinforced plastics possible. Only bonding of such materials with adhesives to steel or aluminum ensures an adequate joint. And in order that weight reduction does not endanger safety, SikaReinforcer® materials with their polymer basis strengthen the body of a vehicle in place of steel.

Need: save water in production of concrete
Solution: super plasticizer

Concrete is a mixture of cement, water and aggregates such as sand and gravel. A common formula for concrete calls for 200 liters of water per cubic meter of concrete. With Sika® ViscoCrete®, a newest-generation concrete plasticizer, the consumption of the precious resource water can be lowered by up to 40%.

ENGAGEMENT FOR EMPLOYEES. Sika upholds continuity and the preservation of ethical values, whereby mutual respect as well as trust in management and colleagues are of central significance. Managers should provide examples for their employees, and should advance their initiative and creativity. The flow of information through all hierarchical levels should be systematic, current and easily surveyable. Discrimination is not tolerated in any form.

The company promotes an operating climate in which employees can develop in accordance with their professional qualifications and personal capacities. A cooperative management style with delegation of responsibility to the lowest possible level favors participation of all employees. Gifted employees should be promoted and continuous education must be assured.

ROMUALD BURKARD FOUNDATION. In remembrance of Dr. Romuald Burkard, the Sika Board of Directors established the "Romuald Burkard Foundation" in 2005. The Foundation provides financial support to social and ecological projects in emerging markets in which Sika has subsidiaries. Projects must have their focus in:

– Buildings and infrastructure installations that serve a social or ecological purpose such as water reservoirs, wastewater treatment facilities etc.,
– technical education in building professions,
– water projects with ecological and social objectives.

Sika seeks to promote self-help locally. The local Sika companies must therefore apply for support and see projects through to completion with local partners.

Sika supported the following projects in the year under review.

China. Reconstruction of the school "Du Jiangyan school of No. 10 bureau," destroyed in the earthquake in Sichuan Province. Till the time of the devastating earthquake on May 12, 2008, the school provided instruction to 3 000 pupils from the first to the ninth grade. The reconstruction of the school will take until mid-2009. Overall support contribution: CHF 300 000.

India. Support of renovation of schoolhouses for underprivileged children, particularly in the areas of water and corrosion protection. Overall support contribution: CHF 200 000.

Indonesia. Support of "Ye Water Program" in the slums of Jakarta. The program, conducted by an Indonesian foundation, comprises various educational and development programs to improve the water supply in the densely populated slums. The program thus deals with the proper handling of water as well as with its treatment and purification. Overall support contribution: CHF 150 000. (www.yewaterprogram.org)

Iran. Support of research in the area of reinforcement of masonry with locally available natural fibers. This application raises the durability of buildings against earthquake at low cost. People living in earthquake-endangered regions should thereby be provided with an affordable solution for reinforcement of their homes. Sika supports this project with technical consulting, for example in the area of structural reinforcement, with material and a financial contribution. Overall support contribution: CHF 51 000.

Mexico. Expansion of the infrastructure of the orphanage "Pan de Vida," where abused or abandoned children live and learn in a safe environment. The project comprises various measures: expansion of the school, renovation of the gymnasium roof, improvement of the water supply and renovation of the playground and the access road. Overall support contribution: CHF 245 000. (www.blessed-sacrament.org/pandevida.html)

Peru. Promotion of milk production, cheese-making cooperatives and cheese sales in the Allpachaka sector, Ayacucho Region. Overall support contribution: CHF 150 000.

Vietnam. Support in development of "The Village Chance." This project is conducted by Maison Chance Vietnam, and has the objective of creating living areas for handicapped people and street children. This project complements Maison Chance's existing programs in Vietnam such as those for medical care, education or linguistic training. Overall support contribution: CHF 500 000. (www.maison-chance.org)

GLOBAL NATURE FUND. In addition Sika supports the Global Nature Fund, GNF, within the framework of the international lake network "Living Lakes." This global network with 70 partner organizations from lake regions around the globe is committed to sustainable development and protection of potable water, lakes and wetlands. Concrete models of successful projects demonstrate how environmentally compatible developments in different climatic zones and societies are practiced while simultaneously protecting nature and the environment. Local populations are thereby always expressly involved. GNF, a non-profit foundation with its headquarters in Radolfzell on Lake Constance in Germany, coordinates "Living Lakes." Since 1998 the network has promoted dialogue between representatives of public and private interests involved in water protection. This enables a valuable exchange of knowledge, technology and experience between non-governmental organizations (NGOs) and businesses. (www.globalnature.org)

Sika supported four GNF project areas in the year under review.

Indonesia. The Mahakam Region is located in the southern Indonesian portion of the island of Borneo, in East Kalimantan Province, where jungle and wilderness prevail. The region demonstrates high biodiversity especially of breeding and migratory bird species, and is home to the critically endangered Irrawaddy Dolphin. The Global Nature Fund therefore declared Mahakam Region to the Threatened Lake of the Year. The goal is the preservation of the Irrawaddy Dolphin and other threatened species. Included in this are the conservation and expansion of protected dolphin habitats, assurance of the livelihood of fishing families through sustainable fishing practices, a feasibility study on sustainable land use and renaturation of previously destroyed areas as well as environmental education projects, foremost about the Irrawaddy Dolphin.

Colombia. The extensive, species-rich Laguna Fúquene is located in the eastern Colombian Andes. Renaturation and afforestation campaigns are being carried out in the five regional watersheds. The local information center is being further expanded, and a wider ranging environmental education program is now offered. The lagoon, its significance as an ecosystem as well as external influences that lead to disturbances are topics of focus. The most important target groups are school children, fishermen and small enterprises in the area of tourism. Further education offerings concentrate on steering measures for visitors and the development of ecotourism offerings in the region.

Kenya, Tanzania, and Uganda. The nations of Kenya, Tanzania and Uganda abut Lake Victoria, the largest lake in Africa and the second-largest freshwater lake in the world. The use of solar-powered lamps as well as energy-efficient ovens is targeted to reduce the presently high consumption of kerosene, also that of the fishermen on the lake, as well as the excessive use of firewood. Light for all – Umeme Kwa Wote – is the name of the project, within which per village 1 000 energy-efficient lamps were purchased, and three further solar energy service stations were built in addition to the existing one, improving the drinking water supply with solar treatment facilities as well as conducting environmental education courses for the fishermen and village population.

India. Pulicat Lake is the second-largest brackish lagoon in India, located on the east coast some 60 kilometers north of Chennai, the former city of Madras. The Living Lakes partner organization Crenieo conducts environmental education projects with children, teachers and fishermen, of which practical nature conservation measures such as the planting of nurseries, of mangroves, and the monitoring of fish populations are also part. The potable water supply has been improved through removal of debris from water channels as well as construction of absorbing wells and green filter installations. Through an ecological project to increase the milk production of cows, basic nourishment should be ensured, primarily for children.

ENVIRONMENT AND SAFETY. The foundation of commitment in an environmentally conscious business management is the Sika mission statement. In accordance with this, Sika assumes responsibility for safety and the environment along the entire value chain. Targets for continuous improvement, high individual responsibility for each employee, respect for laws and norms, and permanent dialogue with appropriate authorities as well as the general public thereby form the basis.

ENVIRONMENTAL MANAGEMENT. Sika employs a variety of means for this environmentally conscious business management. Since 1992, manufacturing subsidiaries in some 40 countries have participated in the chemical industry's Responsible Care Program. Sika is also committed to introducing and maintaining an environmental management system according to ISO 14001. In the year under review Sika achieved ISO 14001 certification in Tunisia, Bulgaria, Romania and New Zealand. Today 51 Sika companies, generating roughly 90% of Group sales, produce and sell according to ISO 14001 norms. 16 Sika companies passed the certification board's repeat audit during the reporting year.

Another important base for environmentally conscious business management is internal and external training and continued education of employees. The palette of topics is comprehensive: raw material handling, work safety, packaging, labeling, transport of products, legal foundations. Frequent internal audits and controls ensure that rules and procedures are observed.

INVESTMENTS IN SAFETY AND ENVIRONMENTAL PROTECTION. In the year under review Sika invested CHF 10.0 million (2007: CHF 7.9 million) in safety and environmental protection, an increase of 27% in comparison with the previous year. Thereby primarily further improvements in factory security, preventive fire protection and alarm systems were realized. The number of full-time employees in the safety and environmental protection department rose with Sika's expansion from 70 to 77 persons. Due to optimizations and efficiency increases, costs for safety and environmental protection per 1 000 tons of production were reduced further from CHF 11 065 to CHF 10 404. In proportion to sales these costs dropped correspondingly from 0.48% to 0.47%. Overall the costs for maintenance of current projects, installations and systems of CHF 21.9 million remained on par with those of the previous year (2007: CHF 22.0 million).

ENERGY EFFICIENCY. Along with the rise in total production output of 7% (2007: 13%), energy consumption in the year under review rose nearly in proportion by 8% (2007: -1.5%) from 1 234 TJ to 1 333 TJ. Energy efficiency, the energy expenditure per ton sold, remained with 627 MJ/t at approximately the same level (2007: 621 MJ/t). Of all energy consumed, 72% (2007: 70%) was expended in Europe, 16% (2007: 18%) in North America and 7% (2007: 8%) in Asia/Pacific. The remainder was divided among the remaining Regions. During the reporting year Sika drew 59% (2007: 53%) of its energy consumption in the form of electrical power. The portion in natural gas remained steady at 28% (2007: 29%), while the percentage drawn from heating oil dropped to 10% (2007: 12%). District heating provided 3% (2007: 4%) of total energy consumption.

EMISSIONS TO THE ATMOSPHERE. Emissions to the atmosphere are closely coupled with the use of fossil fuels such as gas and heating oil. Since energy demands were met with more electrical power, emissions to the atmosphere fell in the reporting year. The output of CO_2 therefore fell by 5% (2007: -18%) from 30 200 t to 28 800 t. NO_x emissions dropped by 4% (2007: -27%) from 45 t to 43 t. SO_2 emissions also sank by 19% (2007: -45%), from 16 t to 13 t. The quantity of VOC emissions rose due to the greater need for volatile organic solvents for cleaning of production facilities by 2% (2007: +10%) from 86 t to 88 t. Thanks to deployment of new filter installations, dust emissions dropped by a further 6% (2007: -20%) from 77 t to 72 t.

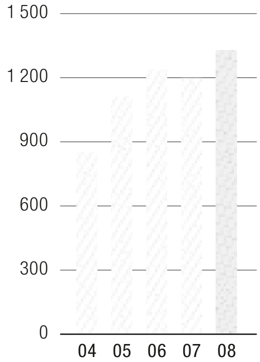
WATER CONSUMPTION. Due to drastic measures taken to reduce cooling water consumption in the USA, overall water consumption dropped – despite the rise in production of 7% – by 8% (2007: +19%) from 2 110 000 m^3 to 1 940 000 m^3. The proportion of cooling water in the overall quantity amounted to 57% (2007: 64%), while 16% (2007: 13%) was consumed for sanitary purposes, and 4% (2007: 4%) as process water in production. The remaining 23% (2007: 19%) was consumed as a component in formulations.

EMISSIONS TO WATER. The quantity of organic carbon compounds transported through wastewater to the treatment plant rose in the year under review by 24% (2007: -3%) from 34 t to 42 t. The dissolved inorganic salt content in wastewater remained approximately the same at 118 t (2007: 116 t). Heavy-metal emissions to wastewater have been monitored for years at all Sika companies; values at all locations lie below legally allowed levels.

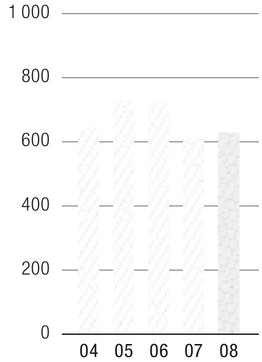
SOLID WASTE. In comparison with the overall increased production output of 7% (2007: 13%), the entire solid waste quantity rose by merely 4% (2007: +6%) from 38 500 t to 39 900 t. Thereby the average waste quantity per sold ton amounted to 19 kg (2007: 19 kg). The proportion of hazardous waste rose along with overall production by 7% (2007: -3%) from 10 750 t to 11 500 t. The quantity of remaining waste rose from 27 700 t by 2% to 28 350 t.

SAFETY. Efforts to prevent accidents at work and to lower the number of lost workdays were rigorously continued in the year under review, and remain a safety focus in the current business year. Despite combined effort the number of work accidents could not be reduced. In the entire Group the number of work accidents with a workday loss of greater than one day rose from 19 to 20 accidents per 1 000 full-time employees. 65% (2007: 62%) of all at-work accidents occurred in Europe. The number of lost workdays per million workdays increased from 1 060 to 1 093. This results in an average workday loss of 13 workdays per at-work accident.

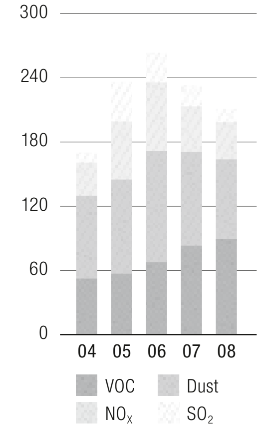
Energy consumption
in TJ



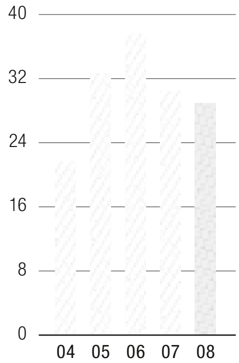
Energy consumption
in MJ per ton of sales



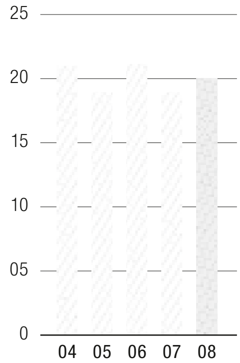
Emissions to atmosphere
in tons



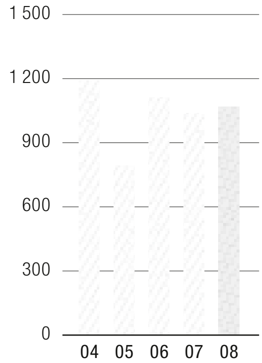
CO_2-emissions
in 1 000 tons



Safety
Reportable accidents
per 1 000 employees



Safety
Working days lost
per mn working days



Abbreviations
CO_2 carbon dioxide
NO_x nitrogen oxide
SO_2 sulfur dioxide
MJ/TJ megajoule/terajoule
VOC volatile organic compounds

MINIMIZE RISKS, MAXIMIZE CHANCES

As a globally operating enterprise, Sika is confronted with various risks. To safeguard at all times the Group's capacity to act and to permanently protect our reputation, risks are analyzed early and integrated into strategic decision processes. New chances can emerge as a result.

RISKS AND CHANCES. The financial crisis of 2008 proved strikingly that systematic, false assessment of risks can have substantial consequences for the reputation of companies and their capacity to act, leading in the worst cast to insolvency. Sika is well aware of this, and already years ago introduced a comprehensive risk management for the Group as well as for all subsidiaries.

Risk management for Sika is not merely a means of avoiding risks. Much more than that, dangers should be recognized early and integrated into strategic decision processes. Thereby new chances can emerge, so that risk management can ultimately generate added value. The risk management process comprises four steps: risk identification, risk assessment, risk monitoring and risk controlling.

GROUP MANAGEMENT AND BOARD OF DIRECTORS. While Group Management regularly reviews the processes that form the basis of risk management for Sika, the Board of Directors is the highest authority for risk assessment. Among its responsibilities is the annual assessment of risks at Group level. Those strategic and operative risks that could lead to a material endangerment of the Group stand thereby in the forefront. All risks are assessed by means of fundamental questions:

– Is this a global or a regional issue?
– How significant is this issue for the Group?
– How high is the probability of damage?
– Which measures have to be taken to confront the risk?

If the overall assessment of a risk is critical, measures are then planned and implemented.

SUPPLIERS AND RAW MATERIALS. Raw material costs are Sika's largest cost factor. They therefore receive particular attention in risk assessment. Nearly 70% of the materials Sika deploys in production such as polyurethanes, epoxy resins or polyvinyl chloride are ultimately based on crude oil, the substantial price fluctuations of which bear certain influence on purchase prices. Alongside this are numerous additional factors that also influence the price of raw materials. These may include the interplay of supply and demand, the general economic environment or sporadic interruptions in the crude oil processing or logistics chain through to the purchased material.

The Group limits the market price risk of raw materials for important products through suitable warehousing and Group contracting (lead buying). In addition, Corporate Procurement continually sources new, reliable suppliers, and strives to avoid situations in which the company can become dependent on a single supplier. Further measures for safeguarding prices such as hedging are not employed, because a corresponding market does not exist for Sika.

PRODUCTION AND LOGISTICS. Risk management in the areas of production and logistics includes the systematic annual analysis of possible operational risks that could lead to breaks in production or other operational disturbances, and the corresponding preventive measures. The practical and organizational implementation in the handling of operational or any other risks is laid down in the Sika Risk Management Policy. This policy is based on compulsory EHS Standards of the Environment, Health and Safety Department. The risk analyses of external specialists, in many cases in close collaboration with insurance companies, complement internal examinations.

In large factories external inspections take place on average every three years. Together with local safety officers and their teams, external specialists thereby record the dangers that could lead to interruptions in production or to property or liability damage. The probability and impact of these occurrences are subsequently assessed and measures are established to reduce this risk potential as much as possible. Every organization conducts an annual, routine and internal risk analysis in the areas of production and logistics with the same methodology. Agreed measures help improve fire protection above all: quicker fire detection using smoke and flame detectors, installation of automatic fire doors for limitation of damage as well as sprinkler installation for more effective firefighting.

Risks that proceed from products concern aspects of ecology, safety, raw materials, market and success probability as well as patents and know-how. These are considered foremost in the mandatory procedures of product development and product advancement, the so-called Product Creation Process, or PCP, and the Product Maintenance Process, or PMP. Both processes are subject to strictest controls. Since 1999 a worldwide program has existed moreover with the objective of minimizing risks in our consultation and sales business. A multitude of measures including consistent and regular training of employees, clear standards and improved controls continuously lower expenses for product damage claims.

CUSTOMERS AND MARKETS. Sika limits the risks emanating from markets and customers through targeted diversification. On one hand geographic diversification in the building and construction industry is greatly significant, since construction business tends to be locally oriented, and construction markets in distant global regions in part demonstrate contrary development. On the other hand diversification among customers – no customer yields more than 1.5% of Sika sales – in the Construction as well as in the Industry Division has a similarly stabilizing effect on business. In order to cushion economic fluctuations as far as possible, Sika is active in addition to new construction business also in the largely cycle-independent repair and maintenance business.

FINANCIAL RISKS. The objective of financial risk management is optimal capital procurement as well as a liquidity position oriented towards payment obligations. Liquidity assurance is provided through three long-term, staggered bonds of 5, 7 and 10 years, two in the amount of CHF 250 million and another for CHF 275 million. In addition, an ongoing credit facility of CHF 450 million exists through 2010, made available through a bank syndicate. An optimal liquidity position results from cash pooling. For selected activities in the treasury area Sika relies on additional third-party services.

Financial risk management is described in detail on page 117 et seq. of this Report.

BERNHARD WYSS, Head of Quality Control and Concrete Laboratory, HM Kies und Beton AG, Bern. The two enterprises Hofstetter and Messerli supplied the majority of the concrete for the construction of Westside within a supplier consortium.

CONCRETE IS NOT SIMPLY CONCRETE. ESPECIALLY ON MAJOR CONSTRUCTION SITES WE MUST FULFILL HIGH AND VERY DIFFERENT REQUIREMENTS. ADMIXTURES MAKE THIS POSSIBLE. WE MUST BE ABLE TO RELY ON THEIR HIGH AND CONSISTENT QUALITY, AND THEREBY ON OUR SUPPLIERS, AT ALL TIMES.

MAXIMIZED FLOW CHARACTERISTICS, OPTIMAL CONSOLIDATION, RAPID OR SLOW CURING – CONCRETE FORMULATIONS THAT ARE PRECISELY ADAPTED WITH INNOVATIVE ADDITIVES, AS WELL AS PERSONAL ADVICE AND REGULAR ON-SITE INSPECTIONS; SIKA FULFILLS ALL PERFORMANCE CHARACTERISTICS IN CONSISTENTLY HIGH QUALITY.

CONCRETE ADMIXTURES. In Westside's construction a total of 90 000 m^3 of concrete were used. Depending on the application area, this needed to be high-strength concrete or especially watertight. Sika® ViscoCrete® was the solution. The innovative admixtures on one hand reduce the concrete's water demand, minimizing porosity and thereby maximizing density. On the other hand, flowability and thereby consolidation are optimized. This increases strength, saves time and simplifies the placing of concrete.

OPENNESS AND TRANSPARENCY FOR ALL STAKEHOLDERS

Creating transparency is the highest objective of good corporate governance. This provides information on structures and processes, areas of responsibility and decision procedures, control mechanisms and defense measures as well as rights and obligations of various stakeholders. Reporting at Sika follows the SIX Swiss Exchange guidelines.

GROUP STRUCTURE AND SHAREHOLDERS. Sika AG, headquartered in Baar, Canton Zug, is the only Sika company listed on a stock exchange. The bearer shares of Sika AG are listed on the SIX Swiss Exchange under Registration No. 58797. Information on Sika AG's stock market capitalization is found on page 7. In the year under review the Sika Group encompassed unlisted subsidiaries in 72 countries. All 106 companies are included in the scope of consolidation. Companies of which Sika holds less than 50% of shareholder votes are not consolidated. These are namely Sika Gulf B.S.C., Bahrain, the part GmbH joint venture in Germany as well as Addiment Italia S.r.l. Detailed information on the scope of consolidation is found on page 129 et seq.

Organizationally the Group consists of two segments. The primary segmentation is formed by the two business Divisions Construction and Industry, while the secondary segmentation concerns the six geographic Regions Europe North, Europe South, North America, Latin America, IMEA (India, Middle East, Africa) and Asia/Pacific. Group Management consists of fourteen members. They lead the Group operatively in a matrix organization. Sika's management structure is essentially formed by the dual segmentation as well as the central services of finance, production and logistics as well as research and development. All Group business is consolidated in Sika AG, the holding company, itself in turn under the supervision of the Board of Directors. The organizational structures of Sika AG as well as of the entire Group are presented on the pages 27–31 of this Report.

In accordance with Art. 663c of the Swiss Code of Obligations (OR), major shareholders hold a proportion of voting rights of over 3.0%. Sika has three major shareholders. The Burkard-Schenker family, according to information furnished by the family as of December 31, 2008, owns 54.4% of all voting shares, in part through the Schenker-Winkler Holding AG, Baar. Lone Pine Capital LLC, headquartered in Greenwich, Connecticut, held 5.1% of all voting shares on the balance sheet record date. On this same date Franklin Templeton Investments, with headquarters in Fort Lauderdale, Florida, held 3.4% of all voting shares.

There are no crossover holdings exceeding 3%, either in terms of capital or in votes.

CAPITAL STRUCTURE. As of December 31, 2008, capital stock totaled CHF 22 861 602.00. This was divided into 2 151 199 bearer shares with a nominal value of CHF 9.00, and 2 333 874 registered shares with a nominal value of CHF 1.50. Both types of shares earn the same dividend, with payout adjusted according to nominal value. One share represents one vote. In addition there is CHF 2 338 398.00 in contingent capital, temporally unrestricted, comprising 259 822 bearer shares with a nominal value of CHF 9.00. These shares are foreseen for the exercise of option or conversion rights. Shareholders are excluded from subscription rights. There are currently no conversion or option rights outstanding. Sika granted no participation, profit-sharing certificates or stock options. Option plans do not exist for members of the Board of Directors, Group Management or employees. Changes in capital stock, reserves as well as retained earnings during the last five years are posted on pages 134 et seq. of this Report.

All legal persons and individuals are entitled to acquire Sika bearer and registered shares. The Board of Directors can deny purchase of registered shares if the purchaser's registered share holdings exceed 5% of the total number of registered shares listed in the commercial register. In the year under review no new shareholder exceeded this 5% threshold. Nominees, i.e. shareholders who acquire shares in their own name but on the account of third parties, are registered as shareholders without voting rights.

BOARD OF DIRECTORS. The Board of Directors is Sika's highest level of management and mainly responsible for the:

- corporate mission statement and corporate policies,
- decisions on corporate strategy and organizational structure,
- appointment and recall of members of Group Management,
- development of finance and accounting,
- establishment of the three-year plan as well as the annual and investment budgets.

The members of the Board of Directors are elected by the Annual General Meeting for a term of office of three years. Their tenures are staggered. They can be reelected at any time. Upon reaching the age of seventy, directors resign their commission. Detailed information on individual members of the Board of Directors is listed on pages 30 and 31 of this Report. No directorships are maintained with other listed companies on a reciprocating basis. The Board of Directors constitutes itself, electing the Chairman and Vice Chairman from its ranks.

The Board of Directors of Sika AG presently consists of nine non-executive members. As business demands, the Board convenes at the Chairman's behest. In fiscal year 2008 the Board met seven times. The President of Group Management, the CEO, participates in the Board meetings in an advisory capacity. The other members of Group Management take part as necessary, but at least three times per year, also as advisors. Company officers report regularly and comprehensively to the Chairman concerning implementation of Board decisions. The CEO as well as the CFO report to the Board in writing on the development of business at least once per month. Extraordinary occurrences are reported immediately to the Chairman or the Audit Committee, insofar as such events relate to the latter's area of responsibility. The auditing staff report to the Chairman as well as the Audit Committee within the scope of the review schedule.

BOARD COMMITTEES. Sika has two committees of the Board of Directors: the Audit Committee as well as the Nomination and Compensation Committee. The chairpersons of these committees are elected by the Board. The Committees otherwise organize themselves. Information on the members of the Committees can be found on pages 30 and 31 of this Report.

- The Audit Committee mainly reviews the results of internal and external audits as well as risk management. The committee assembles on request of its chairperson as required. Customarily the Chairman of the Board and the CFO, as well as the CEO if necessary, take part in these meetings in an advisory capacity. In the year under review the Audit Committee met four times.
- The Nomination and Compensation Committee prepares personnel plans at Board and Group Management level and handles issues of their compensation. The committee meets on request of the chairperson as business demands. Usually the Chairman of the Board and the CEO participate in these meetings in an advisory capacity. In the year under review the Nomination and Compensation Committee met three times.

GROUP MANAGEMENT. Within the framework of Board resolutions, Sika operative leadership is incumbent on Group Management. The members of Group Management and their functions are listed on page 29 of this Report. Detailed information on their backgrounds, as well as on interests and activities, can be found on our website under www.sika.com/gen-about-management.htm. Sika had no management contracts with third parties in the year under review.

COMPENSATION, PARTICIPATIONS AND LOANS. The compensation of Group Management consists mainly of a fixed base salary and a variable portion. The variable portion is contingent on the EBIT and the operating free cash flow of the Group and the respective area of responsibility, as well as on the achievement of individual targets. A certain fraction of the variable portion is awarded in Sika shares that remain frozen for a period of four years. The members of the Board of Directors receive a set fee and remuneration for attendance of meetings. The Nomination and Compensation Committee proposes the fixed base salary and variable portion of Group Management to the Board, as well as the compensation of the Board of Directors. The Committee also determines the Chairman's remuneration. Details on the remuneration of the Board of Directors and Group Management can be found on page 155 et seq. of this Report.

