Financial Report 2009

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CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

ASSETS

in CHF mn	Notes		2008		2009
Current assets					
Cash and cash equivalents	1		318.3		801.6
Securities	2		3.1		9.4
Accounts receivable	3		778.7		739.4
Inventories	4		512.7		451.4
Accrued income	5		74.5		60.9
Other current assets	5		56.5		30.4
Total current assets			**1 743.8**		**2 093.1**
Non-current assets					
Property, plant and equipment	6		832.9		861.7
Property		104.6		106.0	
Plant		235.6		270.7	
Plants under construction		122.3		60.2	
Equipment		370.4		424.8	
Financial assets			27.2		33.5
Investments in associated companies	7	19.6		24.0	
Other financial assets	8	7.6		9.5	
Intangible assets	9		524.9		562.0
Goodwill		253.8		279.3	
Software		44.7		61.0	
Trademarks		75.6		76.7	
Customer relations		118.7		115.4	
Other intangible assets		32.1		29.6	
Deferred tax assets	10		62.6		69.2
Employee benefit assets	11		15.7		8.8
Other non-current assets			2.3		1.1
Total non-current assets			**1 465.6**		**1 536.3**
Total assets			**3 209.4**		**3 629.4**

LIABILITIES AND SHAREHOLDERS' EQUITY

in CHF mn	Notes	2008	2009
Liabilities			
Current liabilities			
Bank loans	12	13.3	1.6
Non-current liabilities due in the next 12 months	13	0.1	0.3
Accounts payable	14	398.1	355.2
Taxes payable		40.1	38.2
Accrued expenses	15	197.4	211.8
Provisions	18	14.0	43.5
Other current liabilities	16	22.0	15.7
Total current liabilities		**685.0**	**666.3**
Non-current liabilities			
Bank loans and mortgages	12	0.2	0.6
Bonds	17	767.9	1 066.9
Other non-current liabilities		5.0	6.6
Provisions	18	93.1	103.1
Deferred tax liabilities	10	65.8	62.6
Employee benefit obligation	11	127.7	130.3
Total non-current liabilities		**1 059.7**	**1 370.1**
Total liabilities		**1 744.7**	**2 036.4**
Shareholders' equity			
Capital stock		22.9	22.9
Capital surplus		256.0	256.0
Treasury shares		-117.6	-106.3
Currency translation differences		-224.6	-224.2
Fluctuations in value of financial instruments		-4.9	-0.1
Retained earnings		1 530.3	1 640.0
Equity attributable to Sika shareholders		**1 462.1**	**1 588.3**
Minority interests		2.6	4.7
Total shareholders' equity	19	**1 464.7**	**1 593.0**
Total liabilities and shareholders' equity		**3 209.4**	**3 629.4**

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	%	2008	%	2009	Change in %
Net sales	20	**100.0**	**4 624.5**	**100.0**	**4 154.9**	**-10.2**
Other operating income		0.2	7.9	0.2	7.4	
Changes in inventory		0.2	9.4	-0.4	-16.2	
Operating revenue	21	**100.4**	**4 641.8**	**99.8**	**4 146.1**	**-10.7**
Material expenses	22	-48.7	-2 251.0	-44.5	-1 850.8	
Gross result		**51.7**	**2 390.8**	**55.2**	**2 295.3**	**-4.0**
Personnel expenses	23	-20.7	-957.8	-23.0	-954.3	
Other operating expenses	23	-19.0	-876.9	-19.3	-801.1	
Operating profit before depreciation and restructuring	23	**12.0**	**556.1**	**13.0**	**539.9**	**-2.9**
Depreciation	24	-2.2	-101.0	-2.5	-104.5	
Amortization	24	-0.6	-27.1	-0.8	-32.0	
Impairment	24	-0.1	-6.0	-0.1	-2.8	
Operating profit before restructuring		**9.1**	**422.0**	**9.6**	**400.6**	**-5.1**
Restructuring	25	0.0	0.0	-1.4	-56.6	
Operating profit		**9.1**	**422.0**	**8.3**	**344.0**	**-18.5**
Interest income	27	0.1	5.1	0.1	3.1	
Interest expenses	26	-0.6	-25.8	-0.7	-27.4	
Other financial income	27	0.1	3.2	0.0	0.9	
Other financial expenses	26	-0.8	-37.4	-0.2	-10.3	
Income from associated companies	27	0.1	6.2	0.1	5.3	
Profit before taxes		**8.1**	**373.3**	**7.6**	**315.6**	**-15.5**
Income taxes	28	-2.3	-105.9	-2.2	-89.9	
Net profit		**5.8**	**267.4**	**5.4**	**225.7**	**-15.6**
Profit attributable to Sika shareholders		5.8	266.7	5.4	225.9	
Profit attributable to minority interests	29	0.0	0.7	-0.0	-0.2	
Earnings per bearer share (in CHF)	30		**107.00**		**91.03**	**-15.0**

