



Sika AG

**The Future is Now**

Letter to Shareholders:  
Report on the third quarter of 2003

November 2003



## Sika Group

### Third quarter growth stable

As of September 30, 2003 Sika's net sales totaled CHF 1701 m, a gain of 5.5% compared to the first nine months in the corresponding period a year ago. Expressed in local currencies, Sika did 10.7% better.

The acquisitions of Addiment operations in Italy and Germany contributed CHF 33 m or 1.9% to the expansion of net sales during the three quarters.

Seasonal factors make Sika's third-quarter sales the company's strongest. Denominated in Swiss francs, net sales were 9.0% higher than in the third quarter a year ago.

Earnings from operations (EBIT) rose in the first nine months by 10.1% to CHF 154.5 m. Compared to the preceding year the amount includes a negative currency effect of CHF 9 m or 5.8%.

Consolidated net profit developed favorably and exceeded January–September results in the prior year by 13.8%, an improvement principally attributable to lower financial expenses. Such reductions were attained due to a CHF 140 m decline in the local indebtedness to banks throughout the Group since the beginning of the year.

Sika generated an operating free cash flow of CHF 56.3 m. The operating free cash flow is the free cash flow adjusted by acquisitions (CHF 3.7 m).

### Segments

By September 30, 2003 the expansion of sales expressed in local currencies of both the Construction and Industry Divisions had been bolstered primarily by internal growth, the increase amounting to 11.2% or 9.4%, respectively. The two major product groups Sikaflex® (adhesives and sealants) and Sika ViscoCrete® (concrete admixtures), contributed above-average gains to the advance.

### Regions

In Europe Sika sales, expressed in Swiss francs, grew by about 12.7%, especially in South and East Europe. The German sales organization was restructured. Appropriate provisions were posted in the balance sheet.

Currency conversions turned the 2% gain in North American sales into an 11.5% decrease in terms of Swiss francs. Competition in some sectors intensified and deteriorated margins substantially.

In Latin America unfavorable currency effects produced a 12.1% decline in Swiss franc terms; a gain of 20.8% in local currencies. Business in Brazil, the largest market, was impacted by the weak currency and declining demand. Gratifying improvements in results are being registered in other Latin American countries.

In keeping with expectations developments in Asia yielded, based on local currencies, an 8.7% spurt in sales that resulted, however, in a –0.6% decrease when posted in Swiss francs.

### Year-end outlook

The development of business in the first nine months and the rate of incoming orders foretell a positive outlook. Sika is counting on the continued expansion of its business. It has to be taken into consideration that seasonal factors make Sika's fourth quarter its weakest.

The patents held by various subsidiaries including those in Germany, Switzerland and the United States were reacquired by the Group internally. As a consequence these companies post higher earnings in 2003. These circumstances explain postings of higher tax rates. However, this change will lead medium-term to a reduction in tax rates in the Group.

## Sika AG

Stockholders accepted the company's offer for the voluntary exchange of registered shares into bearer shares readily. The transaction was completed in July.

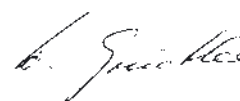
The registered shares were delisted on September 4, 2003 because the free float dropped decidedly under 1% as a result of the conversion.

In the wake of the delisting of the registered shares on the SWX, the Swiss stock exchange, Sika is now quoted exclusively on the basis of its bearer shares.