SHAREHOLDER PARTICIPATION RIGHTS. Sika upholds restrictions to voting rights neither on the basis of by-laws nor by other means, and thus also no rules for granting exceptions. Accordingly no exceptions were made in the year under review with respect to voting rights restrictions. Every shareholder can exercise share votes through representation by another shareholder with voting rights, a registered representative of securities accounts or an independent proxy. Information on what constitutes a quorum under the by-laws can be found in Art. 704 of the Swiss Code of Obligations (OR), as well as § 15 paragraph 3 of Sika's articles of association. The orders of business for which a majority is required are defined therein. Sika's articles of association can be reviewed under www.sika.com/gen-about/gen-about-articles.htm.

The invitation modalities and deadlines for the Annual General Meeting are conformant with legal requirements. In addition, shareholders representing a nominal share value of CHF 150 000 can request in writing to have an item placed on the agenda during a 14-day period approximately two and a half months prior to the Annual General Meeting. New registered shares will not be registered by the company in the 20 days prior to the Annual General Meeting. Therefore registered shares sold between the deadline and the Annual General Meeting are not entitled to vote.

CHANGE IN CORPORATE CONTROL AND DEFENSE MEASURES. In accordance with § 6 of the Sika articles of association, purchasers of shares are not obligated to make a public offering as generally prescribed by articles 32 and 52 of the Swiss Federal Act on Stock Exchange and Securities Trading. There are no clauses governing changes in corporate control.

AUDITOR. At each Annual General Meeting the auditor is elected to serve Sika AG and the Group for a period of one year. In the year under review Ernst & Young AG, Zug, listed as auditor in the commercial register since February 2, 1995, served in this capacity. The current audit team leader has been active on behalf of Sika since 2003. During the year under review Ernst & Young billed CHF 4.3 million for its services. These charges covered the audit of individual Sika AG closings and practically all subsidiaries as well as the consolidated financial statements. Ernst & Young received additional fees totaling CHF 1.4 million for audit-related support and consulting services. The Audit Committee monitors the auditor's activities as mandated by the Board of Directors. In fiscal 2008 the Committee examined the audit of Sika AG and the consolidated financial statements as well as the management analysis and received relevant commentary from the auditors. In addition, the auditors participated in two meetings of the Audit Committee in the year under review.

COMMUNICATIONS. Sika informs extensively concerning the development of business in annual and quarterly reports, at the annual media and financial analyst conference as well as at the Annual General Meeting. The continually updated website – www.sika.com – as well as press releases regarding important developments are important components of communications. As a company listed on the SIX Swiss Exchange, Sika is also obligated to comply in particular with requirements of ad-hoc disclosure, i.e. the release of news which may affect its stock price. In addition, Sika maintains dialogue with investors and the media through special events and road shows. Information on important dates in 2009 are found in this Report on page 160.

HIGH IN THE MOUNTAINS OR OUT AT SEA, WIND TURBINES ENDURE COLD AND HEAT, WIND AND WEATHER, ULTRAVIOLET RADIATION AND SALTWATER. FOR AN ECONOMICALLY EXPEDIENT USE OF WIND ENERGY, MAXIMUM PROTECTION AGAINST CORROSION COMBINED WITH MINIMUM MAINTENANCE EXPENDITURE IS IMPERATIVE.

NEEDS

SOLUTIONS

STRONGEST ADHESIVE POWER, THE HIGHEST POSSIBLE ABRASION, SCRATCH AND SHOCK RESISTANCE, ALONG WITH EXTREME RESISTANCE TO AGGRESSIVE SUBSTANCES – SIKA'S HIGHLY DURABLE EPOXY RESIN COATINGS ARE IN THEIR ELEMENT IN EXTREME ENVIRONMENTS. THEY GUARANTEE STEEL STRUCTURES A LONG SERVICE LIFE.

SIKA HAS SET ITS STRATEGIC COURSE FOR GROWTH. GOOD RESULTS, ALSO IN DIFFICULT PERIODS, CONFIRM THE CHOSEN PATH.

AMBITIOUS TARGETS ALIGNED WITH STRATEGY

Targets make results verifiable. This is one reason why Sika has defined binding, medium-term financial target figures that are aligned with enterprise growth strategy. Sales, profit and cash flow thereby stand in focus.

FINANCIAL TARGETS. Sika's financial targets are aligned with the clearly defined growth strategy. The targets thus reflect the development costs in new markets. On one hand growth must be financed; this influences the relation between sales and operative cash flow. On the other, Sika expects the growth being aimed for to lead to a higher absolute operating result (EBITDA). The medium-term financial targets have therefore been defined as follows:

	Targets					Results
		2004	2005	2006	2007	2008
Growth in local currencies excl. acquisitions in %	8–10	12.2	11.8	15.1	13.0	5.9
EBITDA as % of net sales	12–14	12.5	12.1	13.2	13.9	12.0
Profit as % of net sales	>6	4.8	5.3	6.0	7.5	5.8
Operating free cash flow as % of net sales	4–6	6.0	4.4	4.9	4.2	3.6
ROCE* in %	20–25	18.5	16.8	20.2	26.0	20.3

* Return on Capital Employed, see also page 136

The Board of Directors regularly reviews Group strategy and adapts it where appropriate.

OPERATIVE PERFORMANCE FIGURES. While most companies evaluate performance figures on a daily basis, the Group operates with monthly closures including EBIT calculations and free cash flow elements per division. Up-to-date pricing instruments allow the evaluation of cost and price developments and of measures at the product and customer level. Customer Relationship Management (CRM) enables customer-specific targets and success evaluations, as well as debit analyses and the appraisal of global customers.

CONTINUED GROWTH IN A DIFFICULT ENVIRONMENT

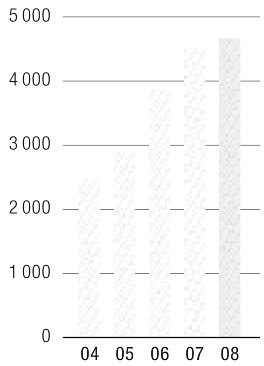
The Sika Group increased sales in 2008 by 7.3% in terms adjusted for exchange rates. In Swiss francs this yielded a net result of CHF 4.625 billion, 1.1% higher than that of the previous year. In contrast, operating profit before depreciation, EBITDA, declined by 12.8% to CHF 556.1 million. The return on capital employed, ROCE, lies within the target corridor of 20–25% at 20.3%.

SALES. The Sika Group achieved net sales in 2008 of CHF 4.625 billion. The growth rate in local currencies amounted to 7.3%, including an acquisition effect of 1.4%. Currency effects of -6.2% detracted from the overall result. Net sales in Swiss francs thus lay 1.1% above those of the previous year.

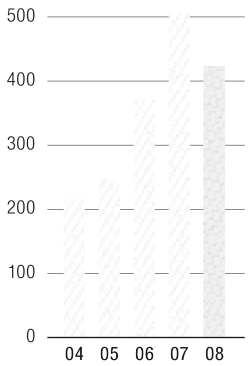
Despite the effects of the declining building and construction industry in various countries felt throughout the Group in the fourth quarter of the reporting year, precipitated by the real estate crisis and subsequently by the financial crisis, growth in the Construction Division, adjusted for exchange rates, was satisfactory at 9.2%. In the Industry Division on the contrary, the substantially collapsed production figures in vehicle construction in the fourth quarter limited sales growth to an exchange rate adjusted 0.6%.

All Regions contributed to Group growth. The best results were achieved as in the previous year in the Regions IMEA (India, Middle East, Africa; +33%) and South America (+25%). In the remaining emerging markets of Eastern Europe and Asia the company grew at rates of similar strength at more than 20%. Markets in the USA as well as in Spain, Great Britain and Ireland showed clear declines in individual sectors. In Spain and Ireland Sika's incoming orders were below those of the previous year, leading to adjustment of costs.

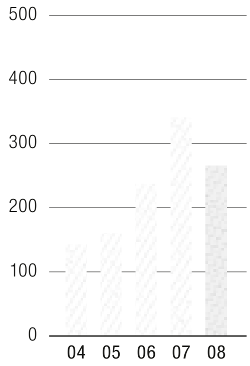
Net sales (consolidated)
in CHF mn



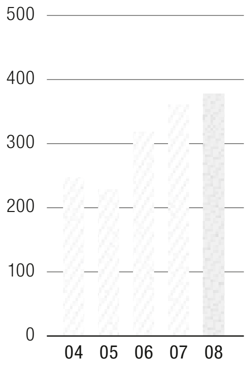
Operating profit (EBIT)
in CHF mn



Consolidated net profit after taxes
in CHF mn



Cash flow from operating activity
in CHF mn



STEFFEN BIRKIGT, Owner and Managing Director, Permaton wpc GmbH, Au SG. Permaton planned and executed sealing solutions as well as the quality management for ground water sealing of the lower levels of Westside.

THE SEALING OF STRUCTURES IS A DEMANDING TASK. PERMATON THEREFORE PLACES THE HIGHEST VALUE ON TOP-QUALITY PRODUCTS IN ADDITION TO COMPETENT ON-SITE SUPPORT.

SYSTEM PERFORMANCE MADE BY SIKA – THAT MEANS OUTSTANDING SOLUTIONS FOR EVERY KIND OF STRUCTURAL SEALING, CONTINUOUS CONSULTING AND COMPREHENSIVE SERVICE ON-SITE.

SYSTEM EFFORT. Waterproofing a building in the area of groundwater places high demands on man and material. For Westside, Sika not only delivered all sealant materials, but also advised Permaton from the definition of sealing and waterproofing requirements through the selection of an appropriate system to final quality control. Sika's effort also involved the advice and inspection of processors and concrete suppliers. Everything with one target: absolute imperviousness – guaranteed.

In the period under review Sika acquired various companies or parts thereof pursuant to its growth strategy (see page 20 et seq.), including a majority participation in Sichuan Keshuai Additive Co., Ltd., near Chengdu in Sichuan Province. The company has access to a comprehensive distribution network in western China and has developed superbly since the acquisition.

PROFIT. In the reporting year material costs overall increased significantly, whereby the high for raw material prices was reached in the fourth quarter of the year. This development could be compensated in part with higher sales prices. In view of the already strongly reduced crude oil prices and the anticipated positive influence on material costs, Sika largely declined raising prices in the fourth quarter for tactical reasons. Gross profit as a proportion of net sales correspondingly weakened from 53.3% to 51.7%.

In 2008 Sika recorded various cost increases that derive from the strong growth of recent years as well as from preparatory efforts for the future. Among these belong costs for new management and service structures in the Regions as well as the construction costs for the new adhesives plant in Düdingen, Switzerland. As a proportion of net sales these costs increased negligibly from 39.3% to 39.7%.

Operating profit before depreciation, EBITDA, dropped 12.8% from CHF 637.8 million to CHF 556.1 million. The EBITDA margin at 12.0% was 1.9 percentage points lower than in the previous year. Operating profit, EBIT, amounted to CHF 422.0 million and thereby lay 17.4% lower than the CHF 510.8 million of the previous year.

The financial result was negatively strained by currency effects from internal Group financing. Consolidated net profit before taxes decreased opposite the previous year by 22.2% to CHF 373.3 million. The income tax rate amounted to 28.4%, thereby falling below the level of the previous year of 28.7%. Thus remaining was a consolidated net profit of CHF 267.4 million, representing a decline of 21.8% in comparison with the previous year's profit of CHF 342.0 million. The profit margin amounted to 5.8% (2007: 7.5%).

INVESTMENTS. In the reporting year Sika commenced operation of its new technology center in Zurich. Some 180 employees from research and development have their workplace in the new building. The investment of roughly CHF 40 million in the structural expansion in the area of innovation is fundamental for the growth and success of the coming years. Also in Switzerland, Sika brought a new factory on line for Sikaflex® polyurethane adhesives. More than CHF 100 million were invested in this major project in Düdingen in Canton Fribourg. Sika has thus created 150 jobs on the 40 000 square meters of factory surface. From Düdingen the entire European market will be supplied with polyurethane adhesives.

CASH FLOW. Cash flow from operating activities rose in the year under review by 3.9% from CHF 362.7 million to 376.8 million. Opposite the lower consolidated net profit this marked a clear improvement in net working capital.

Cash flow from investment activities was marked by acquisitions exceeding previous year's level by more than CHF 70 million. The operating free cash flow adjusted for investments and divestments thus fell back in comparison with the previous year by 13.4% to CHF 165.8 million.

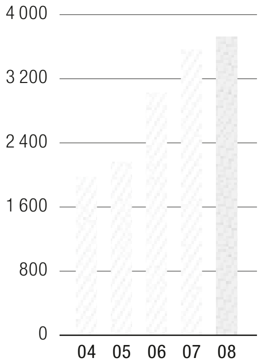
BALANCE SHEET. In the year under review the balance sheet total was slightly curtailed despite growth, due on one hand to currency effects and on the other to a clearly improved management of receivables. Intangible assets grew as a result of acquisitions. Opposite this stand reduced short- and long-term accounts payable. Net working capital declined from 20.2% to 19.3% of net sales. Net debt rose in absolute terms from CHF 352 million to CHF 465 million, and in proportion to shareholders' equity (leverage) from 24% to 32%. The equity ratio, that is shareholders' equity in proportion to the balance sheet total, increased from 44.5% to 45.6%. Return on capital employed (ROCE), based on EBIT, declined in the year under review from 26.1% to 20.3%.

GOOD RESULTS IN A DIFFICULT ENVIRONMENT

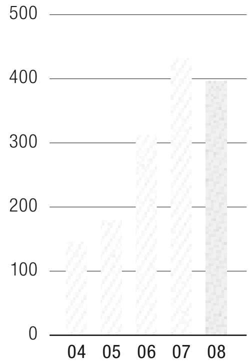
Following a good start, market conditions during the course of the year in 2008 clouded over noticeably. Despite this, Sika achieved outstanding results in many regions and sectors. Foremost in the area of infrastructure projects, Sika recorded worldwide growth.

RESULTS. Sika's Construction Division increased net sales in comparison with 2007 from CHF 3 600 million to CHF 3 700 million. The growth rate of 2.8% includes 7.4% organic growth in local currencies, an acquisition effect of 1.8% and a currency effect of -6.4%. Noteworthy success factors were newly acquired major projects, the volume strategy in select markets and business segments as well as the "Roof to Floor" sales strategy. The operating result before depreciation, EBITDA, amounted to CHF 485 million, and thereby lay 8.5% below the previous year. The EBITDA margin amounted to 13.1%; 1.6 percentage points below the previous year's margin of 14.7%.

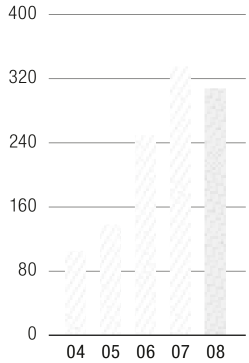
Net sales (consolidated)
in CHF mn



EBIT
in CHF mn



Segment profit
in CHF mn



Net sales by region (consolidated)

Europe North	CHF 1 315 mn (35.5%)
Europe South	CHF 904 mn (24.4%)
North America	CHF 497 mn (13.4%)
Latin America	CHF 373 mn (10.1%)
IMEA	CHF 220 mn (5.9%)
Asia/Pacific	CHF 391 mn (10.6%)
Total	**CHF 3 700 mn**

MARKET ENVIRONMENT. During the course of the year under review, market conditions changed for the Construction Division. In the first half of the year construction activity in comparison with the previous year remained largely unchanged at a high level. Exceptions to this were the USA, where housing construction had weakened considerably, Spain, where following a boom in commercial and residential construction extending several years, clear weaknesses were in evidence, and Ireland, where construction activity was depressed overall. In the year's second half additional countries demonstrated initial negative tendencies, such as France and Great Britain. Towards the end of the reporting year various major projects in the commercial construction sector in Russia were halted or postponed. Overall, uncertainty grew worldwide whether planned construction projects would be delayed for a time or possibly fully abandoned. The infrastructure projects sector, in contrast, proceeded through the entire year on a growth curve, particularly in Germany, where increasing tax revenue provided greater leeway for public investments. The programs announced by many countries to support the economy, which encompass above all investments in infrastructure, raise expectations of further impulses in this sector.

CONCRETE PRODUCERS. For the Sika customer group Concrete producers, 2008 was the most successful year in the company's history. Clear focus on key customers, major projects and the entire sector infrastructure projects provided impetus for growth.

Among projects won in the year under review were the New York City Water Tunnel No. 3, the Freedom Tower in Manhattan, major road construction projects in Algeria and Eastern Europe, tunnel construction projects in Greece, Austria and in Italy, where preliminary work for the Brenner Base Tunnel has begun, as well as major mining projects in Sweden. Sika's long successful project management is now supported through professional key account management, which focuses on consulting for major construction firms. Sika thereby remains abreast of globalization in the construction industry, in which customer-specific services become increasingly important for construction materials suppliers positioned worldwide.

The company attained the strongest absolute growth in the customer group Concrete producers in the Region IMEA, where various countries made large-volume investments in infrastructure. Sika employed mobile production facilities in India in order to keep pace with demand.

Growth was at a high level also in the Region Latin America. Here Sika could fully leverage its extensive experience in key project management, thereby securing major infrastructure projects. Mexico and Brazil presently hold the greatest potential for Sika for sustainable growth in this Region.

Sales growth was positive even in the USA, where construction activity took a double-digit-percentage nosedive. Greatly improved geographic penetration paid off here in the form of new, countrywide supply contracts with major customers.

Sika was nonetheless also successful in its concrete business in Europe, although sales in such countries as Spain and Great Britain declined slightly. Infrastructure and commercial construction contributed equally to the company's success. In Northern and Eastern Europe, sales lay clearly above those of the previous year. In Russia, where Sika is currently developing its own production capacity in order to be able to meet demand for strategically important projects, revenue rose by more than 50%.

Our participation in China in the Sichuan Keshuai Additive Co., Ltd. near Chengdu in Sichuan Province in the second half of the year under review proved very successful. As in many other countries, Sika also participates in major projects in China for which especially the newest generation of concrete admixtures is in demand. To strengthen its geographic presence in China, the company aims to establish further partnerships.

In the area of innovative concrete admixtures and cement additives, sustainability is a central condition for the future success of global product introductions. A new technology based on Sika® ViscoCrete®, with which Sika helps cement manufacturers to improve their CO_2 balance, has developed successfully. Grinding aids that simultaneously serve as quality enhancers ensure that the same concrete early strength can be achieved with cement mixtures that exhibit an improved CO_2 balance as with pure Portland cement. The grinding aids expedite the production process, so that energy consumption drops significantly in proportion to the production quantity. Also successfully brought to market were additives in powder form based on Sika® ViscoCrete® used in production of ready-made mortars and cement screeds.

CONTRACTORS. In the customer group Contractors, the "Roof to Floor" strategy is developing more and more as a driving motor of the business. Since this strategy was extended to also include all products and systems for sealing and waterproofing of foundations and subterranean parts of a building, "Basement to Roof" is now the more comprehensive description of this strategy. At its center stands the promise to assist and advise planners and building owners already in the planning and specification phase with appropriate know-how and service. With its key project management established on this basis, Sika secured numerous major projects during the reporting year.

In the USA, the industrial flooring businesses acquired from The Valspar Corporation and ICS Garland Inc. developed very positively during the period under review. Both businesses contributed significantly to sales, and their respective integrations could be concluded during the reporting year. The same also holds true for the acquired businesses of Tricosal GmbH & Co. KG in Germany, similarly acquired in 2008.

The sectors roofing, industrial flooring and waterproofing evolved with particular success in 2008. Sika systems for strengthening concrete structures found very good sales volume primarily in the USA and Russia. In Great Britain and in the USA, where building activity weakened noticeably, Sika achieved clear, double-digit growth in the roofing sector. Sarnafil sealing membranes are employed above all in the refurbishment of small to mid-sized roofing surfaces. Overall Sika records a slight shift in the customer group Contractors from new construction to refurbishment.

Successes were also realized in tunnel construction. Orders for Sikaplan® sealing membranes could be secured foremost in major tunnel projects in Central and Eastern Europe. Also noteworthy were acquisition successes in the waterproofing of subterranean levels of large commercial buildings.

In the customer group Contractors, all Regions contributed equally to overall success with double-digit growth. Worldwide demand for infrastructure projects attained a high level. In the commercial building sector individual countries demonstrated slight weaknesses, among these Spain, Great Britain and Ireland.

DISTRIBUTION. In the customer group Distribution, Region Latin America showed itself again in business year 2008 to be a stable growth market. Sika significantly increased sales in all countries, achieving growth rates of up to 20%. Sika realized a similarly dynamic development in the customer group Distribution in Region IMEA and in Central and Eastern European countries.

In Region Europe South, declining construction activity in Spain and France led for the first time in ten years to slightly regressive sales. Sika nevertheless succeeded in this difficult market environment in gaining market share and maintaining profitability. How successful active market development can be while competitors lose sales was illustrated in the example of Great Britain, where despite particularly hard market conditions Sika reached double-digit growth rates in the customer group Distribution. The tough market in Greece was developed in a similarly successful manner.

Sika's penetration in Distribution in Regions Asia/Pacific and North America is still relatively low. Under such conditions it is somewhat easier to secure market share through acquisition of new customers than it is in well-penetrated markets such as France for example. In the period under review this context was once again confirmed and reflected in good growth rates, despite in part adverse market conditions in individual countries such as the USA, where construction material distributors overall had to accept losses.

While the acquisition of new customers is the most important growth pillar in markets of below-average penetration, the concentration on large-volume products leads to success in countries where presence is strong, for example in Switzerland. Here business development proceeded noticeably above average. Our comprehensive assortment for floor tilers was highly successful.

During the reporting period Sika especially promoted the sale of various volume products in building material stores. Among these were silicone, mortar and additives. Antifreeze agents for concrete proved a sales hit in Eastern European countries. In Latin America sales with plaster could be further expanded. Various applications on the basis of Sika® ViscoCrete® entered distribution during the course of 2008. Sika achieved great successes with the product group Sikaflex® AT for special applications in the area of bonding, which complements the existing Sikaflex® range.

An additional success factor, particularly in the second half of the reporting year, proved to be Sika's customer structure with a great number of mid-sized distribution businesses that are regionally rooted and have stable customer relationships. This is especially true in the area of refurbishment and renovation, which from experience tends to gain significance in a generally deteriorating economic situation in contrast to the new construction sector. Sika's intensive training program for specialist stores further strengthens customer relationships. Our worldwide presence in the distribution business ensures that the company can exploit all growth possibilities swiftly and selectively.

INDUSTRY DIVISION

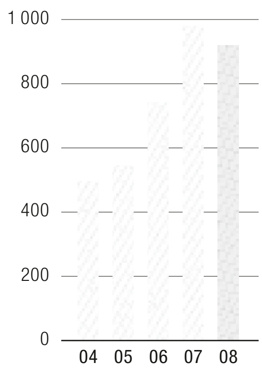
CHALLENGE IN THE AUTOMOTIVE INDUSTRY

The business year of the Industry Division was marked by a massive slump in the automotive industry. The Division grew nevertheless in local currencies. The reasons for this were various successful development projects with major customers, an improved market penetration as well as the market sectors building components and appliance and equipment, which continue to flourish.

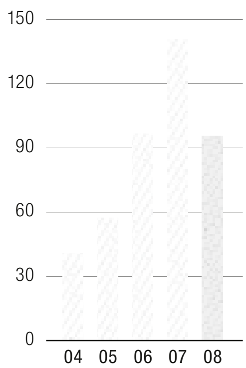
RESULTS. In the Industry Division net sales in local currencies grew by 0.6%. A negative currency effect of -5.6% led to a decrease of sales in Swiss francs in comparison with the previous year of -5.0%, from CHF 973 million to CHF 925 million. EBITDA, the operating profit before depreciation, amounted to CHF 121 million and thereby lay 28.4% below the previous year. The EBITDA margin of 13.1% was 4.3 percentage points below that of the previous year with 17.4%.

MARKET ENVIRONMENT. The business year of the Industry Division was marked by a massive slump in the production figures in motor vehicle construction during the course of the second half of the year. While automobile and commercial vehicle manufacturers could increase their production numbers in the first half of the year except in the USA, turnover in the fall of the year plummeted worldwide. With few exceptions, all sectors and manufacturers were affected. Solely small and economical automobiles could elude this development in some areas, and achieved considerable sales success also in the USA. Overall in the fourth quarter of the year under review, Sika registered clearly declining sales in the sectors automobiles, busses and trucks.

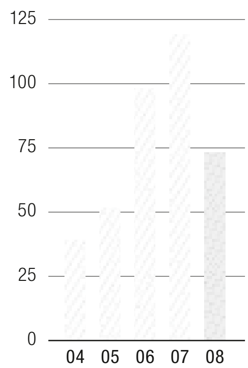
Net sales (consolidated)
in CHF mn



EBIT
in CHF mn



Segment profit
in CHF mn



Net sales by region (consolidated)

Europe North	CHF 429 mn (46.4%)
Europe South	CHF 146 mn (15.8%)
North America	CHF 160 mn (17.3%)
Latin America	CHF 60 mn (6.5%)
IMEA	CHF 38 mn (4.1%)
Asia/Pacific	CHF 92 mn (9.9%)
Total	**CHF 925 mn**

AUTOMOTIVE CONSTRUCTION AND TRANSPORTATION INDUSTRY. The number of development projects for new vehicle models in which Sika is participating remained unaltered at a high level. The intensive collaboration with European, Asian and also American manufacturers paid off for Sika and led in the reporting year to a record number of new nominations that will become sales-effective in the coming years. The company was successful in acquisitions above all with the vibration damping and sound absorption systems SikaBaffle® and the structural reinforcement elements SikaReinforcer®. With these product families and various adhesive and sealant materials for automotive construction, Sika is well equipped to support manufacturers in the development of smaller, lighter and consumption-optimized vehicles.

In Asia, Sika continued working on the expansion of its market position in the vehicle construction sector, still small in comparison to its position in Europe. For example in China, only two of ten bus manufacturers employ modern processes for structural bonding of vehicle glazing. In view of the large production figures, highly attractive growth possibilities are emerging here for Sika. The same holds true for India and also partially for Latin America.

During the reporting year Sika began developing new application areas for Sika products in the vehicle construction sector. New vehicle and auto body concepts based on light construction, changes in the mix of materials, more efficient ways of assembly and larger window surfaces of glass or polycarbonate as well as new lighting systems for vehicles are opening up new and interesting marketing possibilities.

AUTOMOTIVE AFTERMARKET. Business in the market areas of auto glass repair and crash body repair has continued developing successfully worldwide. Only in the USA was demand somewhat lower, due to a reduced number of vehicle miles travelled and resulting in lesser need of replacement glazing. The changes in product mix to higher-value products had a positive effect on margins. Also in emerging markets, the need for a shorter “drive-away time” increased. “Drive-away time” is the time that must be waited until a newly bonded window would also resist an accident. For older and simpler bonding systems this can be up to 8 hours, while with products of the newest generation such as SikaTack®, a mere one to two hours are sufficient. Sika is driving a technological development that is moving further in the direction of still shorter drive-away times.

BUILDING COMPONENTS, APPLIANCE AND EQUIPMENT. While business in vehicle construction developed negatively in the second half of the year with the exception of the sectors railcars and commercial ship construction, with its solutions for fenestration and façade construction Sika was able to secure numerous new projects and generate growth. In the fenestration sector Sika technologies are employed that help the customer build windows with “best-in-class” heat transfer coefficients. Worldwide, the strongly rising demand for energy-efficient solutions is spawning many new possibilities.

Our engagement in the area of “alternative energies” has also developed very well. Thanks to the trust of key customers in the products and technologies for wind energy installations, additional business could be transacted outside of Europe. Also in the production of solar power stations, Sika technologies for bonding and sealing are being used in growing proportions.