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

STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	%	2008	%	2009	Change in %
Net profit	**5.8**	**267.4**	**5.4**	**225.7**	**-15.6**
Currency translation differences					
Exchange differences taken to equity	-2.4	-108.8	0.0	1.8	
Accumulated differences transferred to income statement on dissolution of a Group company	0.0	0.0	-0.0	-1.4	
Available-for-sale financial assets					
Valuation gains (+) / losses (–) taken to equity	0.0	-3.8	0.1	2.4	
Transferred to income statement on sale or impairment	-0.1	0.2	0.1	2.4	
Other comprehensive income	**-2.4**	**-112.4**	**0.1**	**5.2**	
Comprehensive income	**3.4**	**155.0**	**5.6**	**230.9**	**49.0**
Attributable to Sika shareholders	3.3	154.0	5.6	231.1	
Attributable to minority interests	0.0	1.0	-0.0	-0.2	

STATEMENT OF CHANGES IN 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 equity[1]
January 1, 2008	**22.9**	**256.0**	**-65.1**	**-115.5**	**-1.3**	**1 375.4**	**1 472.4**	**2.5**	**1 474.9**
Profit of the year						266.7	266.7	0.7	267.4
Other comprehensive income	–	–	–	-109.1	-3.6		-112.7	0.3	-112.4
Comprehensive income	**–**	**–**	**–**	**-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
January 1, 2009	**22.9**	**256.0**	**-117.6**	**-224.6**	**-4.9**	**1 530.3**	**1 462.1**	**2.6**	**1 464.7**
Profit of the year						225.9	225.9	-0.2	225.7
Other comprehensive income	–	–	–	0.4	4.8		5.2		5.2
Comprehensive income	**–**	**–**	**–**	**0.4**	**4.8**	**225.9**	**231.1**	**-0.2**	**230.9**
Sale / purchase of treasury shares			11.3				11.3		11.3
Gains / losses on treasury shares						-4.5	-4.5		-4.5
Dividends						-111.7	-111.7	-0.6	-112.3
Change in scope of consolidation						–	–	2.9	2.9
December 31, 2009	**22.9**	**256.0**	**-106.3**	**-224.2**	**-0.1**	**1 640.0**	**1 588.3**	**4.7**	**1 593.0**

[1] At cost

CONSOLIDATED CASH FLOW STATEMENT

in CHF mn	Notes	2008	2009
Operating activities			
Profit before taxes		373.3	315.6
Depreciation / amortization / impairment		134.1	159.4
Increase (+) / decrease (–) in provisions		-20.9	42.4
Increase (–) / decrease (+) in net working capital		37.5	100.7
Other adjustments	33	-5.0	10.5
Cash flow from operations		**519.0**	**628.6**
Income taxes paid		-142.2	-102.3
Cash flow from operating activities		**376.8**	**526.3**
Investing activities			
Property, plant and equipment: capital expenditures		-191.9	-134.7
Property, plant and equipment: disposals		19.1	3.6
Intangible assets: capital expenditures		-38.4	-26.5
Intangible assets: disposals		0.2	0.0
Acquisitions less cash and cash equivalents	9	-74.6	-45.9
Acquisition of minority interests		-5.0	0.0
Acquisitions (–) / Disposals (+) of financial assets		3.3	-8.3
Capital increase at associated companies		0.0	-2.0
Cash flow from investing activities		**-287.3**	**-213.8**
Financing activities			
Increase in short-term loans		7.1	0.6
Repayment of short-term loans		-18.3	-17.1
Increase in long-term loans		0.0	0.5
Repayment of long-term loans		-10.6	-3.0
Bond issue		0.0	297.2
Acquisitions (–) / disposals (+) in treasury shares		-53.9	6.1
Dividend payment to shareholders of Sika AG		-111.5	-111.7
Capital transactions / dividends related to minorities		-0.2	-0.6
Cash flow from financing activities		**-187.4**	**172.0**
Exchange differences on cash and cash equivalents		**-21.9**	**-1.2**

Net change in cash and cash equivalents	33	**-119.8**	**483.3**
Cash and cash equivalents at the beginning of the year		438.1	318.3
Cash and cash equivalents at the end of the year		318.3	801.6
Free cash flow[1]	33	**89.5**	**312.5**
Acquisitions less cash and cash equivalents[2]		79.6	47.9
Acquisition (+) / Disposal (–) of financial assets		-3.3	8.3
Operating free cash flow	33	**165.8**	**368.7**

Cash flow from operating activities contains:

Dividends from associated companies		2.7	2.9
Interest received		5.2	2.7
Interest paid		-25.8	-19.8

[1] Cash flow from operating activities + cash flow from investing activities.
[2] incl. purchase of minority interests and share capital increases in associated companies.