Kind regards,  
Sika AG



Dr. Hans Peter Ming  
Chairman of the Board



Dr. Walter Gruebler  
Chief Executive Officer

## Key Data of the Consolidated Income Statement

### Consolidated Income Statement from January 1 till September 30, 2003

in CHF m	%	1/1 – 9/30/2003	%	1/1 – 9/30/2002
<b>Net sales</b>	<b>100.0</b>	<b>1 700.8</b>	100.0	1 613.4
Other operating income/Change in inventories	<b>0.4</b>	<b>6.8</b>		
<b>Operating revenue</b>	<b>100.4</b>	<b>1 707.6</b>	100.0	1 613.4
Material expenses	<b>-39.6</b>	<b>-672.8</b>	-38.9	-627.1
<b>Gross profit</b>	<b>60.8</b>	<b>1 034.8</b>	61.1	986.3
Personnel expenses	<b>-25.7</b>	<b>-437.4</b>	-26.8	-432.3
Other operating expenses	<b>-21.8</b>	<b>-370.9</b>	-20.5	-331.3
<b>Operating profit before depreciation (EBITDA)</b>	<b>13.3</b>	<b>226.5</b>	13.8	222.7
Depreciation	<b>-3.2</b>	<b>-53.8</b>	-4.2	-67.6
Amortization	<b>-1.1</b>	<b>-18.2</b>	-0.9	-14.8
<b>Operating profit (EBIT)</b>	<b>9.1</b>	<b>154.5</b>	8.7	140.3
Financial income/Financial expenses	<b>-0.8</b>	<b>-13.6</b>	-1.2	-18.9
<b>Consolidated net profit before taxes</b>	<b>8.3</b>	<b>140.9</b>	7.5	121.4
Income taxes	<b>-3.4</b>	<b>-57.4</b>	-3.0	-48.0
<b>Consolidated net profit after taxes</b>	<b>4.9</b>	<b>83.5</b>	4.5	73.4
Minority interests		<b>-0.9</b>		-0.8
<b>Consolidated net profit after minority interests</b>		<b>82.6</b>		72.6

### Key data for the third quarter

in CHF m	7/1 – 9/30/2003		7/1 – 9/30/2002	
	in % of net sales		in % of net sales	
<b>Net sales</b>	<b>100.0</b>	<b>631.0</b>	100.0	578.5
<b>Operating profit before depreciation (EBITDA)</b>	<b>15.6</b>	<b>98.7</b>	15.6	90.0
<b>Operating profit (EBIT)</b>	<b>11.8</b>	<b>74.3</b>	10.9	62.9
<b>Consolidated net profit after taxes</b>	<b>6.8</b>	<b>42.8</b>	6.6	37.9

## Segment Information Sika Group

### Net sales for the first nine months

	1/1 – 9/30/2003	1/1 – 9/30/2002	change towards previous year +/- in %		
	in CHF m	in CHF m	in CHF	in local currencies	currency impact
<b>By region</b>					
Europe/Africa	1 189	1 055	+12.7	+12.1	+0.6
North America	231	261	-11.5	+2.0	-13.5
Latin America	109	124	-12.1	+20.8	-32.9
Asia/Pacific	172	173	-0.6	+8.7	-9.3
<b>Consolidated net sales</b>	<b>1 701</b>	<b>1 613</b>	<b>+5.5</b>	<b>+10.7</b>	<b>-5.2</b>
<b>By business division</b>					
Construction	1 256	1 183	+6.2	+11.2	-5.0
Industry	445	430	+3.5	+9.4	-5.9
<b>Consolidated net sales</b>	<b>1 701</b>	<b>1 613</b>	<b>+5.5</b>	<b>+10.7</b>	<b>-5.2</b>

### Net sales in the third quarter

	7/1 – 9/30/2003	7/1 – 9/30/2002	change towards previous year +/- in %		
	in CHF m	in CHF m	in CHF	in local currencies	currency impact
<b>By region</b>					
Europe/Africa	444	392	+13.3	+11.9	+1.4
North America	84	88	-4.5	+1.8	-6.3
Latin America	40	38	+5.3	+22.5	-17.2
Asia/Pacific	63	61	+3.3	+7.5	-4.2
<b>Consolidated net sales</b>	<b>631</b>	<b>579</b>	<b>+9.0</b>	<b>+10.8</b>	<b>-1.8</b>
<b>By business division</b>					
Construction	494	439	+12.5	+15.6	-3.1
Industry	137	140	-2.1	+3.0	-5.1
<b>Consolidated net sales</b>	<b>631</b>	<b>579</b>	<b>+9.0</b>	<b>+10.8</b>	<b>-1.8</b>

## **Important Dates 2004**

Media conference / financial analysts' meeting in Zurich  
Annual General Meeting, Cham, 3 p.m.

Tuesday, March 16, 2004  
Wednesday, April 21, 2004

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