Also very successful – as before – was our business in adhesives for sandwich panels. Here Sika gained market share with existing customers while also acquiring new customers.

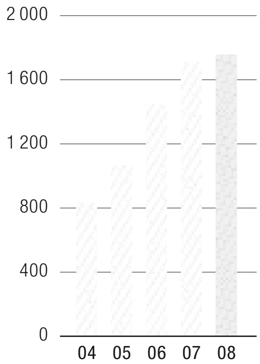
REGIONS

ON COURSE FOR GROWTH WORLDWIDE

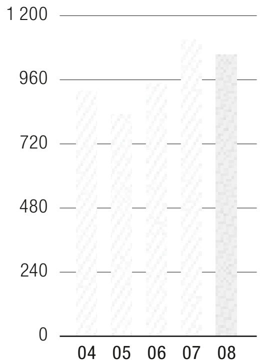
The worldwide finance and economic crisis of 2008 had influence in all market regions in which Sika operates, although with regionally strong variation. Sika thereby registered growth in all Regions, foremost in Region Latin America with a 24.5% increase in net sales in local currencies.

EUROPE NORTH. The economic environment in the year under review was initially favorable throughout the Region. As of October the economic situation began cooling, occurring in some markets with a previously unknown rapidity. Above all motor vehicle construction suffered drastic losses in the final quarter of the year, driving the first manufacturers to register for bankruptcy. Economic activity in Russia and the Ukraine also declined. The consequences were further exacerbated by a loss in value of corresponding currencies opposite the euro and the Swiss franc. In individual countries, for example in Switzerland and Germany, construction activity remained unchanged at a high level through the end of the year. Uncertainty regarding the investment climate broadened there as well, however.

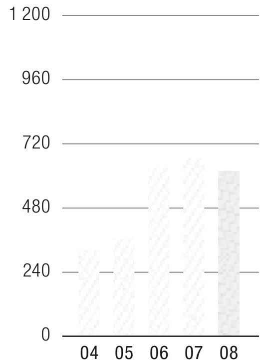
Net sales
Europe North
in CHF mn



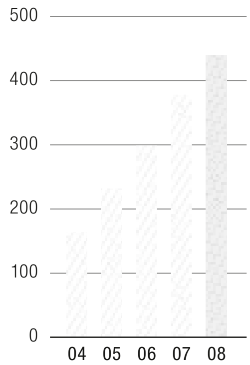
Net sales
Europe South
in CHF mn



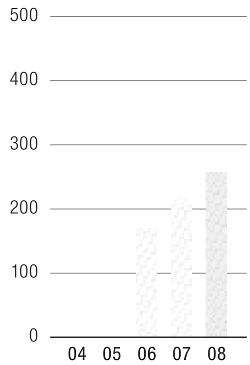
Net sales
North America
in CHF mn



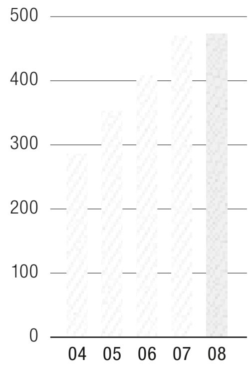
Net sales
Latin America
in CHF mn



Net sales
IMEA
in CHF mn



Net sales
Asia/Pacific
in CHF mn



Thanks a strong local presence with appropriately customer-oriented service, Sika felt the downturn in all countries and markets less strongly in the fourth quarter of the reporting year than most competitors. Thus in the market sector roofing systems, the company was still able to implement price increases in October. Overall the pricing situation was characterized by the contradictory behavior of crude oil prices, which declined significantly in the second half of the year, and still rising raw material costs for Sika. Sika therefore in large part declined to increase prices during the fourth quarter.

In Region Europe North Sika achieved sales growth in local currencies of 4.3%. In Russia and the Ukraine the company grew most strongly, respectively with more than 40%. Thanks to intensified "value selling," with which sales consisting of product, service and consulting packages are signified, margins could be maintained overall.

In the reporting year the Sika Supply Center, SSC, in Sarnen in the Swiss Canton of Obwalden, was expanded by the product group polyurethane adhesives. The SSC is now responsible for the production planning and logistics of roofing membranes and adhesives.

In Frankfurt am Main in Germany, the first Regional Distribution Center commenced operation and now supplies European customers with polyurethane adhesives. Regional distribution centers ensure a rapid and efficient supply to the markets that binds little capital.

EUROPE SOUTH. In Region Europe South, economic conditions changed during the course of the year in analogous fashion to those in Europe North. The construction industry in Spain, Great Britain and Ireland, however, was already under pressure at the beginning of the year; this increased in the year's second half. Cement consumption in Spain, for example, fell 20% in comparison with 2007. Consumers' and retailers' confidence in the future has dropped markedly since the third quarter. The considerable loss in value of the British pound opposite the euro lent an additional negative impulse. In the countries of North Africa and Southeast Europe belonging to Region Europe South, growth in gross domestic product of roughly 5% lay well above the European average, even if still below previous year values.

Despite the negative economic development in many countries in the Region, Sika achieved high growth rates in the customer group Concrete producers, for example in Greece, France and Algeria. Thanks to Sika's local presence, market share could be secured above all with products in the high-quality segment. A new generation of grinding aids for cement production that simultaneously serves to improve quality was introduced in a number of countries.

Business in the market sectors roofing and flooring systems proceeded on its successful course. Notably the roofing membranes from the Sarnafil® range attained good sales success. In France and Great Britain demand rose considerably, including for solutions for solar and greened roofs. Further growth impetus is expected from refurbishment projects. The automotive industry declined sharply also in Region Europe South in the last quarter, with noticeable effect on the customer group Industry.

Net sales in Region Europe South grew by 0.9%. Foremost the low volumes in Spain and Ireland hindered stronger growth. Successes in the market sector roofing systems in Great Britain were notable, where turnover of roofing membranes advanced by 16%. Sika reached high growth rates also in Southeast Europe with 22%, and 41% in North Africa.

NORTH AMERICA. The real estate crisis which made its start in 2007 affected construction activity negatively in Region North America further in the year under review. It broadened to a general economic crisis, additionally exacerbated by high energy costs and consequently high raw material prices. Automotive manufacturers experienced massive sales drop-offs as a result, and the construction industry was confronted with shrinking investments. Many companies were forced to cut costs and lay off employees, which led to a rapid jump in unemployment. The American government introduced comprehensive rescue and economic stimulus packages in order to mitigate the effects of this negative development.

Despite these economic problems in the Region, Sika succeeded in gaining substantial market share in a number of important market sectors, above all in the customer group Concrete producers and in the market sectors flooring and roofing systems. While cement consumption in the reporting year declined by 13% in comparison with the previous year and many concrete manufacturers closed entire factories or temporarily mothballed them, Sika grew by 7%. For wood floor bonding systems, growth amounted to 22%, while competitors were forced to accept sales losses. Sales volume in roofing systems increased by more than 19%; in contrast, the overall market stagnated. The flooring businesses of The Valspar Corporation, ICS Garland, Inc. and Cappar Ltd., purchased during the year under review, procured market share for Sika, setting the company in a solid third position. The customer group Industry successfully defended its market share, though sales fell back as customers suffered losses in volume.

In total, Sika sales in North America rose by 7.0%. The Construction Division achieved double-digit growth, while the Industry Division incurred sales losses. Profit margins could not be improved, since raw material costs increased strongly as a result of high energy prices, and the American dollar lost value, making imports more expensive. Wherever possible, higher costs were passed on to customers, though under the present circumstances this was not possible across the board.

In the year under review in Region North America, Sika successfully collaborated in a particularly important infrastructure project. The Construction Division supplied nearly 1 000 tons of grout SikaGrout® for the reconstruction of a bridge in Minneapolis, Minnesota, that collapsed in 2007. This construction project was particularly demanding, because the period for grouting work was curtailed from four to two months. Another significant project was the structural reinforcement of two buildings in Washington, DC, that are now better protected against consequences of an explosion by Sika® CarboDur® and SikaWrap®.

Sika received various awards in North America during the reporting year, among them no less than ten prizes from the International Concrete Repair Institute. The Institute recognizes significant performance in the area of concrete repair, an important competency in the refurbishment projects to be expected within the scope of infrastructure advancement.

LATIN AMERICA. The national economies of Latin America did not grow quite so fast in 2008 as they did in the previous year, because here there were also slight cooling tendencies towards the end of the year. In addition, most Latin American currencies lost ground opposite the Swiss franc and the euro near year’s end, raising the costs for import of raw materials and finished products. Rates of inflation rose in nearly all countries, the highest being in Argentina and Venezuela. The political situation in the entire Region during the period under review was stable. Sika was not affected by trends toward nationalization of enterprises in Venezuela and Ecuador.

The effect of the economic crises was perceptible in Latin America, but merely to a lesser extent. In the first nine months of the year the development of nearly all markets relevant for Sika was highly positive, while in the fourth quarter in some countries initial signs of ebbing dynamics could be observed. Foremost automotive construction in Brazil and Mexico experienced a marked drop in the final quarter of the reporting year.

Latin America still has great backlog demand in the area of public and private infrastructure. Many governments have announced support measures at the end of the year in the case that financing for important infrastructure projects should experience a standstill.

Falling prices for some raw materials have affected countries with strong mining industries. Mining companies have throttled their investments in infrastructure measures as a result.

Overall in Region Latin America in 2008, Sika was very successful. Net sales grew by 24.5% and margins could be maintained at their high level. The customer group Distribution proved once again to be a success story and advanced in double-digits. Sika's success continued in the customer group Contractors, reaching especially high growth rates. Comprehensive infrastructure projects were also stable sales providers in 2008. Currently in Latin America Sika is working on subway and tramway projects in Caracas, São Paulo and Santiago de Chile. In Brazil, Sika is participating in the construction of the Rio Madeira hydropower station by supplying concrete additives, and in Mexico it is collaborating in an underwater tunnel in Coatzacoalcos. Sales of polymer membranes could be increased significantly, notably through the tunnel project in Caracas.

IMEA. Region IMEA also felt the effects of changed market conditions in the year under review. On one hand the financial crisis with its shortage of liquidity influenced the behavior of market participants, and on the other, the decline in the price of oil in the second half of the year struck primarily the Middle East countries with substantial effects on the building and construction industry. OECD rescue plans should provide some alleviation, but the ever lower revenues from the oil business could lead to deficits in the region's economies with negative consequences worldwide.

Macroeconomic conditions and the high demand for modern infrastructure previously guaranteed consistent growth in the Region and above all in the building and construction industry. A general negative sentiment nevertheless presently undermines market confidence in further development. Currencies in Turkey, India and South Africa have all clearly fallen against leading currencies in the period under review. All other currencies in the Region have likewise given up ground, but in far lesser measure.

The Sika brand is generally well appreciated throughout the Region. An important success factor is the company's capability to maintain a high level of service and provide the market with competitive products, in the manufacturing of which inexpensive, locally available raw materials can be employed.

The markets within the Gulf Cooperation Council as well as in India and Egypt grew rapidly in the period under review, while the upswing in Turkey and South Africa lost tempo. In contrast to many competitors Sika reacted with an active search for new business possibilities as well as with investments to ensure future chances from the changes. Thus in the current business year local production facilities should come on line in the United Arab Emirates and in Saudi Arabia.

Growth in local currencies in Region IMEA amounted to 30.0%, a clear sign of the gain in market share. An essential success factor was the adaptation of the customer group structure in all countries of the Region.

Due to exchange rate alterations, margins came under pressure, since imports from euro-region countries became more expensive. This pressure could be substantially relieved however, since more raw materials could be procured locally at low prices.

Sika established its management structure in the Region on a regional and national level in line with the market, and is thus better equipped than ever to exploit future opportunities.

ASIA/PACIFIC. As in Latin America, Region Asia/Pacific countries in Southeast Asia and China demonstrated strong economic growth in the period under review that slackened towards the end of the year. The construction industry in Japan, New Zealand and Thailand, in contrast, had to battle recessive conditions since the beginning of the year. Cement consumption in Japan fell by 10% in comparison with the previous year, and companies suffered their excess capacity with price pressure. Countries like Korea, Australia and New Zealand had to accept in addition currency devaluations of up to 40%. While as of the middle of the year demand in the Region weakened slightly, raw material prices remained at first at a high level, before as of October a reduction could be observed.

In spite of the negative developments in the second half of the year, Sika succeeded in continuing its volume growth through to the end of the year. In China and Southeast Asia market positions were bolstered substantially, leading to high growth rates foremost in the customer groups Concrete producers and Industry. In the further developed markets such as Japan and in the Pacific countries, the efficiency of production facilities could be improved further. Throughout the whole Region, Sika progressed in development of its key account management and bettered its service offering, particularly in view of the large cement manufacturers in the Region.

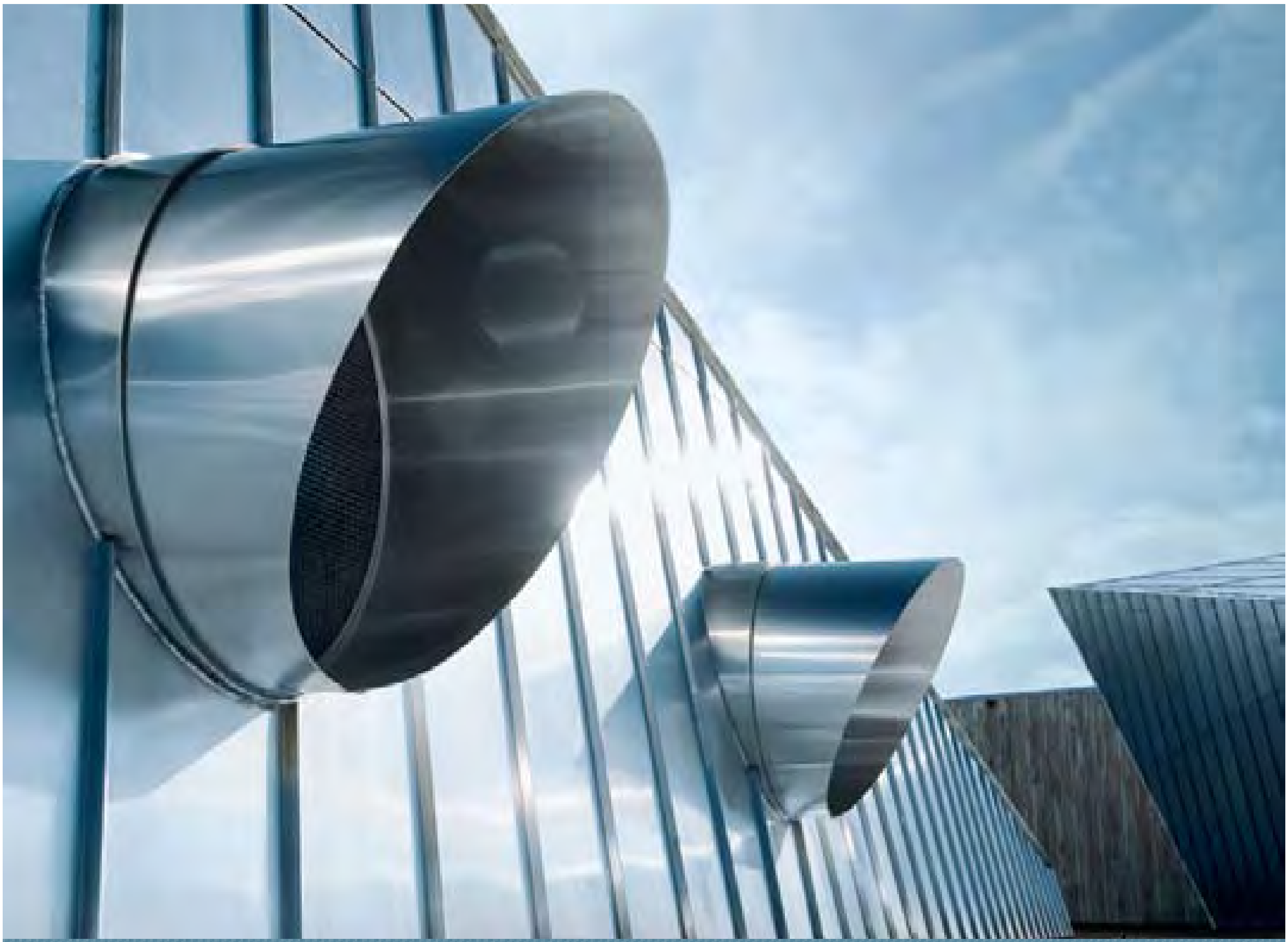
The company gained market share well above average with its key technologies such as Sika® ViscoCrete®, Sikaflex® and Sarnafil®, which thereby also made above-average contributions to Region results. The majority participation in Sichuan Keshuai Additive Co., Ltd. in China's Sichuan Province purchased in the reporting year developed substantially better than expected and opened important sales channels in economically dynamic Western China.

Sika achieved success in the Region also in its personnel policy, and was thereby able to hold its fluctuation rate clearly below the Region average.

In the year under review, growth in Region Asia/Pacific amounted to 9.2%. Sika was especially successful in Indonesia with growth of nearly 40%. Margins in Region Asia/Pacific were also slightly under pressure, above all due to the combination of weakening demand, high raw material costs and strong exchange rate fluctuations.

DANIEL FREIBURGHAUS, Managing Director Bizzozero+Tecton AG, Frauenkappelen. The firm Bizzozero+Tecton constructed all flat roofs and supplied various interior sealing solutions for Westside.

THE UNCONVENTIONAL STRUCTURE APPEALS TO ME. THE COMPLEX ROOF FORMS WITH NUMEROUS SUPER-STRUCTURES AND CRYSTAL-SHAPED SKYLIGHTS, AS WELL AS THE DIFFERENT MATERIALS AND SPECIAL JOINTS WERE NEVERTHELESS A GREAT CHALLENGE FOR SEALING.



WHETHER STEEP OR FLAT, GRAVELED OR GREENED – SIKA'S SYSTEM SOLUTIONS FOR ROOF SEALING ENCOMPASS A BROAD PALETTE OF STANDARDIZED JOINTS AND CLOSURES. THESE GUARANTEE THE PROCESSOR A SURE AND FLEXIBLE APPLICATION, EVEN FOR THE HIGHEST DEMANDS.

SYSTEM SOLUTION. Sealing the roof of Westside required laying some 35 000 m^2 of Sika Sucoflex® sealing membranes. This system solution comprises beyond this a large assortment of complementary moldings, for example standardized profiles for screwless edging fixtures. Special protective and dividing layers as well as adapted adhesives and complementary mounting aids round out the program, guaranteeing the processor maximum flexibility, efficiency and result reliability.

GRASPING THE OPPORTUNITY IN CRISIS

Sika continues the successfully forged path rigorously also in economically strained times, leveraging market chances as they present themselves purposefully. Short-term forecasts in the current environment are extremely difficult; mid-term growth targets will be upheld.

IMPROVING EFFICIENCY. Due to the spreading economic crisis we reckon with losses in many of the markets that are relevant for us. The Construction Division feels the cooling demand with some delay, and on the other hand will also profit later from an economic recovery. Economic stimulus packages in infrastructure building and construction will help in part to compensate growth slumps in private sector construction. Sika will continue to exploit all available growth possibilities, and thereby make use of the greater readiness of customers to apply higher-value technologies that based on experience emerges above all in crisis situations, taking this opportunity to introduce new products and solutions to market.

Further development of markets, raw material prices and exchange rates remain highly uncertain, so that presently no exact forecast of sales and profit are possible. We proceed from a persistent recession scenario, which allows anticipation of clear growth signals at the earliest in 2010.

We will employ the current business year to increase the efficiency of our production facilities and our global supply chain still further. In addition, with regard to the manufacturing or our products we will review and optimize the allocation of individual facilities and factories.

GROWTH POTENTIAL INTACT. Sika remains furthermore convinced of achieving growth in local currencies excluding acquisitions between eight and ten percent on mid-term annual average. We have developed this potential systematically during the last few years. Thus foremost in building and construction, the markets for nearly all the technologies that we offer are still largely fragmented, and the consolidation process that we can accompany as a globally established company has only just begun. Our keys to success continue to be innovation, progression of market penetration and convincing solutions adapted to customer needs. Above all comprehensive, total solutions for key customers who are active worldwide, and for major key projects will thereby become ever more critical.

Sika will continue pursuit of its acquisition strategy of securing new technologies that reinforce or complement core business, as well as the acquisition of market share oriented towards North America, India, the Middle East and Asia. The present economic situation has significantly improved the changes for successful acquisitions that represent value for money.

THE MOTOR VEHICLE INDUSTRY IS ON THE MOVE. THE SLOGAN NOW IS SAVE: WEIGHT AND THEREBY FUEL, FABRICATION TIME AND THEREBY COSTS.

NEEDS

SOLUTIONS

BONDING, INSULATING, DAMPING AND SEALING – ALL IN ONE PRODUCTION STEP. SIKA'S MULTIFUNCTIONAL ADHESIVES BOND METAL, GLASS AND PLASTIC SAFELY AND SWIFTLY. THE RESULT IS HIGHEST STABILITY, BUT ALSO PROTECTION AGAINST DIRT, NOISE AND MOISTURE.

FINANCIAL REPORT 2008

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CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

ASSETS

in CHF mn	Notes		2007		2008
Current assets					
Cash and cash equivalents	1		438.1		318.3
Securities	2		5.4		3.1
Accounts receivable	3		861.1		778.7
Inventories	4		499.7		512.7
Accrued income	5		57.6		74.5
Other current assets	5		53.9		56.5
Total current assets			**1 915.8**		**1 743.8**
Non-current assets					
Property, plant and equipment	6		831.4		832.9
Property		120.5		104.6	
Plant		269.1		235.6	
Equipment		441.8		492.7	
Financial assets			34.0		27.2
Investments in associated companies	7	16.0		19.6	
Other financial assets	8	18.0		7.6	
Intangible assets	9		462.6		524.9
Goodwill		245.0		253.8	
Software		13.5		44.7	
Trademarks		73.2		75.6	
Customer relations		101.5		118.7	
Other intangible assets		29.4		32.1	
Deferred tax assets	10		55.1		62.6
Employee benefit assets[1]	11		16.9		15.7
Other non-current assets			2.0		2.3
Total non-current assets			**1 402.0**		**1 465.6**
Total assets			**3 317.8**		**3 209.4**

[1] Restatement of prior year figures due to application of IFRIC 14 (note 11)

LIABILITIES AND SHAREHOLDERS' EQUITY

in CHF mn	Notes	2007	2008
Liabilities			
Current liabilities			
Bank loans	12	9.6	13.3
Non current liabilities due in the next 12 months	13	7.6	0.1
Accounts payable	14	438.5	398.1
Taxes payable		64.8	40.1
Accrued expenses	15	195.6	197.4
Provisions	18	16.0	14.0
Other current liabilities	16	10.2	22.0
Total current liabilities		**742.3**	**685.0**
Non-current liabilities			
Bank loans and mortgages	12	7.7	0.2
Bonds	17	766.5	767.9
Other non-current liabilities		3.6	5.0
Provisions	18	128.0	93.1
Deferred tax liabilities[1]	10	56.8	65.8
Employee benefit obligation	11	138.0	127.7
Total non-current liabilities		**1 100.6**	**1 059.7**
Total liabilities		**1 842.9**	**1 744.7**
Shareholders' Equity			
Capital stock		22.9	22.9
Capital surplus		256.0	256.0
Treasury shares		-65.1	-117.6
Currency translation differences		-115.5	-224.6
Fluctuations in value of financial instruments		-1.3	-4.9
Retained earnings[1]		1 375.4	1 530.3
Equity attributable to Sika shareholders		**1 472.4**	**1 462.1**
Minority interests		2.5	2.6
Total shareholders' equity	19	**1 474.9**	**1 464.7**
Total liabilities and shareholders' equity		**3 317.8**	**3 209.4**

[1] Restatement of prior year figures due to application of IFRIC 14 (note 11)

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	%	2007	%	2008	Change in %
Net sales	20	**100.0**	**4 573.2**	**100.0**	**4 624.5**	**1.1**
Other operating income		0.1	6.6	0.2	7.9	
Changes in inventory		-0.2	-7.0	0.2	9.4	
Operating revenue	21	**100.0**	**4 572.8**	**100.4**	**4 641.8**	**1.5**
Material expenses	22	-46.7	-2 136.8	-48.7	-2 251.0	
Gross result		**53.3**	**2 436.0**	**51.7**	**2 390.8**	**-1.9**
Personnel expenses[1]	23	-20.3	-926.1	-20.7	-957.8	
Other operating expenses	23	-19.1	-872.1	-19.0	-876.9	
Operating profit before depreciation (EBITDA)	23	**13.9**	**637.8**	**12.0**	**556.1**	**-12.8**
Depreciation	24	-2.2	-101.2	-2.2	-101.0	
Amortization	24	-0.6	-26.9	-0.6	-27.1	
Impairment	24	0.0	1.1	-0.1	-6.0	
Operating profit (EBIT)		**11.2**	**510.8**	**9.1**	**422.0**	**-17.4**
Interest income	26	0.2	9.2	0.1	5.1	
Interest expenses	25	-0.7	-30.9	-0.6	-25.8	
Other financial income	26	0.1	2.9	0.1	3.2	
Other financial expenses	25	-0.4	-16.2	-0.8	-37.4	
Income from associated companies	26	0.1	3.9	0.1	6.2	
Profit before taxes		**10.5**	**479.7**	**8.1**	**373.3**	**-22.2**
Income taxes[1]	27	-3.0	-137.7	-2.3	-105.9	
Net profit		**7.5**	**342.0**	**5.8**	**267.4**	**-21.8**
Profit attributable to Sika shareholders		7.5	341.6	5.8	266.7	
Profit attributable to minority interests	28	0.0	0.4	0.0	0.7	
Earnings per bearer share (in CHF)	29		**135.4**		**107.0**	**-21.0**

[1] Restatement of prior year figures due to application of IFRIC 14 (note 11)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

in CHF mn	Capital stock	Capital surplus	Treasury shares[1]	Currency translation differences	Fluctuations in value of financial instruments	Retained earnings	Total Sika shareholders'	Minority interests	Total shareholders' equity[2]
January 1, 2007 (audited)	**22.9**	**256.0**	**-2.4**	**-117.5**	**-0.6**	**1 105.1**	**1 263.5**	**10.5**	**1 274.0**
Restatement[2]						7.5	7.5		7.5
January 1, 2007 (restated)	**22.9**	**256.0**	**-2.4**	**-117.5**	**-0.6**	**1 112.6**	**1 271.0**	**10.5**	**1 281.5**
Currency translation differences				2.0			2.0	-0.2	1.8
Fluctuations in value of financial instruments					-0.7		-0.7		-0.7
Total income/expense recognized directly in equity				**2.0**	**-0.7**		**1.3**	**-0.2**	**1.1**
Profit of the year[2]						341.6	341.6	0.4	342.0
Total profit and loss				**2.0**	**-0.7**	**341.6**	**342.9**	**0.2**	**343.1**
Sale/purchase of treasury shares			-62.7				-62.7		-62.7
Gains/losses on treasury shares						0.4	0.4		0.4
Dividends						-79.2	-79.2	-0.7	-79.9
Change in scope of consolidation							–	-7.5	-7.5
January 1, 2008 (restated)[2]	**22.9**	**256.0**	**-65.1**	**-115.5**	**-1.3**	**1 375.4**	**1 472.4**	**2.5**	**1 474.9**
Currency translation differences				-109.1			-109.1	0.3	-108.8
Fluctuations in value of financial instruments					-3.6		-3.6		-3.6
Total income/expense recognized directly in equity			**80**	**-109.1**	**-3.6**		**-112.7**	**0.3**	**-112.4**
Profit of the year						266.7	266.7	0.7	267.4
Total profit and loss				**-109.1**	**-3.6**	**266.7**	**154.0**	**1.0**	**155.0**
Sale/purchase of treasury shares			-52.5				-52.5		-52.5
Gains/losses on treasury shares						-0.3	-0.3		-0.3
Dividends						-111.5	-111.5	-0.2	-111.7
Change in scope of consolidation								2.0	2.0
Buyout of minority interests								-2.7	-2.7
December 31, 2008	**22.9**	**256.0**	**-117.6**	**-224.6**	**-4.9**	**1 530.3**	**1 462.1**	**2.6**	**1 464.7**

[1] At cost
[2] Restatement of prior year figures due to application of IFRIC 14 (note 11)

in CHF mn	Notes	2007	2008
Operating activities			
Net profit[1]		342.0	267.4
Income taxes[1]		137.7	105.9
Net financial result		35.0	54.9
Depreciation/amortization/impairment		127.0	134.1
Increase (+)/decrease (-) in provisions		27.4	-20.9
Other non cash items[1]		-6.8	-39.1
Increase (-)/decrease (+) in net working capital		-97.4	37.5
Interest received		9.1	5.2
Interest paid		-35.1	-25.8
Other financial income/expenses		-12.5	-0.2
Cash flow from operations		**526.4**	**519.0**
Income taxes paid		-163.7	-142.2
Cash flow from operating activities		**362.7**	**376.8**
Investing activities			
Property, plant and equipment: Capital expenditures		-179.0	-191.9
Property, plant and equipment: Disposals		14.5	19.1
Intangible assets: Capital expenditures		-6.8	-38.4
Intangible assets: Disposals		0.0	0.2
Acquisitions less cash and cash equivalents		-3.7	-74.6
Disposals less cash and cash equivalents		11.4	0.0
Acquisition of minority interests		0.0	-5.0
Deconsolidation of Addiment Italia S.r.l.[2]		-7.2	0.0
Acquisitions (-)/Disposals (+) of financial assets		-9.2	3.3
Cash flow from investing activities		**-180.0**	**-287.3**
Financing activities			
Increase in short-term loans		0.0	7.1
Repayment of short-term loans		-20.1	-18.3
Repayment of long-term loans		-8.5	-10.6
Acquisitions (-)/disposals (+) in treasury shares		-63.2	-53.9
Dividend payment to shareholders of Sika AG		-79.2	-111.5
Capital transactions/dividends related to minorities		-0.7	-0.2
Cash flow from financing activities		**-171.7**	**-187.4**
Exchange differences on cash and cash equivalents		**-0.6**	**-21.9**

Net change in cash and cash equivalents	32	**10.4**	**-119.8**
Cash and cash equivalents at the beginning of the year		427.7	438.1
Cash and cash equivalents at the end of the year		438.1	318.3
Free cash flow[3]	33	**182.7**	**89.5**
Acquisitions/divestitures less cash and cash equivalents plus deconsolidation		-0.5	79.6
Acquisition (+)/Disposal (-) of financial assets		9.2	-3.3
Operating free cash flow	33	**191.4**	**165.8**

[1] Restatement of prior year figures due to application of IFRIC 14 (note 11)
[2] The joint venture was deconsolidated due to changes in its Board of Directors and is now considered an associated company. CHF 7.2 mn correspond to the company's cash in bank and cash on hand.
[3] Cash flow from operating activities + cash flow from investing activities.