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/SIC) applicable as of December 31, 2009, 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, 2009:

- IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations
- IFRS 7 – Financial Instruments: Disclosures
- IFRS 8 – Operating Segments
- IAS 1 – Presentation of Financial Statements
- IAS 23 – Borrowing Costs
- IAS 32 – Financial Instruments: Presentation and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRIC 9 – Remeasurement of Embedded Derivatives and IAS 39 – Financial Instruments: Recognition and Measurement
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 18 – Transfer of Assets from Customers
- Improvements to IFRSs (2008)

The following effects result from the application of these revised standards and interpretations:

- **IFRS 8 – Operating Segments.** The new standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of Sika. Sika determined that the operating segments were the same as the geographical segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown on page 121 et seq., including revised comparative information.
- **IAS 1 revised – Presentation of Financial Statements.** The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense.
- **IAS 23– Borrowing Costs.** The standard has been revised to require capitalization of borrowing costs on qualifying assets and Sika has amended its accounting policy accordingly. These costs have been expensed according to previous accounting rules. No changes have been made for borrowing costs incurred prior to this date that have been expensed. In the reporting period interest in the amount of CHF 3.7 million was capitalized at a rate of 4.6%.

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

- **IFRS 3 – Business Combinations** (changes 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.
- **IFRS 9 – Financial Instruments** (applicable as of January 1, 2013), enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity.
- **IAS 27 – Consolidated and Separate Financial Statements** (changes 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.

New standards, amendments and interpretations not yet effective and not yet adopted, without practical relevance to the Group:

- IFRS 2 – Share-based Payment: Group Cash-settled Share-based Payment Transactions (applicable as of January 1, 2010)
- IAS 24 – Related Party Disclosures (changes applicable as of January 1, 2011)
- IAS 32 – Financial Instruments: Presentation (changes applicable as of February 1, 2010), Classification of Rights Issues.
- IAS 39 – Financial Instruments: Recognition and Measurement, Eligible Hedged Items (applicable as of July 1, 2009)
- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (changes applicable as of January 1, 2011)
- IFRIC 17 – Distributions of Non-cash Assets to Owners (applicable as of July 1, 2009)
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (applicable as of July 1, 2010)
- Improvements to IFRSs (2009)

Scope of consolidation. The consolidated financial statements of the Sika Group encompass the financial statements of Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland, as well as its subsidiaries and associated companies (see list on page 125 et seq.). In the year under review the scope of consolidation was expanded to include the following companies:

- Sika Polyurethane Manufacturing S.r.l., Cerano, Italy
- Iotech Limited, Lancashire, Great Britain
- Liquid Plastics Limited, Lancashire, Great Britain
- Incorez Ltd., Lancashire, Great Britain
- Sika Saudi Arabia, LLC, Jeddah, Saudi Arabia
- Sika FZCO, Dubai
- Liquid Plastics Inc., Middletown / CT, USA
- Incorez Corporation, Middletown / CT, USA
- Iotech Properties Inc., Middletown / CT, USA
- Jiangsu TMS Concrete Admixture Co., Ltd., Zhengjiang City, China

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

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

- Sarnafil Lager- und Dienstleistungs GmbH, Germany, integrated into Sika Holding GmbH
- Pelplast Utvecklings AB, Sweden, integrated into Sika Sverige AB
- Sarna Immobilien AG, Switzerland, integrated into Sika Sarnafil Manufacturing AG
- Sarna Michigan Inc., USA, was dissolved

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, 2009, prepared in accordance with uniform standards.