PRINCIPLES OF CONSOLIDATION.

General principles. The financial statements of the Sika Group are prepared in conformity with the provisions of the International Accounting Standards Board (IASB). All standards (IAS/IFRS) and interpretations (IFRIC) applicable as of December 31, 2008, were taken into account. In the event of a changed presentation comparative data from the consolidated financial statements of the prior year was, if necessary, reclassified or supplemented. The financial statements are prepared according to the going-concern principle.

Changes in the accounting standards. The accounting standards applied conform to those standards that were valid in the previous year. Exceptions are the following revised and new standards, which Sika applies since January 1, 2008:
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
- IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures

The following effects result from the application of these revised standards and interpretations:
- **IFRIC 11 IFRS 2 – Group and Treasury Share Transactions.** This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted for as an equity-settled scheme, even if the entity buys the instrument from another party, or the shareholders provide the equity instruments needed. The adoption of this interpretation did not have any effect on the financial position or performance of the Group.
- **IFRIC 12 Service Concession Arrangements.** This interpretation deals with how to account for service concession agreements for service concessions owners with regard to obligations undertaken and the rights received. Since no company within the Group is a concession owner, this interpretation has no impact on the Group.
- **IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction.** This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. The adoption of this interpretation led to an adjustment (restatement) with a net impact of CHF 3.4 mn (CHF 7.5 mn) on retained earnings. For further information please refer to Note 11.
- **IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures.** The change of IAS 39 allows the reclassification of certain financial assets. Should such a reclassification occur, then according to the amendment of IFRS 7 various additional information is required. The change of both standards has had no material effect on Sika's accounting practice.

As of 2009 Sika will adopt the following new and revised standards:
- **IFRS 8 – Operating Segments** (applicable as of January 1, 2009), redefines segment reporting and replaces IAS 14 – Segment Reporting. The standard requires from companies to provide explanatory information on operative segments, products and services provided, on the countries in which they are active as well as important customers. The new standard has an influence on the presentation of the financial statement and not on the financial position or results of operations of the Group.
- **IAS 1 revised – Presentation of Financial Statements** (applicable as of January 1, 2009), differentiates in particularly more clearly between changes in shareholders' equity that have a profit-and-loss character, and those from transactions with shareholders. In the future these transactions are to be separated from each other more clearly.
- **IAS 23 revised – Borrowing Costs** (applicable as of January 1, 2009), makes it mandatory to capitalize borrowing costs and further costs incurred within the scope of borrowing of funds that can be attributed directly to a qualifying asset as part of its acquisition or production costs. Based on the current Group accounting principles these costs are reported in the income statement under interest expenses.
- **IAS 27 revised – Consolidated and Separate Financial Statements** (applicable as of July 1, 2009), contains changed regulations on the purchase or respectively the sale of minority interests without loss of control as well as derecognition in case of loss of control over a subsidiary.

As of 2010 Sika will adopt the following new and revised standards:

- IFRS 3 revised – Business Combinations (applicable as of July 1, 2009), contains a further development of the acquisition method for business combinations. Essential changes deal with the valuation of minority interests, the recognition of acquisitions in stages and the treatment of contingent considerations as well as additional cost of the purchase.

Other new items without practical relevance:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (applicable as of January 1, 2009)
- IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations (applicable as of January 1, 2009)
- IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements: Puttable Financial Instruments and Obligations arising on Liquidation (applicable as of January 1, 2009)
- IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- IFRIC 13 – Customer Loyalty Programes (applicable as of July 1, 2008)
- IFRIC 15 – Agreements for the Construction of Real Estate (applicable as of January 1, 2009)
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (applicable as of October 1, 2008)
- IFRIC 17 – Distributions of Non-cash Assets to Owners (applicable as of July 1, 2009)

Scope of consolidation. The consolidated financial statements of the Sika Group encompass the financial statements of Sika AG, Baar, Switzerland, as well as its subsidiaries and associated companies (see list on page 129 et seq.). In the year under review the scope of consolidation was expanded to include the following companies:

- Sichuan Keshuai Admixtures Co. Ltd., China
- Tricosal Bauabdichtungs GmbH, Germany
- Suzhou Sika Technology Co. Ltd., China
- LLC Sika Property, Ukraine
- Pelplast Utvecklings AB, Sweden

The impact of such first-time consolidation on the consolidated net profit amount is insignificant.

The scope of consolidation was reduced to exclude the following companies:

- Sika Korrosionsschutz GmbH, Germany (integrated into Sika Deutschland GmbH)
- Sarnafil Inc., USA (integrated into Sika Corporation, USA)

Consolidation method.
Basis. The consolidated financial statements are based on the balance sheets and income statements of Sika AG, Baar, Switzerland, and its subsidiaries as of December 31, 2008, prepared in accordance with uniform standards.

Subsidiaries. Companies which are controlled by Sika are fully consolidated. Their consolidation includes 100% of their assets and liabilities as well as expenses and income; minority interests in shareholders' equity and net income for the year are excluded and shown separately as part of minority interests.

Associated companies. The equity method is applied to account for investments ranging from 20% to 50%, provided that Sika has a controlling influence. The investments are included in the balance sheet under "Investments in associated companies" in terms of their percentage share in net assets; in the income statement their share in the net income for the year is reflected in "Income from associated companies."

Other minority interests. Other minority interests are carried at fair value.

Intragroup transactions. Transactions within the Group are eliminated as follows:

– Intragroup receivables and liabilities are eliminated in full
– Intragroup income and expenses and the unrealized profit margin on inventories from intragroup sales are eliminated in full

The list reflects the exchange rates of foreign currencies in Sika's major markets on various continents.

	Country	Currency		2007 Balance sheet[1] CHF	2007 Income statement[2] CHF	2008 Balance sheet[1] CHF	2008 Income statement[2] CHF
Europe							
	Euro zone	EUR	1	1.66	1.64	1.49	1.59
	Denmark	DKK	100	22.22	22.07	20.01	21.34
	Great Britain	GBP	1	2.25	2.40	1.54	2.00
	Norway	NOK	100	20.79	20.45	15.19	19.46
	Sweden	SEK	100	17.59	17.79	13.66	16.61
	Poland	PLZ	100	46.24	43.47	35.79	45.61
	Turkey	TRY	100	96.63	92.09	69.46	83.90
North America							
	Canada	CAD	1	1.15	1.12	0.87	1.02
	USA	USD	1	1.13	1.21	1.06	1.09
Latin America							
	Argentina	ARS	100	35.80	38.84	30.73	34.39
	Brazil	BRL	100	63.45	61.97	45.49	60.05
	Chile	CLP	10 000	22.62	23.08	16.59	21.08
	Colombia	COP	10 000	5.58	5.88	4.72	5.57
	Mexico	MXN	100	10.33	11.06	7.66	9.78
Asia/Pacific							
	Australia	AUD	1	0.99	1.01	0.73	0.92
	China	CNY	100	15.42	15.82	15.54	15.62
	India	INR	100	2.86	2.91	2.18	2.50
	Indonesia	IDR	10 000	1.20	1.33	0.97	1.13
	Japan	JPY	100	1.01	1.02	1.18	1.05
	Korea	KRW	10 000	12.04	12.98	8.42	10.03
	Malaysia	MYR	100	34.06	35.12	30.72	32.51
	Thailand	THB	100	3.81	3.71	3.06	3.29
Africa							
	Egypt	EGP	100	20.42	21.34	19.24	19.97
	South Africa	ZAR	100	16.54	17.07	11.32	13.28

[1] year-end rates
[2] annual average rates

Business combinations. Business combinations are recorded under the purchase method. Details on business combinations during the year under review are shown in the Notes to the Consolidated Financial Statements.

The assets, liabilities and contingent liabilities of acquired companies are valued at fair value on the date of acquisition. If the cost of an acquisition exceeds the fair value of the acquired identifiable assets, liabilities and contingent liabilities, the balance is reported as goodwill. Every negative balance resulting from the cost of an acquisition and the acquired identifiable assets and liabilities (i.e. a discount at acquisition) is directly recognized in the income statement. The interests of minority shareholders are reported at the corresponding share of fair value of the recorded assets and liabilities. Any losses attributable to minority interests that exceed the minority interest are set against the interests of the parent company.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal.

Significant accounting estimates.

Estimation uncertainty. The key assumptions concerning the future and other key sources of estimation uncertainty on the balance sheet date that have a risk of causing a material adjustment to reported amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Goodwill.

The Group determines at least once annually or upon corresponding indication whether an impairment of goodwill has occurred. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The book value of goodwill as of December 31, 2008, was CHF 253.8 mn (previous year CHF 245.0 mn). Further details are presented in Note 9.

Fair value of acquisitions.

Under IFRS 3, all assets, liabilities and contingent liabilities are valued at fair value. Newly identified assets and liabilities are also included in the balance sheet. Fair value is determined in part based on assumptions regarding factors that are subject to a degree of uncertainty, such as interest rates and sales.

Trademarks. (book value: CHF 75.6 mn)

Trademarks with an indefinite lifetime undergo an annual impairment test in which the discounted future cash flows are calculated and compared with the book value. Future cash inflows must be estimated. Actual cash inflows can thereby deviate widely from estimations. Discounting is in addition based on assumptions and estimations concerning business-specific capital costs, which are themselves dependent on national risks, credit risks, and additional risks resulting from the volatility of the respective business and the pertinent capital structure of the respective group segment.

Customer relations. (book value: CHF 118.7 mn)

Customer relations are depreciated over their estimated useful life. The estimated useful life is based on estimates of the time period during which this intangible asset generates cash flows, as well as historic empirical data concerning customer loyalty. Calculation of the present value of estimated future cash flows includes essential assumptions, especially of future sales. Discounting is in addition also based on assumptions and estimations concerning business-specific capital costs, which are themselves dependent on national risks, credit risks, and additional risks resulting from the volatility of the respective business and the pertinent capital structure of the respective group segment.

Deferred tax assets. (book value: CHF 62.6 mn)
Deferred tax credits resulting from unrealized tax losses brought forward or timing differences are recorded to the extent that a realization of the corresponding tax advantage is probable. The assessment of the probability of the realization of a tax advantage requires assumptions based on the history of the respective company and on data budgeted for the future.

Employee benefits obligations. (net liability: CHF 83.8 mn)
The Group maintains various employee benefit plans. Diverse statistical and other variables are used in the calculation of expenses and liabilities to estimate future developments. These variables include estimations and assumptions concerning the discounting interest rate, expected income from plan assets as well as future wage and salary increases established by the management within certain guidelines. In addition for actuarial calculation of benefit liabilities actuaries employ statistical information such as withdrawal or death probabilities, which can deviate significantly from actual results due to changes in market conditions, the economic situation as well as fluctuating rates of withdrawal and shorter or longer lifespan of benefit plan participants.

Provisions. (book value: CHF 107.1 mn)
The calculation of provisions requires assumptions about the probability, size and timely occurrence of an outflow of resources that represent economic value. As far an outflow of resources is probable and a reliable estimation is possible, a provision is recorded.

VALUATION PRINCIPLES.

Conversion of foreign currencies. The financial statements of subsidiaries outside Switzerland are converted into Swiss francs as follows:

– Balance sheet at year-end rates
– Income statements at annual average rates
– Cash flow at annual average rates

Resulting translation differences are recorded separately under changes in shareholders' equity. Foreign currency transactions are first translated to the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in a foreign currency are translated into the functional currency on every balance sheet date by applying exchange rates valid on the balance sheet date. All exchange rate differences are recorded in the income statement. In 2007 and 2008 none of the countries in which Sika has subsidiaries experienced hyperinflation. The rates listed on page 88 were applied for translation of local currencies to Swiss francs.

Segment reporting. Segment reporting reflects the Sika Group structure and its division into business areas (primary segment) and regional sectors (secondary segment). The primary segment encompasses the Construction as well as the Industry Divisions. The secondary segment represents the geographic regions: Europe North and South, North and Latin America, IMEA (India, Middle East, Africa) and Asia/Pacific. Assets and liabilities include all balance sheet items that are directly attributable to a segment or which could logically be assigned to an operating division.

Financial assets and liabilities. Distinctions are made between the following categories of financial assets and financial liabilities:

- Financial assets and financial liabilities for trading purposes as well as derivatives, "at fair value through profit and loss": these are primarily obtained for the purpose of profiting from price fluctuations. They are set in the balance sheet at fair value and adjusted to its development. All fluctuations in value are represented in the financial result.
- "Held to maturity investments": these include fixed-term investments that the Group is willing and able to hold until maturity. They are measured at amortized cost using the effective interest method.
- "Loans and receivables" granted by the company: this category includes loans granted and credit balances. The valuation occurs at nominal value insofar as repayment within one year is foreseen. Otherwise they are classified as assets held-to-maturity.
- All other financial assets are classified as disposable: available-for-sale. The valuation occurs at fair value, with fluctuations in value recorded in shareholders' equity. Upon sale, permanent depreciation in value or other divestiture, the cumulative profits or losses recorded in shareholders' equity are shown in the financial result of the current period.

All purchases and sales of financial assets and liabilities are recorded on the settlement date. Financial assets are derecognized when Sika loses the right in which the financial asset value consists. Normally this occurs through the sale of assets or the repayment of granted loans or accounts receivable. The financial liabilities include financing debts that are valued at their original cost. Long-term debts are valued at amortized cost (see Note 30). Financial liabilities are derecognized when repaid.

On each balance sheet date the Group determines whether a financial asset is impaired. If objective evidence exists that an impairment of financial assets carried at amortized cost has occurred, then the amount of the impairment results from the difference between the book value of the asset and the present value of anticipated future cash flows. If in the case of accounts receivable there is objective evidence that not all due amounts will be rendered according to originally agreed invoicing conditions (as for example in high probability of insolvency or significant financial difficulties of a debtor), then an impairment is carried out through use of a value adjustment account. Derecognition of receivables occurs when they are assessed as uncollectible. If an available-for-sale asset is impaired in its value, an amount equal to the difference between its purchase cost and current fair value is transferred from shareholders' equity to the income statement.

Balance sheet.

Cash and cash equivalents. The position includes cash and cash equivalents.

Securities. Carried in this category are marketable securities. Sika has classified all securities and fixed deposits as available-for-sale in order to derive profits from short-term price fluctuations.

Receivables. Accounts receivable are recorded after provisions for doubtful debts determined on the basis of prudent commercial principles. Calculations of doubtful debts are based on a general valuation adjustment, which in turn depends on the default period. In addition, a special provision is applied to receivables classified as doubtful.

Inventories. Raw materials are carried at acquisition cost (weighted average); finished products are carried at manufacturing cost, however at the highest at their net realizable sales value. Nonmarketable inventories are adjusted for value.

Other current assets. This item includes accrued income unrelated to accounts receivable.

Depreciation in value of non-current assets (impairment). The impairment of property, plant and equipment as well as intangible assets is reviewed if events or changed circumstances indicate that an over-valuation of book values appears possible. If the book value exceeds the recoverable value, a special depreciation allowance is recorded to reduce the book value to the estimated recoverable level on the basis of discounted, anticipated future cash flows. Details on impairment of goodwill are found under “intangible assets” in Note 9.

Property, plant and equipment. Property, plant and equipment are carried at acquisition cost, less accumulated depreciation required for business purposes. The capitalization is made based on components. Leased property, plant and equipment are capitalized if qualified as finance lease. Value-enhancing expenses are capitalized and depreciated over their useful life. Repair, maintenance and replacement costs are charged directly to the income statement. Depreciation under the straight-line method is based on the anticipated useful life of the asset, including its operational usefulness and age-related technical viability. Impairments are recorded when the book value no longer appears recoverable. Property, plant and equipment are grouped into cash-generating units for impairment-testing purposes.

DEPRECIATION SCHEDULE

Buildings	25 years
Infrastructure	15 years
Plants and machinery	10 years
Furnishings	6 years
Vehicles	4 years
Laboratory equipment and tools	4 years
IT Hardware	4 years

Leasing. Fixed assets acquired under finance leasing contracts and therefore owned by the Group in respect to risks and rewards of ownership, are classified under finance leasing. Such assets are carried at current market value or the lower present value of future, irrevocable lease payments and are reported as non-current assets and financial indebtedness. Assets classified as finance leasing are depreciated over their estimated useful life or amortized over a shorter leasing contract. Unrealized earnings from sale and leaseback transactions that fall under the definition of finance leasing are shown as a liability and realized over the term of the leasing contract. Payments on operating leases are recorded as operating expense and accordingly charged to the income statement.

Deferred taxes (Assets/Liabilities). Deferred taxes are considered under the liability method. According to this method the effects on income taxes resulting from temporary differences between Group-internal and taxable balance sheet values are recorded as non-current liabilities or respectively as non-current assets. The actual or anticipated tax rates are decisive. Changes in deferred taxes are reflected in the tax expense. Accrued taxes including those that can be applied to tax losses brought forward are considered to the extent that their realization is probable. Deferred taxes are offset against all taxable temporary differences insofar as the accounting regulations foresee no exceptions.

Intangible assets. In-house developed patents, trademarks and other rights are not capitalized. Research and development expenditures are included in the income statement, since it does not fulfill the criteria of capitalization. Acquired intangible assets are as a rule capitalized and written off using the straight-line method. Regular write-offs of intangible assets are recorded under "Amortizations" in the income statement.

AMORTIZATION SCHEDULE

Software	2–3 years
Patents	5 years
Customer relations	2–20 years

Goodwill arising from acquisitions, technology and customer relations is capitalized and subject to an annual impairment test. Impairments are recognized in the income statement. The original value is not reinstated at a later date. Acquired trademarks are amortized insofar as a useful life can be determined. Otherwise trademarks are not amortized but undergo an annual impairment test.

Assets held for sale. This item consists of long-term assets designated to be disposed of through sale or other means. Long-term assets held for sale are shown at book value or at market value less disposal costs if lower. Book value is not derived from continued use, but rather from a sales transaction with high probability. Assets held for sale are shown on the balance sheet separately. In the year under review there were no such assets at hand.

Liabilities. Current liabilities consist of liabilities with maturities of less than twelve months and deferred income. Tax liabilities include taxes due and accrued. Non-current liabilities include loans and provisions with a term of more than one year.

Provisions. Provisions required for liabilities from guarantees, warranties and environmental risks as well as restructuring are carried as liabilities. Provisions are only carried if Sika has a third-party liability that is based on a past event and can be reliably assessed. Potential losses due to future incidents are not carried in the balance sheet.

Employee benefit plans. The Group maintains benefit plans that differ in accordance with local practices. Group contributions to defined-contribution plans are recognized in the income statement. Defined-benefit plans are administered either through self-governed pension funds or recorded in the balance sheet. The amount of the liabilities resulting from defined-benefit is regularly determined by independent experts under application of the projected-unit-credit method. Actuarial gains and losses are recorded in the income statement when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation or of the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans. Asset surpluses of employee pension funds are considered under application of IFRIC 14 only to the extent of possible future reimbursement or reduction of contributions.

Capital stock. The capital stock is equal to the par value of all issued bearer and registered shares.

Capital surplus. This entry consists of the value of paid-in capital in excess of par value (less transaction costs).

Treasury shares. Treasury shares are valued at acquisition cost in the consolidated balance sheet and as a negative entry in shareholders' equity. Differences between purchase price and sales proceeds of treasury shares are shown as a change in retained earnings.

Currency translation differences. This entry consists of the differential amount of assets, liabilities, income and expenses of group companies not reporting in Swiss francs, translated into in Swiss francs for consolidation purposes.

Fluctuations in value of financial instruments. Fluctuations in value of financial instruments are recorded in shareholders' equity and transferred to the income statement in case of a sustained depreciation or disposal.

Retained earnings. Retained earnings comprise accumulated retained earnings of the group companies that are not distributed to shareholders as well as profit/loss of treasury shares. Profit distribution is subject to local legal restrictions.

Income statement.

Net sales. Proceeds from the sale of goods are only reported in the income statement if risks and rewards of ownership have been substantially transferred to the purchaser, the proceeds can be determined reliably and payment is assumed likely. Sales represent the invoiced sales and service transactions with customers, at sales prices less discounts granted.

Personnel expenses. Personnel expenses include all payments to persons standing in an employment relationship with Sika. This item also encompasses such expenditures as pension fund contributions, variable salary components, termination pay, health insurance contributions as well as taxes and levies directly associated with personnel compensation.

Research and development. Research and development expenses are recorded in the income statement. Development expenses are not capitalized because the conditions for capitalization have not been met.

Depreciation. Assets are depreciated using the straight-line method based on the useful life of the asset and its recoverable value.

Interest expense/other financial expenses. All interest and other expenses paid for the procurement of loans are charged to the income statement.

Interest income/other financial income. Interest income is recorded and timely apportioned using the effective interest method. Dividend income is recorded at the time at which the right of receipt occurs.

Income taxes. The reported income tax expenses include income taxes based on current taxable income, and deferred taxes. Taxes on equity and withholding taxes from the transfer of dividends and licenses are included in Other operating expenses.

Notes on accounting principles and general notes to the statements are presented in the “Principles of Consolidation and Valuation” on page 86 et seq.

1 CASH AND CASH EQUIVALENTS. CHF 318.3 mn (CHF 438.1 mn)
As part of the Group cash management the Group’s cash and cash equivalents are pooled. The position contains cash equivalents with a maturity of less than three months.

2 SECURITIES. CHF 3.1 mn (CHF 5.4 mn)
This item contains marketable securities.

3 ACCOUNTS RECEIVABLE. CHF 778.7 mn (CHF 861.1 mn)
The following table shows accounts receivable, the development of the allowance for doubtful accounts as well as the portion of not overdue and overdue receivables including their age distribution. Accounts receivable are non-interest-bearing and are generally due within 30–90 days.

ACCOUNTS RECEIVABLE

in CHF mn	**2007**	**2008**
Receivables	922.1	840.8
Allowance for doubtful accounts	-61.0	-62.1
Net accounts receivable	**861.1**	**778.7**

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

in CHF mn	**2007**	**2008**
January 1	48.2	61.0
Allowance for acquired/sold businesses	-0.2	0.7
Income statement-related allowances	45.9	47.3
Reversal or utilization of allowances	-33.1	-39.7
Exchange differences	0.2	-7.2
December 31	61.0	62.1

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

in CHF mn	**2007**	**2008**
Net accounts receivable	**861.1**	**778.7**
of which		
not overdue	663.1	586.1
past due < 31 days	135.4	119.9
past due 31–60 days	45.9	45.7
past due 61–180 days	36.1	40.8
past due > 181 days	41.6	48.3
allowance for doubtful accounts	-61.0	-62.1

The allowance for doubtful accounts is the difference between the nominal value of receivables and the actually realizable amount.

The building up and reversal of allowances for doubtful accounts are recorded in other operating expenses. Amounts entered as allowances are usually deleted when payment is no longer expected.

4 INVENTORIES. CHF 512.7 mn (CHF 499.7 mn)
Inventory write-offs amount to CHF 21.3 mn (CHF 12.8 mn). Material expenses have been adjusted for this amount.

in CHF mn	2007	2008
Raw materials and supplies	145.5	150.4
Semi-finished goods	34.8	39.6
Finished goods	274.7	263.4
Merchandise	44.7	59.3
Total	**499.7**	**512.7**

5 ACCRUED INCOME AND OTHER CURRENT ASSETS. CHF 131.0 mn (CHF 111.5 mn)
This item includes derivatives of CHF 19.9 mn (CHF 8.4 mn), accrued income and prepayments of CHF 74.5 mn (CHF 53.1 mn) as well as a loan to an associated company of CHF 8.3 mn (CHF 0.0 mn).

6 PROPERTY, PLANT AND EQUIPMENT. CHF 832.9 mn (CHF 831.4 mn)

in CHF mn	Property	Plant	Equipment	Total
As of January 1, 2007				
Acquisition cost	111.0	559.8	1 133.0	1 803.8
Cumulative depreciation and impairment	-3.2	-306.0	-730.3	-1 039.5
Net values as of January 1, 2007	**107.8**	**253.8**	**402.7**	**764.3**
Additions	8.6	14.6	155.8	179.0
Acquired on acquisition[1]	0.0	0.0	0.3	0.3
Exchange differences	0.4	-0.9	-2.0	-2.5
Disposals	-0.9	-2.5	-4.8	-8.2
Disposal of subsidiary[2]	0.0	-0.2	-1.0	-1.2
Reclassifications[4]	2.0	26.0	-28.2	-0.2
Depreciation charge for the year	0.0	-21.9	-79.3	-101.2
Impairment	0.0	-0.3	-1.7	-2.0
Reversal of impairment	2.6	0.5	0.0	3.1
As of December 31, 2007	**120.5**	**269.1**	**441.8**	**831.4**
As of January 1, 2008				
Acquisition cost	121.3	581.9	1 221.7	1 924.9
Cumulative depreciation and impairment	-0.8	-312.8	-779.9	-1 093.5
Net values as of January 1, 2008	**120.5**	**269.1**	**441.8**	**831.4**
Additions	5.2	8.5	178.2	191.9
Acquired on acquisition[3]	0.7	7.2	3.4	11.3
Exchange differences	-12.9	-24.6	-36.7	-74.2
Disposals	-8.9	-8.7	-6.3	-23.9
Reclassifications[4]	0.0	4.3	-6.9	-2.6
Depreciation charge for the year	0.0	-20.2	-80.8	-101.0
As of December 31, 2008	**104.6**	**235.6**	**492.7**	**832.9**
Acquisition cost	105.2	544.1	1 243.1	1 892.4
Cumulative depreciation and impairment	-0.6	-308.5	-750.4	-1 059.5
Net values as of December 31, 2008	**104.6**	**235.6**	**492.7**	**832.9**

[1] MRT Construction Products
[2] Sarna Plastec AG, bituminous coatings
[3] Valspar, Tricosal, Tricosal BBZ, Garland, Keshuai, Cappar, Pelplast
[4] Plants and buildings under construction are reclassified after completion

Sika applied the cost model to all classes of property disclosed in this table.

The item “property, plant and equipment” includes revenue-generating real estate with a book value of CHF 0.9 mn (CHF 12.3 mn). Real estate held as a financial investment is valued at acquisition cost and depreciated on a straight-line basis over 25 years. Deviations from fair value are insignificant.

REAL ESTATE HELD AS FINANCIAL INVESTMENT

in CHF mn	2007	2008
As of January 1	14.8	12.3
Disposals	-2.0	-11.1
Depreciation expense	-0.5	-0.3
As of December 31	12.3	0.9
Amounts included in profit and loss		
Rental revenue	1.8	0.3
Operational expenses	0.5	0.1

In principle all plants are owned by subsidiaries. Smaller plants as well as the new adhesive plant, the new R&D center and the logistics center of Sika Schweiz AG are financed by means of operating lease. Operating leases relate also to data processing equipment and copiers as well as vehicles used by the sales force. Leasehold contracts are insignificant. Plant and equipment includes machinery, vehicles, equipment, furnishings and hardware. Book values of the mortgaged properties are insignificant.

in CHF mn	Operating leases		Finance leases					
	2007	2008	2007			2008		
	Minimum payments	Minimum payments	Minimum payments	Interest	Present value of payments	Minimum payments	Interest	Present value of payments
wthin 1 year	38.6	41.0	7.3	0.4	6.9	0.2	0.1	0.1
2–5 years	88.4	93.6	1.5	0.4	1.1	1.3	0.4	0.9
over 5 years	113.7	109.4	0.9	0.1	0.8	4.2	1.2	3.0
Total	**240.7**	**244.0**	**9.7**	**0.9**	**8.8**	**5.7**	**1.7**	**4.0**

INSURANCE VALUES

in CHF mn	2007	2008
Buildings	942	994
Equipment	1 226	1 310

7 ASSOCIATED COMPANIES (PARTICIPATIONS BETWEEN 20% AND 50%). CHF 19.6 mn (CHF 16.0 mn)

in CHF mn	2007	2008
Sika Gulf B.S.C., Bahrain[1]		
Capital stock in CHF mn	3.0	2.8
Held by Sika AG, Baar: 45%	1.4	1.3
Sales	37.0	47.7
Profit	4.4	7.6
Assets	25.8	28.5
Liabilities	23.7	19.9
Addiment Italia S.r.l.[2]		
Capital stock in CHF mn	0.0	0.0
Held by Sika AG, Baar: 50%	0.0	0.0
Sales	35.5	34.8
Profit	3.1	3.7
Assets	26.9	31.8
Liabilities	9.6	10.3
All others[3]		
Capital stock in CHF mn	0.9	0.8
Held by Sika AG, Baar	0.4	0.5
Sales	44.8	66.1
Profit	2.4	3.4
Assets	16.8	36.5
Liabilities	8.5	19.8

[1] Sika Gulf B.S.C., Bahrain, manufactures concrete admixtures and ready-to-use mortar for the supply of countries in the Middle East.
[2] Deconsolidated on 1/1/2007, capital stock amounts to EUR 10 000
[3] part GmbH, Germany; Condensil SARL, France; Hayashi-Sika, Japan; Chemical Sangyo, Japan; Sarna Granol AG, Switzerland; Copsa, Spain; Disavimos, Colombia

8 OTHER FINANCIAL ASSETS. CHF 7.6 mn (CHF 18.0 mn)

Other financial assets consist of financial assets held for sale of CHF 7.6 mn (CHF 9.2 mn). In the previous year the position included a loan to an associated company in the amount of CHF 8.8 mn. That position can now be found under Other current assets (Note 5).

9 INTANGIBLE ASSETS. CHF 524.9 mn (CHF 462.6 mn)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangible assets	Total
As of January 1, 2007						
Acquisition costs	256.9	77.0	72.4	120.9	62.6	589.8
Cumulative amortization and impairment	-8.0	-61.0	0.0	-9.7	-24.7	-103.4
Net values as of January 1, 2007	**248.9**	**16.0**	**72.4**	**111.2**	**37.9**	**486.4**
Additions	0.0	6.7	0.0	0.0	0.1	6.8
Acquired on acquisition[1]	1.1	0.0	0.0	0.0	2.0	3.1
Exchange differences	-0.5	0.1	0.0	-2.5	0.1	-2.8
Disposals	0.0	-0.2	0.0	0.0	0.0	-0.2
Disposals of subsidiaries[2]	-4.5	0.0	0.0	0.0	0.0	-4.5
Reclassifications (net)	0.0	0.2	1.6	0.0	-1.4	0.4
Amortization for the year	0.0	-9.3	-0.8	-7.2	-9.3	-26.6
As of December 31, 2007	**245.0**	**13.5**	**73.2**	**101.5**	**29.4**	**462.6**
As of January 1, 2008						
Acquisition costs	254.0	81.4	75.2	114.6	60.5	585.7
Cumulative amortization and impairment	-9.0	-67.9	-2.0	-13.1	-31.1	-123.1
Net values as of January 1, 2008	**245.0**	**13.5**	**73.2**	**101.5**	**29.4**	**462.6**
Additions	2.4	37.9	0.2	0.0	0.3	40.8
Acquired on acquisition[3]	27.7	0.0	3.1	27.6	13.9	72.3
Exchange differences	-15.3	-0.8	0.0	-2.8	-1.2	-20.1
Disposals	0.0	-0.1	0.0	0.0	-0.1	-0.2
Reclassifications (net)	0.0	2.6	0.0	0.0	0.0	2.6
Amortization for the year	0.0	-8.4	-0.9	-7.6	-10.2	-27.1
Impairment	-6.0	0.0	0.0	0.0	0.0	-6.0
As of December 31, 2008	**253.8**	**44.7**	**75.6**	**118.7**	**32.1**	**524.9**
Acquisition costs	266.2	112.1	78.5	139.2	71.1	667.1
Cumulative amortization and impairment	-12.4	-67.4	-2.9	-20.5	-39.0	-142.2
Net values as of December 31, 2008	**253.8**	**44.7**	**75.6**	**118.7**	**32.1**	**524.9**

[1] MRT Construction Products
[2] Sarna Plastec AG, bituminous coatings
[3] Valspar, Tricosal, Tricosal BBZ, Garland, Keshuai, Cappar, Pelplast

The intangible assets (except goodwill and trademarks) are amortized over a finite useful life. Acquired trademarks are amortized insofar as a useful life can be determined. In other cases trademarks are not amortized but undergo an annual impairment test. Trademarks usually have an indefinite useful life because they are influenced by internal and external factors such as strategic decisions, competitive and customer behaviour, technical development and altered market requirements. The carrying value of trademarks with an indefinite useful life amounts to CHF 72.4 mn. The impairment test is based on estimated sales attributable to the trademark. Assumed thereby is a growth rate of 5% for the planning period and 2.1% outside of the planning period. The discount rate amounts to 11.2%.

The addition of CHF 2.4 mn to goodwill results from the buyout of minority interests.

Goodwill items tested for impairment. All goodwill items were tested for impairment based on the discounted cash flow method using management-approved plan data and cash flow forecasts. The forecast horizon is generally five years. The forecast is based on growth rates which corresponds to market expectations and amounts to -5% for Automotive Europe and 2–11% for the other cash-generating units. The goodwill positions are also recoverable at considerably lower growth rates and changes to the other test parameters. An exception to this is the cash-generating unit Automotive Europe, for which a goodwill impairment became necessary. The cash flow forecasts for periods beyond the planning horizon are projected using growth rates of 0–3%. The applied discount rates varied by country from 9–21% (prior year: 10–18%) and are based on the interest rate for risk-free investments plus a risk premium. The individual local companies were identified as the lowest cash-generating units. In the context of the Sarna acquisition, goodwill has been allocated to the regional markets.

GOODWILL ASSIGNED TO CASH-GENERATING UNITS

in CHF mn	Growth rates	Discount rates	2007	2008
Roofing USA	1.0%	9.9%	45.8	43.0
Roofing Europe	1.7%	9.3%	97.1	97.1
Automotive Europe	2.5%	10.8%	65.3	52.8
Construction business Germany	2.0%	10.8%	20.6	21.8
Various	0–3%	10.1–20.8%	16.2	39.1
Total			**245.0**	**253.8**

Due to the sales crisis in the automotive industry and the sales decline forecast for the next years for the cash-generating unit Automotive Europe, an impairment loss of CHF 6.0 mn was resulting in the year under review.

Acquisitions 2007. In 2007 Sika acquired assets of MRT Construction Products, Canada. Total purchase price was CHF 5.7 mn including goodwill of CHF 1.1 mn.

Acquisitions 2008. On June 26, 2008 Sika acquired assets and liabilities of Tricosal GmbH & Co. KG, Germany.

ACQUIRED NET ASSETS

in CHF mn	Book value	Market value adjustments	Market value
Cash in bank and cash on hand	0.1	0.0	0.1
Accounts receivable and other receivables	4.2	0.0	4.2
Inventories	5.7	0.3	6.0
Property, plant and equipment	3.9	3.1	7.0
Intangible assets	10.1	-1.7	8.4
Deferred tax assets	0.0	1.0	1.0
Total assets	**24.0**	**2.7**	**26.7**
Accounts payable and other liabilities	5.5	0.0	5.5
Leasing liabilities	2.8	0.0	2.8
Provisions	0.8	0.0	0.8
Employee benefit assets	1.8	0.1	1.9
Total liabilities	**10.9**	**0.1**	**11.0**
Net assets	**13.1**	**2.6**	**15.7**
Goodwill from acquisition			3.5
Total purchase consideration			**19.2**
Cash in bank and cash on hand			-0.1
Payments still due			-2.4
Net cash outflow			**16.7**

If the company had been acquired on the first day of the business year, Sika would have posted additionally CHF 15.2 mn in consolidated net sales and unchanged EBIT. Since the acquisition, Tricosal contributed sales and earnings of CHF 16.3 mn and CHF -0.3 mn, respectively.

Acquisitions 2008. In 2008 Sika acquired various businesses or parts of businesses.

ACQUIRED NET ASSETS

in CHF mn	Book value	Market value adjustments	Market value
Cash in bank and cash on hand	1.4	0.0	1.4
Accounts receivable and other receivables	10.5	0.0	10.5
Inventories	7.1	0.4	7.5
Property, plant and equipment	2.5	1.9	4.4
Intangible assets	1.0	34.5	35.5
Deferred tax assets	0.0	0.6	0.6
Total assets	**22.5**	**37.4**	**59.9**
Accounts payable and other liabilities	4.9	0.0	4.9
Bank loans	2.5	0.0	2.5
Provisions	1.1	2.3	3.4
Employee benefit assets	0.2	0.0	0.2
Taxes payable	0.0	3.2	3.2
Total liabilities	**8.7**	**5.5**	**14.2**
Net assets	**13.8**	**31.9**	**45.7**
Minority interest			-2.0
Acquired net assets			**43.7**
Goodwill from acquisitions			24.2
Total purchase consideration			**67.9**
Cash in bank and cash on hand			-1.4
Payments still due			-8.7
Net cash outflow			**57.8**

Overall the following acquisitions were recorded:

- Industrial flooring business of The Valspar Corporation, USA (1/9/2008)
- Industrial flooring business of ICS Garland, Inc., USA (5/1/2008)
- Majority stake (80%) of Sichuan Keshuai Additive Co.Ltd., China (6/1/2008)
- Cappar Ltd., Canada (9/4/2008)
- Pelplast Utvecklings AB, Sweden (10/13/2008)
- Tricosal BBZ AG, Switzerland (10/31/2008)

Had all acquisitions occurred on the first day of the business year, consolidated net sales would have been CHF 23.5 mn higher and consolidated net profit attributable to shareholders CHF 1.3 mn lower. Since the acquisitions, the acquired businesses contributed sales and earnings of CHF 47.7 mn and CHF -0.5 mn, respectively.

In the case of the acquisition of Sichuan Keshuai Additive Co. Ltd., the purchase price allocation regarding intangible assets (CHF 19.8 mn) is considered provisional.

10 DEFERRED TAXES.

UNUSED LOSSES BROUGHT FORWARD

in CHF mn	2007	2008
1 year or less	0.1	–
2–5 years	0.5	6.5
over 5 years	16.0	15.4
Total	**16.6**	**21.9**

DEFERRED TAX

in CHF mn			2007			2008
	Assets	Liabilities	Net	Assets	Liabilities	Net
Category						
January 1[1]	44.7	-55.3	-10.6	55.1	-56.8	-1.7
Credited (+)/debited (-) to income statement[1]	10.8	-3.2	7.6	10.6	-7.7	2.9
Exchange differences	-0.4	1.5	1.1	-6.3	3.6	-2.7
Acquisitions/divestments	0.0	0.2	0.2	3.2	-4.9	-1.7
December 31	**55.1**	**-56.8**	**-1.7**	**62.6**	**-65.8**	**-3.2**

ALLOCATION OF ASSETS AND LIABILITIES

in CHF mn			2007			2008
	Assets	Liabilities	Net	Assets	Liabilities	Net
Category						
Tax losses brought forward	2.0	–	2.0	4.4	–	4.4
Current assets	19.9	-8.1	11.8	18.0	-8.0	10.0
Property, plant and equipment	4.5	-20.3	-15.8	4.7	-23.4	-18.7
Other non-current assets	1.5	-23.1	-21.6	2.9	-30.2	-27.3
Liabilities[1]	27.2	-5.3	21.9	32.6	-4.2	28.4
Total	**55.1**	**-56.8**	**-1.7**	**62.6**	**-65.8**	**-3.2**

[1] Restatement of prior year figures due to application of IFRIC 14 (note 11)

Tax losses brought forward are only considered to the extent that realization of the associated tax credit is probable. Deferred tax assets from tax losses brought forward in the amount of CHF 0.5 mn (CHF 2.4 mn) are not considered.

In the year under review deferred tax assets from tax losses brought forward of CHF 0.3 mn (CHF 0.3 mn) were offset and deferred tax assets from losses brought forward of CHF 2.4 mn (CHF 1.4 mn) were generated.

11 EMPLOYEE BENEFIT PLANS AND EXPENSES.

Employee benefit plans. Of the obligation of net CHF 83.8 mn (CHF 90.3 mn) recognized in the balance sheet, CHF 99.5 mn (CHF 107.2 mn) are posted under liabilities and CHF 15.7 mn (CHF 16.9 mn) under assets.

in CHF mn	2007	2008
Employee benefit plans with defined benefits	107.2	99.5
Other employee commitments	30.8	28.2
Total	**138.0**	**127.7**

The majority of the subsidiaries maintain defined-contribution plans in line with the laws of the country in which they operate. The plans are usually carried by insurance companies. 31 Group companies maintain defined-benefit plans. Among these companies are the German and French subsidiaries, which post employee benefit obligations in their respective balance sheets, and the Sika companies in Switzerland, which rely on independent foundations for this purpose.

Sika companies in Switzerland also maintain a plan that allows for early retirement; in the year under review 25 employees took advantage of this opportunity. Pension liabilities and terminal payments are determined by actuarial appraisals.

Other employee commitments contain jubilee premiums and similar benefits.

Defined-benefit plans. For defined-benefit plans the present value of ensured retirement provisions (Defined-Benefit Obligation, DBO) is calculated periodically by independent actuaries applying the “Projected-Unit Credit Method” based on years of service, anticipated salary and pension development and the anticipated return on investment of assets. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded 10% of the higher of the defined obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

ACTUARIAL PRESENT VALUE OF DEFINED-BENEFIT OBLIGATION (DBO)

in CHF mn	2007	2008
Opening balance	**515.8**	**536.3**
Current service cost	12.9	22.0
Interest cost	16.3	19.4
Contributions by plan participants	8.1	8.2
Actuarial gains(-)/losses(+)	14.8	-6.1
Exchange differences	3.6	-12.4
Benefits paid	-19.2	-20.1
Past service costs	0.0	0.5
Business combinations and others	-15.6	20.1
Settlements	-0.4	0.0
Closing balance	**536.3**	**567.9**

FAIR VALUE OF PLAN ASSETS

in CHF mn	2007	2008
Opening balance	**456.3**	**462.3**
Expected return on plan assets	19.7	21.9
Actuarial gains(+)/losses(-)	1.3	-100.3
Exchange differences	0.2	-1.4
Contributions by employer	13.6	18.8
Contributions by plan participants	8.1	8.2
Benefits paid	-13.7	-13.2
Business combinations and others	-23.2	17.1
Settlements	0.0	-0.1
Closing balance	**462.3**	**413.3**

STATUS

in CHF mn	2007	2008
Actuarial present value of defined-benefit obligations (DBO)	536.3	567.9
Fair value of plan assets	462.3	413.3
Deficit(+)/Surplus(-)	**74.0**	**154.6**
Unrecognized actuarial loss(-)/gain(+)[1]	-8.9	-82.6
Unrecognized past service costs	-0.1	-0.5
Unrecognized assets[1]	25.3	12.3
Net liability recognized in balance sheet[2]	**90.3**	**83.8**

[1] Restatement of prior year figures due to application of IFRIC 14, page 110
[2] Of net liability recognized in balance sheet after value adjustments, CHF 15.7 mn (previous year CHF 16.9 mn) are contained in assets, while CHF 99.5 mn (previous year 107.2 mn) are shown under liabilities.

INCOME STATEMENT

in CHF mn	2007	2008
Current service costs	12.9	22.0
Interest expenses	16.3	19.4
Anticipated return on investments	-19.7	-21.9
Actuarial gains(-)/losses(+)[1]	6.2	20.0
Past service costs	0.0	0.1
The effect of any curtailments and settlements	3.4	0.1
The effect of the limit in Par. 58b[1]	0.9	-13.0
Net periodic benefit costs	**20.0**	**26.7**
Actual gain(-)/loss(+) on plan assets	-21.0	78.4

[1] Restatement of prior year figures due to application of IFRIC 14 (page 110)

Expected contributions to defined-benefit plans for 2009 amount to CHF 17.8 mn.

Personnel expenses. The Group's entire expense for personnel is recorded in the Consolidated Income Statement under "Personnel expenses."

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in % of market value	2007	2008
Shares	38.6	34.6
Bonds	39.2	38.1
Real estate	14.1	17.9
Other assets	8.1	9.4
Total	**100.0**	**100.0**

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2007	2008
Shares	20.3	8.6
Bonds/loans	0.6	0.5
Property occupied by Sika	13.2	13.2
Total	**34.1**	**22.3**

ANNUAL COMPARISON IN ABSOLUTE TERMS

in CHF mn	2004	2005	2006	2007	2008
Actuarial present value of defined-benefit obligations (DBO)	301.3	465.5	515.8	536.3	567.9
Fair value of plan assets	216.4	385.7	456.3	462.3	413.3
Deficit(+)/Surplus(-)	**84.9**	**79.8**	**59.5**	**74.0**	**154.6**
Experience adjustments on plan liabilities			7.8	16.5	-11.7
Experience adjustments on plan assets			21.8	2.5	-100.1

The stated deficit results in large part from the DBO of the unfunded benefit plans of CHF 84.6 mn (CHF 106.2 mn). Primarily plans in Germany do not have segregated assets.

ANALYSIS OF THE DEFINED-BENEFIT OBLIGATION FROM FUNDED AND UNFUNDED PLANS

in CHF mn	2007	2008
Funded plans	430.1	483.3
Unfunded plans	106.2	84.6
Total	**536.3**	**567.9**

ACTUARIAL ASSUMPTIONS

	2007	2008
Discount rate in the year under review (%)	3.5	3.8
Return on investment[1] in the year under review (%)	4.5	4.5
Pension trend (%)	0.7	0.6
Salary trend (%)	2.1	2.1
Number of insured employees	4 372	4 609
Number of insured retired persons	1 252	1 311
Total number of defined-benefit plans	28	29
thereof number of defined-benefit plans funded	8	9
thereof number of defined-benefit plans unfunded	20	20

[1] The return on investment was established for the individual investment categories based on investment strategies and expected returns.

Healthcare cost increases do not have an influence on future service cost nor the present value of defined benefit obligations.

IMPACT OF IFRIC 14 ON PREVIOUS YEAR FIGURES

in CHF mn	1/1/2007	12/31/2007
Balance sheet		
Employee benefit assets (assets, before IFRIC 14)	10.4	10.4
Restatement due to IFRIC 14	8.6	6.5
Employee benefits assets (restated)	**19.0**	**16.9**
Deferred tax liabilities (liabilities, before IFRIC 14)	-54.2	-53.7
Restatement due to IFRIC 14	-1.1	-3.1
Deferred tax liabilities (restated)	**-55.3**	**-56.8**
Total impact on retained earnings	**7.5**	**3.4**
	1/1–12/31/2007	
Income statement		
Personnel expenses	924.0	
Restatement due to IFRIC 14	2.1	
Personnel expenses (restated)	**926.1**	
Income taxes	135.7	
Restatement due to IFRIC 14	2.0	
Income taxes (restated)	**137.7**	
Total impact on consolidated net profit	**-4.1**	

12 BANK OVERDRAFTS AND LOANS. CHF 13.5 mn (CHF 17.3 mn)
Short-term bank loans amounted to CHF 13.3 mn (CHF 9.6 mn). In addition, long-term bank loans and mortgages of CHF 0.2 mn (CHF 7.7 mn) are reported. To safeguard the liquidity of Sika AG a syndicated credit facility of CHF 450 mn (CHF 450 mn) is available until November 15, 2010, and was unused at the end of the reporting period. In addition, within the Group's cash pooling, a credit limit of CHF 50 mn (CHF 50 mn) is available. Some Group companies have proprietary but overall insignificant credit limits at their disposal.

13 NON-CURRENT LIABILITIES DUE WITHIN 12 MONTHS. CHF 0.1 mn (CHF 7.6 mn)
Non-current liabilities due in the next twelve months are being classified as current liabilities. The position includes other financial liabilities (mainly finance leasing) amounting to CHF 0.1 mn (CHF 6.9 mn) but no bank loans (CHF 0.7 mn).

14 ACCOUNTS PAYABLE. CHF 398.1 mn (CHF 438.5 mn)
Accounts payable do not bear interest and will usually become due within 30 to 60 days.

15 ACCRUED EXPENSES. CHF 197.4 mn (CHF 195.6 mn)
Deferred income and accrued expenses relate to outstanding invoices and liabilities of the current year, including performance-based compensation payable to employees in the following year and social security expenses.

16 OTHER CURRENT LIABILITIES. CHF 22.0 mn (CHF 10.2 mn)
Included here are all other current liabilities with open derivative financial instruments of the category "fair value through profit or loss" of CHF 1.9 mn (CHF 0.5 mn). The Group does not apply hedge accounting (see also Note 30).

17 BONDS. CHF 767.9 mn (CHF 766.5 mn)

Included are the following bonds:

in CHF mn	Amortized costs	Nominal
2.750% 2006–2011	273.6	275.0
2.375% 2006–2013	247.3	250.0
2.875% 2006–2016	247.0	250.0
Total	**767.9**	**775.0**

18 PROVISIONS. CHF 107.1 mn (CHF 144.0 mn)

Provisions for guarantees reflect all known or anticipated claims in the near future which are not covered by insurance. The provision amounts are determined on the basis of experience and are therefore subject to a degree of uncertainty. The outflow of funds depends on the timing of the filing and conclusion of warranty claims. Provisions for sundry risks include loan guarantees as well as open and anticipated legal cases with a probability of above 50%. From the sum of provisions, CHF 93.1 mn (CHF 128.0 mn) are shown under non-current liabilities, since an outflow of funds is not expected within the next 12 months.

For provisions of CHF 14.0 mn (CHF 16.0 mn), an outflow of funds is expected during the next 12 months. These amounts are shown as current provisions.

	Short-term provisions				Long-term provisions
in CHF mn		Warranties	Restructu-rings	Sundry risks	Total
As of January 1, 2007	**14.8**	**53.3**	**0.4**	**50.5**	**104.2**
Exchange differences	-0.2	-0.7	-0.1	0.7	-0.1
Assumed on acquisition	0.0	-0.1	0.0	0.0	-0.1
Additions	15.5	29.0	2.1	14.3	45.4
Utilization	-11.4	-7.6	-0.3	-2.2	-10.1
Reversal	-2.7	-4.5	0.0	-6.8	-11.3
As of December 31, 2007	**16.0**	**69.4**	**2.1**	**56.5**	**128.0**
Exchange differences	-1.3	-3.4	-0.3	-2.1	-5.8
Assumed on acquisition	3.5	0.8	0.0	0.0	0.8
Additions	11.2	18.3	0.4	7.9	26.6
Utilization	-8.9	-15.6	-1.0	-14.0	-30.6
Reversal	-6.5	-7.3	0.0	-18.6	-25.9
As of December 31, 2008	**14.0**	**62.2**	**1.2**	**29.7**	**93.1**

Sundry risks mainly decreased due to the settlement of a legal dispute. A portion of provisions has been utilized for the settlement and a portion was reversed. The settlement included a transfer of an investment property to the counter part.

19 SHAREHOLDERS' EQUITY. CHF 1 464.7 mn (CHF 1 474.9 mn)
The equity share in total assets amounts to 45.6% (44.5%).

CAPITAL STOCK

in CHF mn	2007	2008
Registered shares	3.5	3.5
Bearer shares	19.4	19.4
Capital stock	**22.9**	**22.9**

20 NET SALES. CHF 4 624.5 mn (CHF 4 573.2 mn)
Sales of goods account for practically all net sales. Swiss franc denominated net sales rose 1.1% in comparison with the preceding year. Acquisitions contributed 1.4% to this growth. Furthermore, the growth rate contains a currency effect of -6.2%, so that Sika achieved organic growth in local currencies of 5.9%.

Sales from construction contracts in the year under review amounted to CHF 13.1 mn (CHF 6.2 mn). On the date of the balance sheet accrued construction costs and recognized profit (less recognized losses) were CHF 50.5 mn (CHF 37.5 mn), which amount was invoiced in full, and in the meantime largely settled. On the date of the balance sheet there were insignificant receivables and no liabilities from construction contracts. Order sales and order costs are recorded on the balance sheet date as income and expenses in accordance with progress of construction.

21 OPERATING REVENUE. CHF 4 641.8 mn (CHF 4 572.8 mn)
In contrast to net sales, operating revenue includes other operating income and changes in inventory.

22 MATERIAL EXPENSES. CHF 2 251.0 mn (CHF 2 136.8 mn)
Material expenses rose as a percentage of net sales by 2.0 points, resulting from the sharp increase in raw material prices primarily in the second half of the year. This development could be compensated in part with higher sales prices. In the fourth quarter Sika largely refrained from further price increases in view of already fallen crude oil prices and the anticipated positive influence on material costs.

23 OPERATING PROFIT BEFORE DEPRECIATION (EBITDA). CHF 556.1 mn (CHF 637.8 mn)

In the period under review Sika recorded various cost increases which derive from the strong growth of recent years and preparatory investments for the future. Among these are included costs for new management and service structures in the Regions as well as ramp-up costs for the new adhesive factory in Düdingen, Switzerland. As a result, personnel expenses rose absolutely by CHF 31.7 mn; in proportion to net sales personnel expenses increased by 0.7 percentage points.

Other operating expenses increased by CHF 4.8 mn in comparison with the previous year. In proportion to net sales, other operating expenses dropped by 0.1 percentage points. Research and development expenses are included in other operating costs, since the criteria for capitalization are not met.

Sika invested CHF 74.1 mn (CHF 65.2 mn) in the year under review, or 1.6% (1.4%) of net sales in research and development. Included therein are all operating expenditures of Sika Technology AG as well as of the technology centers in various countries. Expenditures of the local factory laboratories of subsidiaries are not included.

in CHF mn	2007	2008
Gross result	2 436.0	2 390.8
Personnel expenses[1]	-926.1	-957.8
Other operating expenses	-872.1	-876.9
Operating profit before depreciation (EBITDA)	**637.8**	**556.1**

PERSONNEL EXPENSES

in CHF mn	2007	2008
Wages and salaries	746.4	780.1
Social charges[1]	179.7	177.7
Total personnel expenses	**926.1**	**957.8**

[1] Restatement of prior year figures due to application of IFRIC 14 (note 11)

EMPLOYEE BENEFIT COSTS

in CHF mn	2007	2008
Employee benefit plans with defined benefits[1]	20.0	26.7
Other employee benefit plans	35.7	25.8
Total	**55.7**	**52.5**

[1] Details to be found in note 11

Employee share plan. Executive managers receive Sika AG shares as a component of their salary. The shares are valued at market prices and subject to selling restrictions. All shares were acquired on the market and the associated expense is posted as personnel expenses. The stock was therefore not diluted. In the year under review 767 shares were granted at the currently prevailing market value of CHF 1.4 mn. They were granted at market prices. The Sika Group does not issue stock options.

24 DEPRECIATION/AMORTIZATION/IMPAIRMENT. CHF 134.1 mn (CHF 127.0 mn)

Due to the sales crisis in the automotive industry and the sales decline forecast for coming years for the cash-generating unit Automotive Europe, an impairment of goodwill of CHF 6.0 mn (CHF 0.0 mn) had to be recorded in the reporting year. The remaining amount includes the regular depreciations and amortizations of the year under review.

25 INTEREST EXPENSES/OTHER FINANCIAL EXPENSES. CHF 63.2 mn (CHF 47.1 mn)

Interest expenses declined to CHF 25.8 mn (CHF 30.9 mn). Currency effects from internal financing led to higher other financial expenses of CHF 37.4 mn (CHF 16.2 mn). The effective interest on bonds amounted to CHF 22.1 mn (CHF 22.1 mn). Included in other financial expenses are net losses on foreign exchange futures of CHF 12.0 mn (CHF 10.1 mn).

26 INTEREST INCOME/OTHER FINANCIAL INCOME/INCOME FROM ASSOCIATED COMPANIES.

CHF 14.5 mn (CHF 16.0 mn)

Short-term surpluses in liquidity in various countries led to interest income of CHF 5.1 mn (CHF 9.2 mn). Income from associated companies rose to CHF 6.2 mn (CHF 3.9 mn). Other financial income of CHF 3.2 mn (CHF 2.9 mn) was nearly unchanged.

27 INCOME TAXES. CHF 105.9 mn (CHF 137.7 mn)

The income tax rate fell in comparison with the previous year from 28.7% to 28.4%. Income taxes of CHF 105.9 mn consist of:

INCOME TAXES

in CHF mn	2007	2008
Income tax during the year under review	143.9	101.5
Deferred income tax[1]	-7.7	-2.9
Income tax from prior years	1.5	7.3
Total	**137.7**	**105.9**

RECONCILIATION BETWEEN ANTICIPATED AND EFFECTIVE TAX EXPENSE

	%	2007	%	2008
Net profit before taxes[1]	–	479.7	–	373.3
Anticipated tax expense[1]	28.6	137.4	24.4	91.0
Non-tax-deductible expense	0.2	0.7	0.6	2.3
Non-tax-deductible goodwill impairment	0.0	0.0	0.4	1.7
Effect of non-recognition of tax losses	0.0	0.0	0.6	2.1
Change in anticipated tax rate	-0.3	-1.3	0.1	0.5
Adjusted tax expense from earlier periods	0.3	1.5	2.0	7.3
Other	-0.1	-0.6	0.3	1.0
Tax expense as per consolidated income statement	28.7	137.7	28.4	105.9

[1] Restatement of prior year figures due to application of IFRIC 14 (note 11)

The anticipated average Group income tax rate of 24.4% (28.6%) corresponds with the average tax on profits of the individual Group companies in their respective fiscal jurisdictions. The change of the anticipated income tax rate is based on the changed profitability of the Group companies in the corresponding fiscal jurisdictions and their partially altered income tax rates.

28 MINORITY INTERESTS. CHF 0.7 mn (CHF 0.4 mn)
Most important companies with minority interests:
– Consorzio IGS, Switzerland (35%)
– Sichuan Keshuai Additive Co., Ltd., China (20%)

29 EARNINGS PER SHARE. CHF 107.00 (CHF 135.44)

	2007	2008
Undiluted ("basic EPS")		
Net profit[1]/CHF mn	341.6	266.7
Weighted average number of shares[2]		
Bearer shares[3]/units	2 133 192	2 103 435
Registered shares[4]/units	2 333 874	2 333 874
Earnings per share		
Bearer shares[3]/CHF	135.44	107.00
Registered shares[4]/CHF	22.57	17.83

[1] Consolidated net profit after minority interests. Restatement of prior year figures due to application of IFRIC 14 (note 11)
[2] Excluding bearer treasury shares held in the Group at a nominal value of CHF 9.00 (CHF 9.00)
[3] Nominal value: CHF 9.00 (CHF 9.00)
[4] Nominal value: CHF 1.50 (CHF 1.50)

Consolidated earnings per share (EPS) amount to CHF 107.00 (CHF 135.44). The EPS is calculated on the basis of consolidated net profit after minority interests and the number of shares entitled to dividend, weighted over the course of the year. No dilution effect is resulting because no options or convertible bonds are outstanding. For the business year 2007 dividend amounted to CHF 45.00 per bearer share and to CHF 7.50 per registered share.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT.

The financial instruments and the related risk management of the Sika Group is presented in this Note.

MARKET VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

in CHF mn		2007		2008
	Book value	Market value	Book value	Market value
Financial assets				
Cash and cash equivalents	438.1	438.1	318.3	318.3
Available-for-sale financial assets	14.6	14.6	10.7	10.7
Loans and receivables	869.9	869.9	787.0	787.0
Financial assets at fair value through profit and loss	8.4	8.4	19.9	19.9
Total	**1 331.0**	**1 331.0**	**1 135.9**	**1 135.9**
Financial liabilities				
Bank overdrafts	18.0	18.0	13.5	13.5
Bonds	766.5	744.2	767.9	758.7
Accounts payable	438.5	438.5	398.1	398.1
Other financial liabilities	9.7	9.7	4.6	4.6
Financial liabilities measured at amortized cost	1 232.7	1 210.4	1 184.1	1 174.9
Financial liabilities at fair value through profit and loss	0.5	0.5	1.9	1.9
Total	**1 233.2**	**1 210.9**	**1 186.0**	**1 176.8**

Whenever possible, market values are determined on the basis of prevailing market rates.

A valuation loss of CHF 3.7 mn (loss CHF 0.1 mn) was recorded in shareholders' equity on assets available-for-sale. Through sale or depreciation, a gain of CHF 0.2 mn (loss CHF 0.6 mn) was transferred from shareholders' equity to the consolidated income statement.

Management of financial risks.

Basic Principles. The Group's activities expose it to a variety of financial risks: market risks (primarily foreign exchange risks, interest rate risks and price risks), credit risks and liquidity risks. The Group's financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Corporate Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

TO SECURE OWN OBLIGATIONS, PLEDGED OR CEEDED ASSETS (ENCUMBERED ASSETS)

in CHF mn	2007	2008
Receivables	2.4	1.7
Property, plant and equipment	18.9	1.3
Total encumbered assets	**21.3**	**3.0**

OPEN DERIVATIVES

			Contractual value upon maturity		
in CHF mn	Replacement value		Contract value	Up to 3 months	3 to 12 months
	(+)	(-)			
Open derivatives 2007					
Forward contracts (foreign exchange)	0.1	0.0	2.8	0.0	2.8
Swaps (foreign exchange)	8.3	0.0	554.5	371.0	183.5
Swaps (interests)	0.0	0.5	25.0	0.0	25.0
Total derivatives	**8.4**	**0.5**	**582.3**	**371.0**	**211.3**
Open derivatives 2008					
Forward contracts (foreign exchange)	0.0	-1.9	54.2	54.2	0.0
Swaps (foreign exchange)	19.9	0.0	658.5	437.1	221.4
Total derivatives	**19.9**	**-1.9**	**712.7**	**491.3**	**221.4**

Foreign exchange risks. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US Dollar. Foreign exchange risk arises when commercial transactions, recognized assets or liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

The Group makes every effort to offset the impact of exchange rate movements as far as possible by utilizing natural hedges. Foreign exchange forward contracts/swaps are the main instrument used to hedge foreign exchange risks. Gains and losses on foreign exchange hedges and assets or liabilities carried at fair value are recognized through profit or loss. The Group does not apply hedge accounting.

Sika carries out a sensitivity analysis for the dominant foreign currencies Euro and US Dollar. The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments, Group-internal financing and foreign currency hedge transactions in the corresponding currencies.The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. All other variables are held constant. The impact on shareholders' equity is insignificant.

CURRENCY AND ASSUMED RATE OF CHANGE AGAINST CHF

	Effect on profit before tax in CHF mn	
	2007	**2008**
EUR: +5% (+3%)	-0.6	-1.6
EUR: -5% (-3%)	0.6	1.6
USD: +8% (+8%)	-5.8	-6.5
USD: -8% (-8%)	5.8	6.5

Price risks. The Group is exposed to purchasing price risks because cost of materials represents one of the Group's largest cost factors. Purchasing prices are influenced far more by the interplay between supply and demand, the general economic environment and intermittent disruptions of processing and logistics chains, ranging from crude oil to purchased merchandise, than by crude oil prices themselves. Sika limits market price risks for important products by means of maintaining corresponding inventories and Group contracts (lead buying). The most important raw materials are polymers such as polyurethane, epoxy resins, polyvinyl chloride and cementitious basic materials. Other measures such as hedging are not practical because there is no corresponding market for these semi-finished products.

Interest rate risk. Interest rate risks result from changes in interest rates, which could have a negative impact on the Group's financial position, cash flow and earnings situation. Interest rate risk is limited through emission of fixed interest long-term bonds (nominal CHF 775 mn). A change in the rate of interest would therefore alter neither annual financial expenses nor shareholders' equity materially. Local bank loans and mortgages are insignificant. Interest rate development is closely monitored by management.

Credit risk. Credit risks arise from the possibility that the counterparty to a transaction may not be able or willing to discharge its obligations, thereby causing the Group to suffer a financial loss. Counterparty risks are minimized by only concluding contracts with reputable business partners and banks. In addition, receivable balances are monitored on an ongoing basis via internal reporting procedures. Potential concentrations of risks are reduced by the large number of customers and their geographic dispersion. No customer represents more than 1.5% of the Group's net sales. The maximum exposure is the carrying amount of those receivables.

Liquidity risk. Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities (see Note 12). Management monitors the Group's liquidity reserve on the basis of expected cash flow.

The table below summarizes the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments.

MATURITY PROFILE OF FINANCIAL LIABILITIES

in CHF mn	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
December 31, 2007				
Bank loans	10.3	7.6	0.1	18.0
Bonds	20.7	350.2	534.7	905.6
Accounts payable	438.5	0.0	0.0	438.5
Other financial liabilities	6.9	1.8	1.0	9.7
Financial liabilities measured at amortized cost	**476.4**	**359.6**	**535.8**	**1 371.8**
Financial liabilities at fair value through profit and loss	0.5	0.0	0.0	0.5
Total	**476.9**	**359.6**	**535.8**	**1 372.3**
December 31, 2008				
Bank loans	13.3	0.2	0.0	13.5
Bonds	20.7	592.6	271.5	884.8
Accounts payable	398.1	0.0	0.0	398.1
Other financial liabilities	0.1	1.3	3.2	4.6
Financial liabilities measured at amortized cost	**432.2**	**594.1**	**274.7**	**1 301.0**
Financial liabilities at fair value through profit and loss	1.9	0.0	0.0	1.9
Total	**434.1**	**594.1**	**274.7**	**1 302.9**

Capital Management. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2008 and December 31, 2007. The Group monitors the equity ratio, which is equity divided by total capital.

31 FUTURE OBLIGATIONS.

Raw material supply contracts. Sika concludes collective lead-buying purchase contracts at Group level for important raw materials.

Delivery contracts for finished goods. Supply contracts are in effect with major customers. No other future obligations in excess of normal business activities existed as of the date of this Report.

in CHF mn	2007	2008
Raw material supply contracts[1]	210	209
Delivery contracts for finished goods[2]	550	513

[1] Contract runs until 2018, maximum
[2] Contract runs until 2015, maximum

Contingent liabilities. In ongoing business activity the group can get involved in legal proceedings such as lawsuits, claims, investigations and negotiations due to product liability, mercantile law, environmental protection, health and safety etc. There are no current proceedings of this nature pending which could have significant influence on business operations, on the Group's financial position or income. The Group is active in countries in which political, economic, social and legal developments could impair business activity. The effect of such risks as can occur in the course of normal business operations is unforeseeable. In addition, their probability of occurrence lies below 50%. As a result these risks are shown as contingent liabilities and are not contained in the consolidated financial statements.

in CHF mn	2007	2008
Guarantees and letters of comfort	31	30

The two largest letters of guarantee and letters of comfort totaling CHF 6.9 mn (CHF 9.6 mn) pertain to associated companies.

32 CASH FLOW ANALYSIS.

Compared to the prior year the cash flow in the year under review was characterized by:

– a lower consolidated net profit (CHF -74.6 mn)
– an improved net working capital (CHF +37.5 mn)
– a higher liquidity outflow due to acquisition activity (CHF -70.9 mn)

in CHF mn	2007	2008
Inflow (+)/outflow (-) from		
Operating activities	362.7	376.8
Investment activities	-180.0	-287.3
Financing activities	-171.7	-187.4
Exchange differences	-0.6	-21.9
Net change in cash and cash equivalents	**10.4**	**-119.8**

33 FREE CASH FLOW AND OPERATING FREE CASH FLOW.

in CHF mn	2007	2008
Cash flow from operating activities	362.7	376.8
Net investment in		
Property, plant and equipment	-164.5	-172.8
Intangible assets	-6.8	-38.2
Acquisitions/Disposals less cash and cash equivalents	0.5	-74.6
Acquisition of minority interests	0.0	-5.0
Acquisitions (-)/Disposals (+) of financial assets	-9.2	3.3
Free cash flow	**182.7**	**89.5**
Acquisitions/Disposals less cash and cash equivalents	-0.5	79.6
Acquisitions (+)/Disposals (-) of financial assets	9.2	-3.3
Operating free cash flow	**191.4**	**165.8**

34 SEGMENT REPORTING.

The Sika Group's global operations are conducted by two divisions (primary segmentation):

- Construction: Buildings and infrastructure construction; product applications directly on-site
- Industry: Vehicle, building component and equipment production; product applications in industrial manufacturing

The Group does not operate in other areas. Transactions between the two business segments Construction and Industry are insignificant.

The geographic distribution by continent (secondary segmentation) reflects the internal management structure (regional management). "Corporate" encompasses Sika AG, Sika Services AG, Sika Technology AG and Sika Informations-systeme AG.

BY DIVISION

in CHF mn	Construction				Industry				Corporate				Total			
	2007	%	2008	%	2007	%	2008	%	2007	%	2008	%	2007	%	2008	%
Balance sheet																
Current assets	1 268	56.4	1 203	52.2	402	59.6	316	57.2	246	62.4	225	63.4	1 916	57.7	1 744	54.3
Non-current assets[1]	982	43.6	1 100	47.8	272	40.4	236	42.8	148	37.6	130	36.6	1 402	42.3	1 466	45.7
Total assets[1]	2 250	100.0	2 303	100.0	674	100.0	552	100.0	394	100.0	355	100.0	3 318	100.0	3 209	100.0
Total liabilities[1]	727		717		218		164		898		864		1 843		1 745	
Capital expenditures	132		189		46		33		8		8		186		230	
Income statement																
Consolidated net sales	3 600	100.0	3 700	100.0	973	100.0	925	100.0					4 573	100.0	4 625	100.0
EBITDA[1]	529	14.7	485	13.1	169	17.4	121	13.1	-60		-50		638	14.0	556	12.0
Depreciation/Amortization	90	2.5	93	2.5	28	2.9	21	2.3	10		14		128	2.8	128	2.8
Impairment	0	0.0	0	0.0	-1	-0.1	6	0.6	0		0		-1	-0.0	6	0.1
EBIT[1]	439	12.2	392	10.6	143	14.7	94	10.2	-71		-64		511	11.2	422	9.1
Segment profit	339	9.4	314	8.5	120	12.3	73	7.9	-117		-120		342	7.5	267	5.8

[1] Restatement of prior year figures due to application of IFRIC 14 (note 11)

SEGMENT INFORMATION

BY REGION

in CHF mn			Europe North				Europe South				North America				Latin America	
	2007	%	2008	%	2007	%	2008	%	2007	%	2008	%	2007	%	2008	%
Balance sheet																
Current assets	551	51.1	486	43.5	508	64.5	417	63.7	168	40.6	177	41.0	129	68.6	126	65.6
Non-current assets[1]	527	48.9	632	56.5	279	35.5	238	36.3	246	59.4	255	59.0	59	31.4	66	34.4
Total assets[1]	1 078	100.0	1 118	100.0	787	100.0	655	100.0	414	100.0	432	100.0	188	100.0	192	100.0
Total liabilities[1]	339		333		277		205		119		117		66		66	
Capital expenditures	78		106		27		37		28		26		12		26	
Income statement																
Consolidated net sales	1 713	100.0	1 744	100.0	1 101	100.0	1 050	100.0	681	100.0	657	100.0	377	100.0	433	100.0
Construction	1 269	74.1	1 315	75.4	951	86.4	904	86.1	485	71.2	497	75.6	320	84.9	373	86.1
Industry	444	25.9	429	24.6	150	13.6	146	13.9	196	28.8	160	24.4	57	15.1	60	13.9
EBITDA[1]	277	16.2	238	13.6	189	17.2	153	14.6	90	13.2	72	11.0	56	14.9	65	15.0
Depreciation/ amortization	50	2.9	50	2.9	21	1.9	19	1.8	26	3.8	25	3.8	6	1.6	6	1.4
Impairment	-1	-0.1	6	0.3	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
EBIT[1]	228	13.3	182	10.4	168	15.3	134	12.8	64	9.4	47	7.2	50	13.3	59	13.6
Segment profit[1]	180	10.5	140	8.0	132	12.0	107	10.2	53	7.8	42	6.4	39	10.3	46	10.6

[1] Restatement of prior year figures due to application of IFRIC 14 (note 11)

NET SALES

in CHF mn	2007	2008	Change compared to prior year (+/- in %)		
			In Swiss Francs	In local currencies[1]	Currency impact
By region					
Europe North	1 713.3	1 743.9	1.8	4.3	-2.5
Europe South	1 101.0	1 050.4	-4.6	0.9	-5.5
North America	681.2	656.8	-3.6	7.0	-10.6
Latin America	376.6	432.9	14.9	24.5	-9.6
IMEA	223.2	257.7	15.5	30.0	-14.5
Asia/Pacific	477.9	482.8	1.0	9.2	-8.2
Consolidated net sales	**4 573.2**	**4 624.5**	**1.1**	**7.3**	**-6.2**
By operating division					
Construction	3 599.6	3 699.6	2.8	9.1	-6.3
Industry	973.6	924.9	-5.0	0.6	-5.6
Consolidated net sales	**4 573.2**	**4 624.5**	**1.1**	**7.3**	**-6.2**

[1] including acquisitions

	IMEA				Asia/Pacific				Corporate				Total			
	2007	%	2008	%	2007	%	2008	%	2007	%	2008	%	2007	%	2008	%
	99	69.7	107	77.0	215	68.3	206	64.6	246	62.4	225	63.4	1 916	57.7	1 744	54.3
	43	30.3	32	23.0	100	31.7	113	35.4	148	37.6	130	36.6	1 402	42.3	1 466	45.7
	142	100.0	139	100.0	315	100.0	319	100.0	394	100.0	355	100.0	3 318	100.0	3 209	100.0
	40		42		104		118		898		864		1 843		1 745	
	12		7		21		20		8		8		186		230	
	223	100.0	258	100.0	478	100.0	483	100.0					4 573	100.0	4 625	100.0
	186	83.4	220	85.3	389	81.4	391	81.0					3 600	78.7	3 700	80.0
	37	16.6	38	14.7	89	18.6	92	19.0					973	21.3	925	20.0
	29	13.0	35	13.6	57	11.9	43	8.9	-60		-50		638	14.0	556	12.0
	2	0.9	3	1.2	13	2.7	12	2.5	10		14		128	2.8	128	2.8
	-1	-0.4	0	0.0	1	0.2	0	0.0	0		0		-1	-0.0	6	0.1
	29	13.0	32	12.4	43	9.0	31	6.4	-71		-64		511	11.2	422	9.1
	24	10.8	29	11.2	31	6.5	23	4.8	-117		-120		342	7.5	267	5.8

OPERATING PROFIT BEFORE DEPRECIATION (EBITDA)

in CHF mn	2007	2008	Change compared to prior year	
			(+/-)	(+/- in %)
By region				
Europe North[1]	277	238	-39	-14.1
Europe South	189	153	-36	-19.0
North America	90	72	-18	-20.0
Latin America	56	65	9	16.1
IMEA	29	35	6	20.7
Asia/Pacific	57	43	-14	-24.6
EBITDA	**698**	**606**		
By operating division				
Construction[1]	529	485	-44	-8.3
Industry[1]	169	121	-48	-28.4
EBITDA	**698**	**606**		
Share of central services[1]	-60	-50	10	16.7
EBITDA of the Group	**638**	**556**	**-82**	**-12.9**

OPERATING PROFIT (EBIT)

in CHF mn	2007	2008	Change compared to prior year	
			(+/-)	(+/- in %)
By region				
Europe North[1]	228	182	-46	-20.2
Europe South	168	134	-34	-20.2
North America	64	47	-17	-26.6
Latin America	50	59	9	18.0
IMEA[1]	29	32	3	10.3
Asia/Pacific	43	31	-12	-27.9
EBIT	**582**	**486**		
By operating division				
Construction[1]	439	392	-47	-10.7
Industry[1]	143	94	-49	-34.3
EBIT	**582**	**486**		
Share of central services[1]	-71	-64	7	9.9
EBIT of the Group	**511**	**422**	**-89**	**-17.5**

[1] Restatement of prior year figures due to application of IFRIC 14 (note 11)

35 RELATED PARTIES.

Sika had three major shareholders with a proportion of voting rights of over 3.0% at the end of the reporting year. The Burkard-Schenker family, according to information furnished by the family as of December 31, 2008, owned 54.4% of all voting shares, in part through the Schenker-Winkler Holding AG, Baar. Lone Pine Capital LLC, headquartered in Greenwich, Connecticut, held 5.1% of all voting shares on the balance sheet date. On this same date Franklin Templeton Investments, with headquarters in Fort Lauderdale, Florida, held 3.4% of all voting shares.

Associated companies. In the year under review goods totaling CHF 16.4 mn (CHF 15.2 mn) were sold by the Sika Group to Sika Gulf B.S.C. Goods totalling CHF 9.1 mn (CHF 9.6 mn) were sold to Addiment Italia S.r.l. In addition deliveries were made by the Sika Group to other associated companies with a sum value of CHF 9.8 mn (CHF 10.5 mn).

Employee benefit plans. In Switzerland, employee benefit plans are handled through legally independent foundations, to which a total of CHF 18.7 mn (CHF 16.5 mn) was paid in the year under review. As of the balance sheet date no material receivables or payables were due from these foundations. Sika offices are located in a building leased from the pension fund foundation. Rent for 2008 amounted to CHF 0.4 mn (CHF 0.4 mn). No further major transactions were conducted with related parties.

Members of the Board of Directors. In the year under review CHF 3.1 mn (CHF 4.0 mn) was spent on property, plant and equipment, and CHF 0.4 mn (CHF 0.3 mn) on services from companies of two directors. These transactions were conducted at market conditions.

36 REMUNERATION OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT.

The Board of Directors and Group Management were remunerated as follows in the business year:

in CHF mn	2007	2008
Current benefits[1]	11.8	11.4
Pension fund contribution	1.3	1.2
Total	**13.1**	**12.6**

[1] Members of Group Management have to draw 20% or 40% in the form of shares. The allocation occurs at market values.

Detailed information regarding remuneration of the Board of Directors and Group Management as well as participations in Sika AG can be found in Notes 25 to 27 of the Sika AG Financial Statements.

37 RELEASE OF FINANCIAL STATEMENTS FOR PUBLICATION.

The Board of Directors of Sika AG approved the Consolidated Financial Statements for publication on February 20, 2009.

38 EVENTS AFTER THE BALANCE SHEET DATE.

Between December 31, 2008, and the approval of the Consolidated Financial Statements the following event took place:

Acquisition. Sika acquired Iotech Group Limited, with headquarters in England and subsidiaries in the UK, USA and Belgium. The transaction was closed on January 27, 2009. Due to the short-term nature of the transaction before the publication of the Consolidated Financial Statements there are uncertainties regarding the purchase price allocation which was made provisionally.

ACQUIRED NET ASSETS

in CHF mn	Book value	Market value adjustments	Market value
Cash in bank and cash on hand	3.1	0.0	3.1
Other current assets	19.5	0.6	20.1
Property, plant and equipment	12.1	4.1	16.2
Intangible assets	0.0	21.0	21.0
Other non-current assets	2.2	0.4	2.6
Total assets	**36.9**	**26.1**	**63.0**
Accounts payable and other liabilities	8.4	0.0	8.4
Provisions	3.0	0.0	3.0
Other liabilities	1.7	5.2	6.9
Total liabilities	**13.1**	**5.2**	**18.3**
Net assets			**44.7**
Goodwill from acquisition			6.4
Total purchase price			**51.1**

39 INFORMATION ON EXECUTION OF RISK ASSESSMENT.

Risk management is carried out by the Board of Directors of Sika AG and by Group Management. The Board of Directors is the highest authority for risk assessment. The Board assesses risks annually at the level of the Group and Sika AG. Group Management regularly reviews the processes which form the basis for risk management. The risk management process comprises four steps: risk identification, risk assessment, risk controlling and risk monitoring.

Details regarding the assessment of risk management can be found in Note 30 to the Consolidated Financial Statements.

Country		Company		Capital stock in thousands	% holding	ISO 9001	ISO 14001
Europe							
Austria	❍	Sika Österreich GmbH, Bludenz-Bings	EUR	2 500	100	*	*
Azerbaijan	❍	Sika Limited Liability Comp., Baku	CHF	250	100		
Belgium	✜	Sika SA, Brüssel	EUR	2 500	100	*	*
	❍	Sika Automotive Belgium SA, Saintes	EUR	1 649	100	*	*
	❍	Sika Viscocrete Belgium, Brussels	EUR	7 000	100	*	
Bulgaria	✜	Sika Bulgaria EOOD, Sofia	BGL	340	100	*	*
Croatia	✜	Sika Croatia d.o.o., Zagreb	HRK	4 000	100		
Czech Republic	✜	Sika CZ, s.r.o., Brno	CZK	30 983	100	*	*
Denmark	❍	Sika Danmark A/S, Fredensborg	DKK	15 000	100	*	*
Finland	❍	Oy Sika Finland Ab, Espoo	EUR	850	100	*	*
France	❍	Sika France SA, Paris	EUR	14 794	100	*	*
Germany	▲	Sika Holding GmbH, Stuttgart	EUR	56 000	100		
	❍	Sika Deutschland GmbH, Stuttgart	EUR	75	100	*	*
	❍	Proxan Dichtstoffe GmbH, Greiz-Dölau	EUR	102	100		
	❍	Sika Automotive GmbH, Hamburg	EUR	5 300	100	*	*
	❍	Sika-Tocal GmbH, Troisdorf	EUR	3 835	100	*	
	▲	Sarnafil Lager- und Dienstleistungen GmbH, Hückelhoven	EUR	1 278	100		
	❍	Tricosal Bauabdichtungs GmbH, Illertissen	EUR	50	100		
Great Britain	❍	Sika Ltd., Welwyn Garden City	GBP	10 000	100	*	*
	✜	Sarnafil Ltd., Bowthrope	GBP	200	100		
Greece	❍	Sika Hellas ABEE, Athens	EUR	3 000	100	*	*
Hungary	✜	Sika Huangária Kft., Budapest	HUF	483 000	100	*	*
Ireland	✜	Sika Ireland Ltd., Ballymun, Dublin	EUR	635	100	*	
Italy	❍	Sika Italia S.p.A., Milan	EUR	5 000	100	*	*
	❍	Sika Engineering Silicones S.r.l., Milan	EUR	1 600	100	*	
Kazakhstan	❍	Sika Kazakhstan LLP, Almaty	CHF	200	100		
Latvia	✜	Sika Baltic SIA, Riga	LVL	218	100		
Netherlands	✜	Sika Nederland BV, Utrecht	EUR	1 589	100	*	
	❍	BV Descol Kunststoff Chemie, Deventer	EUR	1 588	100	*	*
	▮	BV DIAC, Deventer	EUR	681	10	*	*
Norway	❍	Sika Norge A/S, Skytta	NOK	22 000	100	*	*
Poland	❍	Sika Poland Sp.z.o.o., Warsaw	PLZ	12 188	100	*	*
Portugal	❍	Sika Portugal – Productos Construção e Indústria SA, Vila de Gaia	EUR	1 500	100	*	*

❏ Production, sales, construction contracting
❍ Production and sales
✜ Sales
▲ Real estate and service companies
▮ Construction contracting
✧ Associated companies (see note 7) are recorded in the balance sheet using the equity method

Country		Company		Capital stock in thousands	% holding	ISO 9001	ISO 14001
Europe							
Romania	✜	Sika Romania S.R.L., Brasov	RON	1 285	100	*	*
Russia	✜	o.o.o. Sika Russia, Moscow	RUB	55 346	100		
Serbia	✜	Sika d.o.o. Beograd, Zemun	EUR	373	100		
Slovakia	✜	Sika Slovensko spol. s.r.o., Bratislava	SKK	34 058	100	*	*
Slovenia	✜	Sika Slovenija d.o.o., Trzin	EUR	1 029	100	*	*
Spain	❍	Sika SA, Alcobendas	EUR	19 867	100	*	
Sweden	❍	Sika Sverige AB, Järfälla	SEK	10 000	100	*	*
	❍	Pelplast Utvecklings AB, Vadstena	SEK	100	100		
Switzerland	❍	Sika Schweiz AG, Zurich	CHF	52 000	100	*	*
	▮	IGS Consorzio, Zurich	CHF	0	65		
	▲	Sika Services AG, Zurich	CHF	300	100	*	*
	▲	Sika Technology AG, Baar	CHF	300	100	*	*
	▲	Sika Informationssysteme AG, Widen	CHF	400	100		
	▮	Sika Bau AG, Zurich	CHF	5 300	100	*	
	▲	Sarna Kunststoff Holding AG, Sarnen	CHF	2 400	100		
	▲	Sarna Immobilien AG, Sarnen	CHF	600	100		
	❍	Sika Sarnafil Manufacturing AG, Sarnen	CHF	14 000	100	*	*
	▲	Sika Supply Center AG, Sarnen	CHF	1 000	100	*	*
	❍	Sucoflex AG, Pfäffikon	CHF	1 000	100	*	*
	✜	Sika Sarnafil AG, Sarnen	CHF	1 650	100		
Turkey	❍	Sika Yapi Kimyasallari A.S., Istanbul	TRY	6 700	100	*	
Ukraine	✜	LLC “Sika Ukraina”, Kiev	UAH	2 933	100		

❑ Production, sales, construction contracting
❍ Production and sales
✜ Sales
▲ Real estate and service companies
▮ Construction contracting
✧ Associated companies (see note 7) are recorded in the balance sheet using the equity method

Country		Company		Capital stock in thousands	% holding	ISO 9001	ISO 14001
Africa, Near and Middle East							
Algeria	❑	Sika Outre-Mer Sàrl, Eucalyptus Alger	EUR	38	100		
Bahrain	✧ ❍	Sika Gulf B.S.C., Adliya	BHD	1 000	45	*	
Egypt	❍	Sika Egypt for Construction, Chemicals S.A.E., Cairo	EGP	10 000	100	*	*
	❍	Sika Manufacturing for Construction Products, S.A.E., Cairo	EGP	2 000	100	*	*
Iran	✤	Sika Parsian P.J.S. Co., Tehran	IRR mn	3 000	100		
Lebanon	❍	Sika Near East SAL, Sin El-Fil, Jisr El-Bacha	LBP	400	100		
Mauritius	❍	Sika Mauritius Ltd., Plaine Lauzun	MUR	2 600	100		
Morocco	❍	Sika Maroc SA, Casablanca	MAD	5 000	100	*	*
South Africa	❍	Sika South Africa (Pty) Ltd., Pinetown	ZAR	25 000	100	*	*
Tunesia	❑	Sika Tunisienne Sàrl, Douar Hicher	TND	150	86	*	*
UAE	✤	Sika UAE LLC, Dubai	AED	300	66		
North America							
Canada	❍	Sika Canada Inc., Pointe Claire, QC	CAD	5 600	100	*	*
USA	❍	Sika Corporation, Lyndhurst, NJ	USD	72 710	100	*	*
	✤	Sarna Michigan Inc., Michigan	USD	25 000	100		
Latin America							
Argentina	❍	Sika Argentina SAIC, Buenos Aires	ARS	7 600	100	*	*
Bolivia	✤	Sika Bolivia SA, La Paz	BOB	1 800	100	*	
Brazil	❍	Sika SA, São Paulo	BRL	10 000	100	*	*
Chile	❍	Sika SA Chile, Santiago	CLP mn	4 430	100	*	*
Colombia	❍	Sika Colombia SA, Bogotá	COP mn	14 500	100	*	*
Costa Rica	✤	Sika productos para la construcción SA, Heredia	CRC	153 245	100		
Dominican Republic	✤	Sika Dominicana SA, Santo Domingo D.N.	DOP	12 150	100		
Ecuador	❍	Sika Ecuatoriana SA, Guayaquil	USD	1 382	100	*	*
Guatemala	✤	Sika Guatemala SA, Ciudad de Guatemala	GTQ	2 440	100		
Mexico	❍	Sika Mexicana SA de CV, Querétaro	MXN	40 035	100	*	*
Panama	✤	Sika Panamá SA, Ciudad de Panamá	USD	200	100		
Peru	❍	Sika Perú SA, Lima	PEN	3 500	100	*	*
Uruguay	❍	Sika Uruguay SA, Montevideo	UYP	22 800	100	*	*
Venezuela	❍	Sika Venezuela SA, Valencia	VEB mn	3 398	100	*	*

Country		Company		Capital stock in thousands	% holding	ISO 9001	ISO 14001
Asia/Pacific							
Australia	❍	Sika Australia Pty. Ltd., Wetherill Park	AUD	4 000	100	*	*
Cambodia	✤	Sika (Cambodia) Ltd., Phnom Penh	KHR	422 000	100		
China	❍	Sika Guangzhou Ltd., Guangzhou	CNY	80 730	100	*	*
	❍	Sika Ltd., Dalian	CNY	45 317	100	*	
	❍	Sika (China) Ltd., Suzhou Jiangsu	USD	35 000	100	*	*
	❍	Sarnafil Waterproofing Systems, (Shanghai) Ltd., Shanghai	USD	10 000	100	*	
	✤	Jinan Sika Engineering Co. Ltd., Jinan	CHF	5 380	100		
	❍	Sichuan Keshuai Admixture Co. Ltd., Chengdu	CNY	10 000	80		
	▲	Suzhou Sika Technology Co. Ltd., Suzhou	CNY	10 000	100		
Hong Kong	❍	Sika Hongkong Ltd., Shatin N.T.	HKD	30 000	100	*	*
India	❍	Sika India Private Ltd., Kolkata	INR	45 000	100	*	
Indonesia	❍	P.T. Sika Indonesia, Bogor	IDR mn	3 282	100	*	*
Japan	❍	Sika Ltd., Hiratsuka-Shi, Kangawa	JPY	490 000	100	*	*
Korea	❍	Sika Korea Ltd., Anyang-Si Kyunggi-Do	KRW mn	5 596	100	*	*
Malaysia	❍	Sika Kimia Sdn. Bhd., Nilai	MYR	5 000	100	*	*
	▲	Sika Harta Sdn. Bhd., Nilai	MYR	10 000	100		
New Zealand	❍	Sika (NZ) Ltd., Auckland	NZD	1 100	100	*	*
Philippines	❍	Sika Philippines Inc., Manila	PHP	56 000	100	*	*
Singapore	✤	Sika (Singapore) Pte. Ltd., Singapore	SGD	400	100	*	
	▲	Sika Asia Pacific Mgt. Pte. Ltd., Singapore	SGD	100	100		
Taiwan	❍	Sika Taiwan Ltd., Taoyuan County	TWD	40 000	100	*	*
Thailand	❍	Sika (Thailand) Ltd., Cholburi	THB	200 000	100	*	*
Vietnam	❍	Sika Limited (Vietnam), Dong Nai Province	VND mn	44 190	100	*	*

❏ Production, sales, construction contracting
❍ Production and sales
✤ Sales
▲ Real estate and service companies
▮ Construction contracting
✧ Associated companies (see note 7) are recorded in the balance sheet using the equity method

REPORT OF THE STATUTORY AUDITORS TO THE GENERAL MEETING OF SIKA AG, BAAR

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS. As statutory auditor, we have audited the accompanying consolidated financial statements of Sika AG, which comprise the balance sheet, income statement, statement of changes in equity, cash flow statement and notes (pages 80 to 132) for the year ended on December 31, 2008.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the consolidated financial statements for the year ended December 31, 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS. We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zug, February 20, 2009

Ernst & Young Ltd

Edgar Christen
Licensed audit expert
(Auditor in charge)

Bernadette Koch
Licensed audit expert

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

in CHF mn		2004	2005	2006	2007	2008
Balance sheet total	a	**1 694**	**2 610**	**3 064**	**3 318**	**3 209**
Current assets	b	**952**	**1 293**	**1 743**	**1 916**	**1 744**
Cash, cash equivalents and securities		110	168	434	444	321
Accounts receivable	c	509	692	790	861	779
Inventories	d	273	371	413	500	513
Other current assets		60	62	106	112	131
Non-current assets	e	**742**	**1 317**	**1 317**	**1 402**	**1 466**
Property, plant and equipment		563	748	764	831	833
Financial assets		5	8	10	34	27
Intangible assets		127	495	486	463	525
Other = Employee benefit assets, other non-current assets, deferred taxes		47	66	57	74	81
Assets held for sale		**0**	**0**	**4**	**0**	**0**
Current liabilities	f	**575**	**1 201**	**713**	**742**	**685**
Bank overdrafts		18	540	34	10	13
Accounts payable	g	248	344	387	439	398
Other current liabilities		309	317	292	294	274
Non-current liabilities		**176**	**313**	**1 076**	**1 101**	**1 060**
Long-term debt[1]		7	24	20	11	5
Provisions, employee benefit liabilities[2,3]		143	220	237	266	221
Deferred taxes[3]		26	69	54	57	66
Bonds		0	0	765	767	768
Shareholders' equity	h	**942**	**1 096**	**1 274**	**1 475**	**1 465**
Capital stock		114	72	23	23	23
Capital surplus		256	256	256	256	256
Treasury shares		-1	-2	-2	-65	-118
Currency translation differences		-150	-110	-118	-116	-225
Fluctuations in value of financial instruments		-4	-2	-1	-1	-5
Retained earnings[3]		720	873	1 105	1 375	1 530
Minority interests		7	9	11	3	3

1 Bank loans, mortgages and other long-term debt
2 "Provisions with a reversal within 12 months" are posted under current liabilities
3 Restatement of 2007 figures due to application of IFRIC 14 (note 11)

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	2004	2005	2006	2007	2008
Net sales	**2 560**	**2 917**	**3 896**	**4 573**	**4 625**
Operating revenue	**2 569**	**2 924**	**3 910**	**4 573**	**4 642**
Material expenses	1 067	1 298	1 809	2 137	2 251
Gross result	**1 502**	**1 626**	**2 101**	**2 436**	**2 391**
Personnel expenses[1]	629	687	845	926	958
Other operating expenses	552	587	741	872	877
Operating profit before depreciation (EBITDA)	**321**	**352**	**515**	**638**	**556**
Depreciation/amortization/impairment	111	107	143	127	134
Operating profit (EBIT)	**210**	**245**	**371**	**511**	**422**
Interest income/expense	11	5	18	22	21
Financial income/expense	7	6	19	9	28
Net profit before taxes	**192**	**234**	**334**	**480**	**373**
Income taxes[1]	70	79	99	138	106
Net profit	**122**	**155**	**235**	**342**	**267**
Free cash flow	124	-249	146	183	90
Gross result as % of net sales	58.7	55.7	53.9	53.3	51.7
Operating profit (EBIT) as % of net sales	8.2	8.4	9.5	11.2	9.1
Consolidated net profit as % of net sales (ROS)	4.8	5.3	6.0	7.5	5.8
Consolidated net profit as % of shareholders' equity (ROE)	13.0	14.1	18.4	23.2	18.3

[1] Restatement of 2007 figures due to application of IFRIC 14 (note 11)

KEY BALANCE SHEET DATA

in CHF mn	Calculation[1]	2004	2005	2006	2007	2008
Current ratio in %	(b : f)	166	108	244	258	255
Net working capital	(c+d-g)	534	719	816	922	893
Net working capital as % of net sales		21	25	21	20	19
Non-current assets as % of balance sheet total	(e : a)	44	50	43	42	46
Shareholders' equity as % of non-current assets	(h : e)	127	83	97	105	100
Net debt[2]	j	58	480	389	352	465
Leverage in %	(j : h)	6	44	31	24	32
Equity ratio in %[3]	(h : a)	56	42	42	44	46

[1] See pages 134 and 135, Five-year reviews: Balance Sheet and Income Statement
[2] Net debt: Interest-bearing indebtedness (short- and long-term bank debt + bonds) ./. interest-bearing current assets (cash, cash equivalents and securities) ./. capital investments
[3] Restatement of 2007 figures due to application of IFRIC 14 (note 11)

VALUE-BASED KEY DATA

in CHF mn	Calculation[1]	2004	2005	2006	2007	2008
Capital employed[1]		1 125	1 792	1 884	2 041	2 109
Annual average of capital employed	k	1 137	1 459	1 838	1 963	2 075
EBIT[2]	i	210	245	371	511	422
Return on capital employed (ROCE) in %	(i : k)	18	17	20	26	20

[1] Capital employed = Operating assets ./. cash ./. non interest bearing current liabilities
[2] Restatement of 2007 figures due to application of IFRIC 14 (note 11)

CONSOLIDATED NET SALES BY GEOGRAPHIC AREA

in CHF mn (consolidated)	2004	2005	2006	2007	2008
Europe North	**851**	**1 106**	**1 439**	**1 713**	**1 744**
Switzerland	203	228	347	332	321
Germany	430	396	516	644	640
Europe South	**930**	**846**	**947**	**1 101**	**1 050**
France	204	220	253	293	292
North America	**316**	**376**	**637**	**681**	**657**
USA	281	333	576	606	587
Latin America	**177**	**235**	**302**	**377**	**433**
Brazil	30	42	50	66	81
IMEA[1]			**164**	**223**	**258**
Asia/Pacific	**286**	**354**	**407**	**478**	**483**
Japan	79	89	84	79	76
Consolidated net sales	**2 560**	**2 917**	**3 896**	**4 573**	**4 625**

[1] India, Middle East, Africa (IMEA). Regional reporting for IMEA was established on January 1, 2007.

SEGMENT INFORMATION BY DIVISION

	Construction										Industry									
in CHF mn	2004	%	2005	%	2006	%	2007	%	2008	%	2004	%	2005	%	2006	%	2007	%	2008	%
Balance sheet																				
Current assets	624	55.7	871	50.7	1115	54.3	1268	56.4	1203	52.2	294	57.2	338	55.6	330	57.7	402	59.6	316	57.2
Non-current assets[1]	497	44.3	848	49.3	939	45.7	982	43.6	1100	47.8	220	42.8	270	44.4	242	42.3	272	40.4	236	42.8
Total assets	1121	100.0	1719	100.0	2054	100.0	2250	100.0	2303	100.0	514	100.0	608	100.0	572	100.0	674	100.0	552	100.0
Total liabilities[1]	377		606		705		727		717		182		212		198		218		164	
Capital expenditures	67		67		101		132		189		29		30		30		46		33	
Income statement																				
Consolidated net sales	1909	100.0	2177	100.0	3042	100.0	3600	100.0	3700	100.0	651	100.0	740	100.0	855	100.0	974	100.0	925	100.0
EBITDA[1]	225	11.8	254	11.7	420	13.8	529	14.7	485	13.1	120	18.4	128	17.3	127	14.9	169	17.4	121	13.1
Depreciation/ amortization	66	3.5	59	2.7	95	3.1	90	2.5	93	2.5	19	2.9	23	3.1	23	2.7	28	2.9	21	2.3
Impairment	14	0.7	11	0.5	10	0.3	0	0.0	0	0.0	9	1.4	9	1.2	1	0.1	-1	-0.1	6	0.6
EBIT[1]	145	7.6	184	8.5	316	10.4	439	12.2	392	10.6	93	14.3	97	13.1	103	12.0	143	14.7	94	10.2
Segment profit[1]	103	5.4	132	6.1	247	8.1	339	9.4	314	8.5	65	10.0	72	9.7	81	9.5	120	12.3	73	7.9

[1] Restatement of 2007 figures due to application of IFRIC 14 (note 11)

Corporate										Total									
2004	**%**	**2005**	**%**	**2006**	**%**	**2007**	**%**	**2008**	**%**	**2004**	**%**	**2005**	**%**	**2006**	**%**	**2007**	**%**	**2008**	**%**
34	57.6	84	29.8	297	68.4	246	62.4	225	63.4	952	56.2	1293	49.6	1742	56.9	1916	57.7	1744	54.3
25	42.4	198	70.2	137	31.6	148	37.6	130	36.6	742	43.8	1316	50.4	1318	43.1	1402	42.3	1466	45.7
59	100.0	282	100.0	434	100.0	394	100.0	355	100.0	1694	100.0	2609	100.0	3060	100.0	3318	100.0	3209	100.0
192		696		887		898		864		751		1514		1790		1843		1745	
12		17		9		8		8		108		114		140		186		230	
										2560	100.0	2917	100.0	3896	100.0	4573	100.0	4625	100.0
-24		-30		-32		-60		-50		321	12.5	352	12.1	515	13.2	638	13.8	556	12.0
4		6		15		10		14		89	3.5	88	3.0	133	3.4	128	2.8	128	2.8
0		0		0		0		0		23	0.8	20	0.7	11	0.3	-1	-0.0	6	0.1
-28		-36		-48		-71		-64		210	8.2	245	8.4	371	9.5	511	11.1	422	9.1
-46		-49		-93		-117		-120		122	4.8	155	5.3	235	6.0	342	7.5	267	5.8

SEGMENT INFORMATION BY REGIONS

										Europe North										Europe South
in CHF mn	2004	%	2005	%	2006	%	2007	%	2008	%	2004	%	2005	%	2006	%	2007	%	2008	%
Balance sheet																				
Current assets	313	49.3	377	36.3	494	45.3	551	51.1	486	43.5	325	65.3	405	69.2	421	72.8	508	64.5	417	63.7
Non-current assets[1]	322	50.7	662	63.7	597	54.7	527	48.9	632	56.5	173	34.7	180	30.8	157	27.2	279	35.5	238	36.3
Total assets	635	100.0	1039	100.0	1091	100.0	1078	100.0	1118	100.0	498	100.0	585	100.0	578	100.0	787	100.0	655	100.0
Total liabilities[1]	223		301		349		339		333		181		216		237		277		205	
Capital expenditures	35		37		39		78		106		30		26		17		27		37	
Income statement																				
Consolidated net sales	851	100.0	1106	100.0	1439	100.0	1713	100.0	1744	100.0	930	100.0	846	100.0	947	100.0	1101	100.0	1050	100.0
Construction	649	76.3	777	70.3	1061	73.7	1269	74.1	1314	75.3	729	78.4	727	85.9	818	86.4	951	86.4	904	86.1
Industry	202	23.7	329	29.7	378	26.3	444	25.9	430	24.7	201	21.6	119	14.1	129	13.6	150	13.6	146	13.9
EBITDA[1]	133	15.6	145	13.1	210	14.6	277	16.2	238	13.6	111	11.9	116	13.7	148	15.6	189	17.2	153	14.6
Depreciation/ amortization	17	2.0	31	2.8	49	3.4	50	2.9	50	2.9	20	2.2	19	2.2	21	2.2	21	1.9	19	1.8
Impairment	37	4.3	0	0.0	6	0.4	-1	-0.1	6	0.3	4	0.4	7	0.8	0	0.0	0	0.0	0	0.0
EBIT[1]	79	9.3	114	10.3	155	10.8	228	13.3	182	10.4	87	9.4	90	10.6	127	13.4	168	15.3	134	12.8
Segment profit[1]	54	6.3	81	7.3	125	8.7	180	10.5	140	8.0	60	6.5	64	7.6	92	9.7	132	12.0	107	10.2

[1] Restatement of 2007 figures due to application of IFRIC 14 (note 11)

North America										Latin America									
2004	%	2005	%	2006	%	2007	%	2008	%	2004	%	2005	%	2006	%	2007	%	2008	%
76	41.3	143	40.3	159	38.5	168	40.6	177	41.0	65	61.9	98	65.8	109	67.3	129	68.6	126	65.6
108	58.7	212	59.7	254	61.5	246	59.4	255	59.0	40	38.1	51	34.2	53	32.7	59	31.4	66	34.4
184	100.0	355	100.0	413	100.0	414	100.0	432	100.0	105	100.0	149	100.0	162	100.0	188	100.0	192	100.0
40		121		115		119		117		28		46		52		66		66	
14		15		36		28		26		5		8		9		12		26	
316	100.0	376	100.0	637	100.0	681	100.0	657	100.0	177	100.0	235	100.0	302	100.0	377	100.0	433	100.0
157	49.7	195	51.9	439	68.9	485	71.2	497	75.6	146	82.5	193	82.1	254	84.1	320	84.9	373	86.1
159	50.3	181	48.1	198	31.1	196	28.8	160	24.4	31	17.5	42	17.9	48	15.9	57	15.1	60	13.9
36	11.4	40	10.6	76	11.9	90	13.2	72	11.0	26	14.7	34	14.5	41	13.6	56	14.9	65	15.0
16	5.1	18	4.8	30	4.7	26	3.8	25	3.8	4	2.3	5	2.1	6	2.0	6	1.6	6	1.4
0	0.0	3	0.8	1	0.2	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
20	6.3	19	5.1	45	7.1	64	9.4	47	7.2	22	12.4	29	12.3	35	11.6	50	13.3	59	13.6
16	5.1	18	4.8	40	6.3	53	7.8	42	6.4	16	9.0	21	8.9	29	9.6	39	10.3	46	10.6

	IMEA										Asia/Pacific									
in CHF mn	2004	%	2005	%	2006	%	2007	%	2008	%	2004	%	2005	%	2006	%	2007	%	2008	%
Balance sheet																				
Current assets					70	70.7	99	69.7	107	77.0	139	65.6	185	63.8	192	67.8	215	68.3	206	64.6
Non-current assets[1]					29	29.3	43	30.3	32	23.0	73	34.4	105	36.2	91	32.2	100	31.7	113	35.4
Total assets					99	100.0	142	100.0	139	100.0	212	100.0	290	100.0	283	100.0	315	100.0	319	100.0
Total liabilities[1]					29		40		42		88		126		121		104		118	
Capital expenditures					7		12		7		12		13		23		21		20	
Income statement																				
Consolidated net sales					164		223	100.0	258	100.0	286	100.0	354	100.0	407	100.0	478	100.0	483	100.0
Construction					137	83.5	186	83.4	220	85.3	228	79.7	285	80.5	333	81.8	389	81.4	391	81.0
Industry					27	16.5	37	16.6	38	14.7	58	20.3	69	19.5	74	18.2	89	18.6	92	19.0
EBITDA[1]					23	14.0	29	13.0	35	13.6	39	13.6	47	13.3	49	12.0	57	11.9	43	8.9
Depreciation/ amortization					2	1.2	2	0.9	3	1.2	8		9		10		13	2.7	12	2.5
Impairment					1	0.6	-1	-0.4	0	0.0	2		9		3		1	0.2	0	0.0
EBIT[1]					20	12.2	29	13.0	32	12.4	29	10.1	29	8.2	36	8.8	43	9.0	31	6.4
Segment profit[1]					17	10.4	24	10.8	29	11.2	22	7.7	20	5.6	25	6.1	31	6.5	23	4.8

[1] Restatement of 2007 figures due to application of IFRIC 14 (note 11)

The region IMEA comprises India, the Middle East and the eastern countries of Africa (see the world map on page 16). Separate reporting for this region was introduced as of January 1, 2007. Data for 2006 have been adjusted accordingly.

Corporate										Total									
2004	%	2005	%	2006	%	2007	%	2008	%	2004	%	2005	%	2006	%	2007	%	2008	%
34	57.6	84	29.8	297	68.4	246	62.4	225	63.4	952	56.2	1292	47.9	1742	56.9	1916	57.7	1744	54.3
25	42.4	198	70.2	137	31.6	148	37.6	130	36.6	741	43.8	1408	52.1	1318	43.1	1402	42.3	1466	45.7
59	100.0	282	100.0	434	100.0	394	100.0	355	100.0	1693	100.0	2700	100.0	3060	100.0	3318	100.0	3209	100.0
192		696		887		898		864		752		1506		1790		1843		1745	
12		17		8		8		8		108		116		139		186		230	
										2560	100.0	2917	100.0	3896	100.0	4573	100.0	4625	100.0
										1909	11.8	2177	75.0	3042	78.1	3600	78.7	3700	80.0
										651	25.0	740	25.0	854	21.9	973	21.3	925	20.0
-24		-30		-59		-60		-50		321	11.8	352	12.5	488	12.1	638	14.0	556	12.0
4		6		10		14		14		69	2.7	88	3.5	128	3.0	128	2.8	128	2.8
0		0		0		0		0		43	1.7	19	0.8	11	0.7	-1	-0.0	6	0.1
-28		-36		-69		-71		-64		209	7.6	245	8.2	349	8.4	511	11.2	422	9.1
-46		-49		-115		-117		-120		122	4.1	155	4.8	213	5.3	342	7.5	267	5.8

EMPLOYEES

	2004	2005	2006	2007	2008
Employees by region (as of December 31)					
Europe North	**3 327**	**3 417**	**4 151**	**4 248**	**4 741**
Switzerland	1 235	1 333	1 773	1 792	2 036
Germany	1 260	1 167	1 375	1 302	1 422
Europe South	**1 692**	**1 709**	**1 869**	**1 922**	**1 994**
France	631	643	651	664	685
North America	**1 049**	**1 099**	**1 330**	**1 319**	**1 358**
USA	943	983	1 192	1 155	1 180
Latin America	**1 172**	**1 248**	**1 365**	**1 539**	**1 729**
Brazil	155	159	169	188	209
IMEA	**402**	**465**	**496**	**789**	**873**
Asia/Pacific	**1 576**	**1 764**	**2 098**	**1 906**	**2 205**
Japan	236	239	210	211	212
Total	**9 218**	**9 702**	**11 309**	**11 723**	**12 900**
Personnel expenses (in CHF mn)					
Wages and salaries	504	548	678	746	780
Social charges, other[1]	125	138	167	180	178
Total personnel expenses	**629**	**686**	**845**	**926**	**958**
Personnel expenses as % of net sales	25	24	22	20	21
Key data per employee (in CHF 1 000)					
Net sales	287	308	352	397	376
Net value-added[2]	94	98	110	125	112

[1] Restatement of 2007 figures due to application of IFRIC 14 (note 11)
[2] See next page, Five-year reviews, Value-Added Statement

in CHF mn	2004	2005	2006	2007	2008
Source of value-added					
Corporate performance (Net sales)	2 560	2 917	3 896	4 573	4 625
Intermediate inputs	-1 611	-1 873	-2 524	-2 982	-3 132
Gross value-added	**949**	**1 044**	**1 372**	**1 591**	**1 493**
Expenses not affecting liquidity					
Depreciation and amortization	-112	-108	-143	-127	-134
Change in provisions	2	-5	-12	-27	21
Net value-added	**839**	**931**	**1 217**	**1 437**	**1 380**
Distribution of value-added					
To employees					
Wages and salaries	504	548	678	746	780
Social charges[1]	125	138	167	180	178
To governments (capital and income taxes)	70	79	99	138	106
To lenders (financial expenses)	18	11	38	31	49
To shareholders (dividend payout, incl. minority interests)	38	43	49	79	112
To the company					
Net profit for the year[1]	122	155	235	342	267
less dividend payout	-38	-43	-49	-79	-112
Net value-added	**839**	**931**	**1 217**	**1 437**	**1 380**
Number of employees					
End of year	9 218	9 702	11 309	11 723	12 900
Annual average	8 928	9 460	11 080	11 516	12 312
Net value-added per employee (in CHF 1 000)	**94**	**98**	**110**	**125**	**112**

[1] Restatement of 2007 figures due to application of IFRIC 14 (note 11)

Net Value-Added 2008

Intermediate inputs	65.8%	(64.8%)
Non-liquidity-related expenses	2.8%	(4.0%)
Net value-added	**31.4%**	**(31.2%)**

Distribution of value-added = 100%

Employees	64.3%	(69.4%)
Company	18.6%	(15.3%)
Government	9.5%	(8.2%)
Shareholders	5.5%	(4.0%)
Lenders	2.2%	(3.1%)

SIKA AG BALANCE SHEET AS OF DECEMBER 31

ASSETS

in CHF mn	Notes	2007	2008
Current assets			
Cash in bank	1	253.2	169.8
Securities	2	4.7	2.7
Accounts receivable from subsidiaries	3	667.6	856.4
Accounts receivable from third parties	3	10.5	8.9
Treasury shares	4	66.1	55.4
Accrued income		0.2	0.1
Total current assets		**1 002.3**	**1 093.3**
Non-current assets			
Furnishings	5	0.0	0.0
Trademark licenses	6	0.8	1.8
Investments	7	981.7	1 005.7
Long-term loans and other non-current assets	8	12.0	9.9
Total non-current assets		**994.5**	**1 017.4**
Total assets		**1 996.8**	**2 110.7**

LIABILITIES AND SHAREHOLDERS' EQUITY

in CHF mn	Notes	2007	2008
Liabilities			
Accounts payable to subsidiaries	9	38.1	31.7
Accounts payable to third parties	9	5.1	3.0
Deferred income	10	14.3	14.0
Total current liabilities		**57.5**	**48.7**
Bonds	11	775.0	775.0
Provisions for risks related to investments	12	60.1	60.1
Total non-current liabilities		**835.1**	**835.1**
Total liabilities		**892.6**	**883.8**
Shareholders' equity			
Capital stock	13	22.9	22.9
Legal reserve		113.4	113.4
Reserve for treasury shares		65.1	117.6
Free reserves		56.5	4.0
Total reserves	14	235.0	235.0
Profit brought forward		511.5	734.8
Net profit for the year		334.8	234.2
Retained earnings	15	**846.3**	**969.0**
Total shareholders' equity	16	**1 104.2**	**1 226.9**
Total liabilities and shareholders' equity		**1 996.8**	**2 110.7**

SIKA AG INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	2007	2008
Income			
Income from subsidiaries	17	327.1	277.3
Financial income	18	50.8	54.5
Trademark licenses	19	36.8	36.3
Other income		0.1	0.2
Total income		**414.8**	**368.3**
Expenses			
Administrative expenses	20	14.8	14.4
Financial expenses	21	38.7	113.4
Taxes	22	4.6	0.1
Depreciation/change in provisions	23	16.1	2.1
Other expenses	24	5.8	4.1
Total expenses		**80.0**	**134.1**
Net profit for the year		**334.8**	**234.2**

GENERAL EXPLANATIONS. With the establishment of Sika Services AG and Sika Technology AG in 2002, responsibilities, and therefore profits and expenditures, were reallocated. Sika AG is no longer responsible for operating costs; they are charged to Sika Services AG in full and, in turn, to subsidiaries. So-called “stewardship costs” (administrative costs of Sika AG) are fully borne by Sika AG. Research expense and licensing income accrue to Sika Technology AG; however, its proceeds from trademark licenses are transferred to Sika AG.

Subsidiaries with excess liquidity use dividends and capital decreases to transfer liquid funds to Sika AG. Loan agreements were concluded between Sika AG and its subsidiaries to cover financial requirements. Under these agreements, flexible loans are issued at market conditions and generally in local currencies. The loans are secured centrally by Sika AG.

Liquid assets at hand within the Group are centralized at Sika AG. Sika AG places these assets at the disposal of subsidiaries in need of funds.

To secure liquidity, in 2006 Sika AG extended the 5-year syndicated credit line established February 20, 2003, to November 15, 2010, increasing it from CHF 350 mn to CHF 450 mn.

To finance the acquisition of Sarna Polymer Holding Inc. as well as other investments three separate bonds were issued totaling CHF 775 mn in 2006.

1 CASH IN BANK. CHF 169.8 mn (CHF 253.2 mn)
All bank deposits are held in interest-bearing accounts denominated in Swiss francs.

in CHF mn	2007	2008
Swiss francs (CHF)	253.2	169.7
Other foreign currencies	0.0	0.1
Total cash in banks	**253.2**	**169.8**

2 SECURITIES. CHF 2.7 mn (CHF 4.7 mn)
The reduced value of the stock of shares resulted from losses in share prices during the year under review. The portfolio is available for sale.

3 ACCOUNTS RECEIVABLE FROM SUBSIDIARIES AND THIRD PARTIES.
Total of accounts receivable amounts to CHF 865.3 mn (CHF 678.1 mn). Receivables consist mainly of CHF 831.2 mn (CHF 640.7 mn) in loans to subsidiaries. These loans constitute part of the Group-wide cash management concept.

in CHF mn	2007	2008
Europe North	230.2	321.9
Europe South	136.8	147.0
North America	129.1	180.7
Latin America	11.8	13.7
IMEA	29.9	32.6
Asia/Pacific	93.4	102.2
Corporate	9.5	33.1
Total loans	**640.7**	**831.2**

Sika has additional receivables of CHF 25.0 mn (CHF 26.9 mn) due from Sika subsidiaries on open accounts. Receivables from third parties of CHF 8.9 mn (CHF 10.5 mn) include CHF 0.5 mn (CHF 1.7 mn) in credits from the Swiss tax authorities and CHF 8.3 mn (CHF 8.8 mn) due from the associated company Sika Gulf.

4 TREASURY SHARES. CHF 55.4 mn (CHF 66.1 mn)
Treasury shares are appropriated for an expanded Group-wide stock plan and used to invest liquidity.

in CHF mn	Bearer shares nominal value CHF 9.00 Units		Registered shares nominal value CHF 1.50 Units		Total
as of December 31, 2006	**1 994**	**3.8**	**0.0**	**0.0**	**3.8**
Reductions	-482	-0.9	0.0	0.0	-0.9
Additions	32 508	63.2	0.0	0.0	63.2
as of December 31, 2007	**34 020**	**66.1**	**0.0**	**0.0**	**66.1**
Reductions	-767	-1.5	0.0	0.0	-1.5
Additions	28 255	53.4	0.0	0.0	53.4
Valuation adjustment		-62.6			-62.6
as of December 31, 2008	**61 508**	**55.4**	**0.0**	**0.0**	**55.4**

5 FURNISHINGS. CHF 1.00 p.m., (CHF 1.00 p.m.)
Acquired furnishings, as well as hardware and software, are depreciated in the year of acquisition and included as memo items at CHF 1.00. The fire insurance value amounts to CHF 0.6 mn (CHF 0.6 mn).

6 TRADEMARK LICENSES. CHF 1.8 mn (CHF 0.8 mn)
Capitalized trademark licenses are amortized over their useful life.

7 INVESTMENTS. CHF 1 005.7 mn (CHF 981.7 mn)
In the year under review new companies were established in IMEA with capital totaling CHF 4.5 mn. Capital increases of CHF 21.9 mn were undertaken in several regions, while CHF -2.4 mn relates to capital decreases in Europe North.

CHANGES IN INVESTMENTS

in CHF mn	2007	2008
As of January 1	**963.9**	**981.7**
Europe North	11.0	-2.0
Europe South	0.0	0.0
North America	0.0	0.0
Latin America	-0.3	0.0
IMEA	0.0	12.6
Asia/Pacific	7.1	13.4
Corporate	0.0	0.0
Total net	**17.8**	**24.0**
As of December 31	**981.7**	**1 005.7**

8 LOANS AND OTHER NON-CURRENT ASSETS. CHF 9.9 mn (CHF 12.0 mn)

Long-term loans of CHF 3.1 mn consist of three shareholders' loans to Sika Argentina SAIC, Argentina, and Sika Venezuela SA, Venezuela, as well as to a third party company. Other non-current assets contain capitalized bond issuance costs as well as premiums for issued bonds.

9 ACCOUNTS PAYABLE TO SUBSIDIARIES AND THIRD PARTIES. CHF 34.7 mn (CHF 43.2 mn)

The total includes CHF 31.7 mn (CHF 38.1 mn) in liabilities to Sika subsidiaries, resulting from the worldwide cash management concept. The remaining liabilities of CHF 3.0 mn (CHF 5.1 mn) consist of accounts payable to third parties.

10 DEFERRED INCOME. CHF 14.0 mn (CHF 14.3 mn)

Deferred income includes pro-rated interest of CHF 12.1 mn (CHF 12.1 mn), as well as other accrued expenses of CHF 1.9 mn (CHF 2.2 mn).

11 BONDS. CHF 775.0 mn (CHF 775.0 mn)

In 2006 three bonds were issued to finance the acquisition of Sarna Polymer Holding Inc. as well as growth of the Group:

2.750% fixed-interest bond 2006–10/26/2011	CHF 275.0 mn
2.375% fixed-interest bond 2006–2/15/2013	CHF 250.0 mn
2.875% fixed-interest bond 2006–3/23/2016	CHF 250.0 mn

12 PROVISIONS FOR RISKS RELATED TO INVESTMENTS. CHF 60.1 mn (CHF 60.1 mn)

Provisions for risks related to investments were left unchanged at CHF 30.0 mn. They relate to the management, financial and political risks of a globally operating company. Provisions to cover credit risks of Group loans were left unchanged at CHF 28.1 mn. In 2006 provisions of CHF 2.0 mn were reserved for a newly-established donation fund.

13 CAPITAL STOCK. CHF 22.9 mn (CHF 22.9 mn)

On December 31, 2008, the company had 56 (53) registered shareholders. Information regarding major shareholders is to be found on page 127.

At the Annual General Meeting on May 27, 1998, 260 000 bearer shares, valued nominally at CHF 60.00, i. e. CHF 15.6 mn, were issued as contingent capital stock. These shares are allocated for the exercise of option or conversion rights. In 2004 178 new bearer shares were created out of the contingent capital. The contingent capital was adjusted according to the reduction in nominal value.

The capital stock consists of:

	Bearer shares[1] nominal value CHF 9.00	Registered shares[1] nominal value CHF 1.50	Total[1]
12/31/2007 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	19 360 791	3 500 811	22 861 602
12/31/2008 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	19 360 791	3 500 811	22 861 602

[1] Includes non-voting and not-dividend-recipient treasury stock

14 RESERVES. CHF 235.0 mn (CHF 235.0 mn)
Reserves remained unchanged at 1 027.9% of the capital stock. In accordance with the Swiss Code of Obligations, reserves for treasury shares are to be reported separately.

in CHF mn	2007	2008
General statutory reserve	113.4	113.4
Reserve for treasury shares	65.1	117.6
Free reserve	56.5	4.0
Total	**235.0**	**235.0**

15 RETAINED EARNINGS. CHF 969.0 mn (CHF 846.3 mn)
Net profit of the year reflects the regular business activities. Due to financial market development the value of treasury shares had to be reduced by CHF 62.6 mn. A dividend of CHF 111.5 mn for the business year 2007 was distributed to shareholders in April 2008.

in CHF mn	2007	2008
Profit brought forward	511.5	734.8
Net profit for the year	334.8	234.2
Retained earnings	**846.3**	**969.0**

16 SHAREHOLDERS' EQUITY. CHF 1 226.9 mn (CHF 1 104.2 mn)
Shareholders' equity of CHF 1 226.9 mn lies above the level of the prior year. The ratio of shareholders' equity to balance sheet total increased from 55.3% to 58.1%.

Contingent liabilities. Letters of guarantee and letters of comfort are issued to finance business transactions. The subordination agreement of CHF 5.5 mn for Sarna Immobilien AG, Buochs, Switzerland, was prolonged. Sika AG is part of the Sika Schweiz AG value-added tax group and is jointly and severally liable to the tax authorities for the value-added tax obligations of Sika Schweiz AG.

in CHF mn	2007	2008
Letters of guarantee		
issued	182.1	160.7
used	11.5	9.1
Letters of comfort		
issued	8.4	5.4
used	1.9	2.8
Credit lines to subsidiaries		
used	4.1	1.5

17 INCOME FROM ASSOCIATED COMPANIES. CHF 277.3 mn (CHF 327.1 mn)
Income from subsidiaries includes dividend distributions.

18 FINANCIAL INCOME. CHF 54.5 mn (CHF 50.8 mn)

Financial income includes dividend income and gains from foreign exchange transactions. The increase is primarily due to increased loans to subsidiaries and higher interest rates.

Financial income consists of:

in CHF mn	2007	2008
Interest income from		
subsidiaries	39.8	50.6
banks	4.1	1.4
Income from securities	0.1	0.1
Gains from securities and foreign exchange	5.6	2.4
Valuation adjustments to securities	1.2	0.0
Total	**50.8**	**54.5**

19 TRADEMARK LICENSES. CHF 36.3 mn (CHF 36.8 mn)

Income from trademark licenses reflects business development in 2008.

20 ADMINISTRATIVE EXPENSES. CHF 14.4 mn (CHF 14.8 mn)

Administrative expenses include expenses for the holding and allocated Group management costs.

21 FINANCIAL EXPENSES. CHF 113.4 mn (CHF 38.7 mn)

Financial expenses include the cost of interest on loans and similar expenses as well as foreign currency losses from foreign exchange transactions and loans. Losses from foreign exchange transactions arise from hedging transactions to secure loans granted to local companies. The value of treasury shares was reduced by CHF 62.6 mn.

Financial expenses consist of:

in CHF mn	2007	2008
Loan and bank interest	22.2	22.5
Interest charged to local companies	3.1	1.1
Coupon redemption expenses	0.2	0.2
Bank fees	0.2	0.6
Fees for syndicated credit line	0.3	0.3
Valuation adjustments to securities and treasury shares	0.0	64.7
Foreign exchange losses from foreign currencies, securities, hedges	12.7	24.0
Total	**38.7**	**113.4**

22 TAXES. CHF 0.1 mn (CHF 4.6 mn)

Due to the low taxable result the customary tax provision for the year under review is omitted.

23 DEPRECIATION/CHANGE IN PROVISIONS. CHF 2.1 mn (CHF 16.1 mn)
Provisions for Group loans remained unchanged. Trademark licenses were depreciated as is customary.

in CHF mn	2007	2008
Provisions for Group loans	15.0	0.0
Depreciation/provisions of investments	0.0	1.3
Depreciation of investments in associates	0.3	0.0
Trademark licenses	0.8	0.8
Total	**16.1**	**2.1**

24 OTHER EXPENSES. CHF 4.1 mn (CHF 5.8 mn)
This item consists of:

- Non-recoverable withholding taxes: CHF 3.5 mn
- Expenses for trademark licenses: CHF 0.6 mn

25 REMUNERATION OF THE BOARD OF DIRECTORS.

For the business year 2008 the Board of Directors is entitled to the following remuneration:

	Walter Grüebler Chairman		Thomas W. Bechtler[2] Vice Chairman		Urs F. Burkard[3]		Urs B. Rinderknecht[4]		Toni Rusch	
in CHF 1 000	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Cash										
Fix fees	157.1	170.0	136.7	150.0	113.9	120.0	100.0	120.0	114.0	130.0
Fix salary	370.6	396.2								
Variable salary portion[1]	426.3	344.2								
Other expenses	45.3	41.4	18.0	25.0	12.0	22.0	10.0	22.0	14.5	22.0
Association fees					**5.8**	**5.8**				
Benefit obligations										
Social security contributions		14.9		16.8		14.1				14.3
Management insurance	11.7	55.3								
Benefit plan	3.1	0.0								
Total	**1 014.1**	**1 022.0**	**154.7**	**191.8**	**131.7**	**161.9**	**110.0**	**142.0**	**128.5**	**166.3**

	Daniel J. Sauter		Fritz Studer		Ulrich W. Suter		Christoph Tobler		Total	
in CHF 1 000	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Cash										
Fix fees	113.8	120.0	75.0	120.0	114.1	120.0	110.6	120.0	1 035.2	1 170.0
Fix salary									370.6	396.2
Variable salary portion[1]									426.3	344.2
Other expenses	12.0	20.0	5.0	10.0	12.0	17.0	12.0	16.0	140.8	195.4
Association fees									**5.8**	**5.8**
Benefit obligations										
Social security contributions		14.0		10.4		14.1		14.0		112.6
Management insurance									11.7	55.3
Benefit plan									3.1	0.0
Total	**125.8**	**154.0**	**80.0**	**140.4**	**126.1**	**151.1**	**122.6**	**150.0**	**1 993.5**	**2 279.5**

[1] 20% or 40% has to be drawn in the form of shares. The allocation occurs at market values.
[2] In the reporting year 2008 CHF 0.4 mn (CHF 0.3 mn) was paid for services to a company associated with T. W. Bechtler.
[3] In the reporting year 2008 CHF 3.1 mn (CHF 4.0 mn) was paid for equipment to a company owned by U. F. Burkard.
[4] Remuneration of U. B. Rinderknecht is paid to UBS AG.

No member of the Board of Directors was granted a loan during the business year. No loans were outstanding at the end of the year under review.

26 REMUNERATION OF GROUP MANAGEMENT.

For the business year 2008 the Group Management is entitled to the following remuneration:

	Ernst Bärtschi CEO		Total	
in CHF 1 000	**2007**	**2008**	**2007**	**2008**
Cash				
Fix salary	741.7	785.9	5 104.2	5 208.0
Variable salary portion[1]	815.4	679.7	4 014.3	3 320.5
Other expenses	47.5	45.6	429.9	402.6
Payments in kind	**0**	**0**	**319.5**	**354.9**
Benefit obligations				
Management insurance	158.8	182.7	953.2	946.3
Benefit plan	7.5	8.8	292.4	134.1
Total	**1 770.9**	**1 702.7**	**11 113.5**	**10 366.4**

[1] 20% or 40% has to be drawn in the form of shares. The allocation occurs at market values.

Payments to former executives and directors. In the year under review compensation in the amount of TCHF 1 674.4 (TCHF 504.9) was paid to two former members of the board. This included TCHF 648.2 (TCHF 321.1) fix salary, bonuses in the amount of TCHF 451.6 (TCHF 164.3), expenses of TCHF 28.3 (TCHF 13.2) and pension fund contributions of TCHF 39.3 (TCHF 6.3).

All bonuses shown are accrued and pertain to entitlements acquired in 2008 that will be paid out in 2009. The entitlements are subject to the Nomination and Compensation Committee, which will decide upon them following approval of the Consolidated Financial Statements.

27 PARTICIPATIONS IN SIKA AG.

Members of the Board of Directors and Group Management hold the following participations in Sika AG:

	Number of shares		Number of warrants (potential voting rights)	
	2007	**2008**	**2007**	**2008**
Board of Directors				
Walter Grüebler, Chairman	1 774	1 886	0	0
Thomas W. Bechtler, Vice Chairman	221	221	0	0
Urs F. Burkard[1]	196	2 800	175	0
Urs B. Rinderknecht	1 000	1 000	240	540
Toni Rusch	243	243	0	0
Daniel J. Sauter	1 487	2 487	0	0
Fritz Studer	20	20	0	0
Ulrich W. Suter	0	0	0	0
Christoph Tobler	350	400	0	0
Group Management				
Ernst Bärtschi, CEO	1 027	1 134	0	0
Silvio Ponti, deputy CEO	195	312	0	0
Alexander Bleibler	376	422	0	0
Bruno Fritsche	0	34	0	0
Christoph Ganz	40	58	0	0
Jan Jenisch	275	320	0	0
Peter Krebser	67	90	0	0
Urs Mäder	93	119	0	0
Ernesto Schümperli	50	88	0	0
Paul Schuler	100	146	0	0
Ronald Trächsel	0	29	0	0
José Luis Vásquez	344	470	0	0
Total	**7 858**	**12 279**	**415**	**540**

[1] Urs. F. Burkard also has an interest in the Schenker Winkler Holding, which holds 2 408 062 Sika AG shares.

28 INFORMATION ON EXECUTION OF RISK ASSESSMENT.

Risk management is carried out by the Board of Directors of Sika AG and by Group Management. The Board of Directors is the highest authority for risk assessment. The Board assesses risks annually at the level of the Group and Sika AG. Group Management regularly reviews the processes which form the basis for risk management. The risk management process comprises four steps: risk identification, risk assessment, risk controlling and risk monitoring.

Information on the Group-wide risk assessment processes can be found in Note 39 to the Consolidated Financial Statements.

The Board of Directors proposes to the Annual General Meeting the following appropriation of retained earnings:

in CHF mn	2007	2008
Composition of retained earnings		
Net profit for the year	334.8	234.2
Profit brought forward	511.5	734.8
Retained earnings	**846.3**	**969.0**
Allocation to general statutory reserve[1]	0.0	0.0
Allocation to free reserve	0.0	0.0
Dividend payment		
Dividend payment[2]	111.5	111.5
Balance to be carried forward	734.8	857.5
Total	**846.3**	**969.0**

[1] As the general statutory reserve currently exceeds 20% of capital stock, this allocation was waived.
[2] Dividend payment for shares entitled to dividends (without treasury shares as per December 31, 2008).

On approval of this proposal, the following payment will be made:

in CHF	2007	2008
Bearer share[1] nominal value CHF 9.00		
Gross dividend	45.00	45.00
35% withholding tax on gross dividend	-15.75	-15.75
Net dividend	**29.25**	**29.25**
Registered share[1] nominal value CHF 1.50		
Gross dividend	7.50	7.50
35% withholding tax on gross dividend	-2.63	-2.63
Net dividend	**4.87**	**4.87**

[1] Registered and bearer shares held by Sika AG are non-voting shares and do not qualify for a dividend.

Payment is tentatively scheduled for Tuesday, April 28, 2009, upon presentation of coupon No. 17 for bearer shares. Registered shareholders will receive payment at the address provided to the company for purposes of dividend distribution.

The Annual General Meeting of Sika AG will be held on Tuesday, April 21, 2009, 3 p.m. in the Lorzensaal in Cham, Switzerland.

Baar, February 20, 2009

For the Board of Directors
The Chairman:
Dr. Walter Grüebler

REPORT OF THE STATUTORY AUDITORS
TO THE ANNUAL GENERAL MEETING OF SIKA AG, BAAR

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS. As statutory auditor, we have audited the accompanying financial statements of Sika AG, which comprise the balance sheet, income statement and notes (pages 146 to 158) for the year ended December 31, 2008.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the financial statements for the year ended December 31, 2008, comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS. We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zug, February 20, 2009

Ernst & Young Ltd

Edgar Christen
Licensed audit expert
(Auditor in charge)

Bernadette Koch
Licensed audit expert

FINANCIAL CALENDAR 2009

TUESDAY, APRIL 21
41th Annual General Meeting, Lorzensaal, Cham, Switzerland, 3 pm

WEDNESDAY, APRIL 22
Letter to shareholders (first-quarter report)

TUESDAY, APRIL 28
Dividend payment

FRIDAY, JULY 31
Letter to shareholders (semi-annual report)

FRIDAY, OCTOBER 30
Letter to shareholders (third-quarter report)

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