Subsidiaries. Companies which are controlled by Sika are fully consolidated. The 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 exercises significant influence but cannot exercise full control. The investments are included in the balance sheet under "Investments in associated companies" in terms of the Group's percentage share in net assets; in the income statement the Group's 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		2008 Balance sheet[1] CHF	2008 Income statement[2] CHF	2009 Balance sheet[1] CHF	2009 Income statement[2] CHF
Egypt	EGP	100	19.24	19.97	18.79	19.60
Australia	AUD	1	0.73	0.92	0.93	0.86
Brazil	BRL	100	45.49	60.05	59.22	55.01
China	CNY	100	15.54	15.62	15.10	15.92
Denmark	DKK	100	20.01	21.34	19.96	20.29
Euro zone	EUR	1	1.49	1.59	1.49	1.51
Great Britain	GBP	1	1.54	2.00	1.66	1.70
India	INR	100	2.18	2.50	2.21	2.25
Japan	JPY	100	1.18	1.05	1.12	1.17
Canada	CAD	1	0.87	1.02	0.98	0.95
Colombia	COP	10 000	4.72	5.57	5.05	5.10
Mexico	MXN	100	7.66	9.78	7.89	8.06
Poland	PLZ	100	35.79	45.61	36.15	35.19
Sweden	SEK	100	13.66	16.61	14.45	14.21
Turkey	TRY	100	69.46	83.90	69.03	70.12
USA	USD	1	1.06	1.09	1.03	1.09

[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, 2009, was CHF 279.3 mn (previous year CHF 253.8 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 76.7 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.

Customer relations. (book value: CHF 115.4 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.

Deferred tax assets. (book value: CHF 69.2 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 92.4 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 146.6 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 in the statement of comprehensive income. 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. The rates listed on page 84 were applied for translation of local currencies to Swiss francs.

Segment reporting. Sika carries out its worldwide activities according to Regions, to which a certain number of countries belong. Region heads are members of Group Management. Group Management is the highest operative executive body measuring the profit and loss of segments and allocating resources. The composition of the Regions does not follow the generally observed geographic grouping of countries to continents, manifesting rather diverse organizational, commercial and cultural circumstances. So for example in Region IMEA (India, Middle East, Africa) among others the countries of the Middle East and India are grouped together, since these countries are strongly interwoven regarding their building and construction industry. The precise composition of the Regions is shown on page 16.

Products and services from all product groups are sold in all Regions. Customers derive from the building and construction industry or from the area of industrial manufacturing. Sales are assigned according to company locations. Central Services comprise the expenditures for Group Headquarters and its revenues from services and delivery of goods to Group companies. In addition Central Services includes also expenditures and revenues that are not assigned to any Region. Such expenditures mainly relate to research and development.

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. At present Sika does not hold assets in this category.
– "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 available-for-sale. The valuation occurs at fair value, with fluctuations in value recorded in comprehensive income. 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 31). 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 as they are not held to realize profits from short-term price fluctuations.

Receivables. Accounts receivable are recorded following deduction of an allowance for doubtful debts necessary for management reason. A specific value adjustment is carried out on accounts receivable for which payment is considered at risk. In addition a general value adjustment is calculated that is dependent on the length of delay.

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

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	5–15 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 income 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 recognized for 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 these do 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	2–5 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 accrued expenses. 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 Swiss francs for consolidation purposes.

Fluctuations in value of financial instruments. Fluctuations in value of financial instruments are recorded in comprehensive income 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.

1 CASH AND CASH EQUIVALENTS. CHF 801.6 mn (CHF 318.3 mn)
The cash management of the Group includes cash pooling, in which cash and cash equivalents available within the Group are concentrated. The item "cash and cash equivalents" includes cash and equivalents with a maturity of less than three months, bearing interest at a respectively valid rate. Cash and cash equivalents rose substantially on one hand due to high operating free cash flow and on the other due to the five-year bond for over CHF 300 million issued in the spring for long-term financing.

2 SECURITIES. CHF 9.4 mn (CHF 3.1 mn)
This item contains marketable securities categorized as available-for-sale.

3 ACCOUNTS RECEIVABLE. CHF 739.4 mn (CHF 778.7 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	2008	2009
Receivables	840.8	811.5
Allowance for doubtful accounts	-62.1	-72.1
Net accounts receivable	**778.7**	**739.4**

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

in CHF mn	2008	2009
January 1	61.0	62.1
Allowance for acquired / sold businesses	0.7	0.3
Income statement related allowances	47.3	50.7
Reversal or utilization of allowances	-39.7	-40.3
Exchange differences	-7.2	-0.7
December 31	62.1	72.1

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

in CHF mn	2008	2009
Net accounts receivable	**778.7**	**739.4**
Of which		
Not overdue	586.1	560.8
Past due < 31 days	119.9	118.4
Past due 31–60 days	45.7	40.0
Past due 61–180 days	40.8	35.9
Past due > 181 days	48.3	56.4
Allowance for doubtful accounts	-62.1	-72.1

The allowance for doubtful accounts is the difference between the nominal value of receivables and the estimated 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 451.4 mn (CHF 512.7 mn)
Inventory write-offs amount to CHF 43.7 mn (CHF 21.3 mn) and are charged to material expenses.

in CHF mn	2008	2009
Raw materials and supplies	150.4	128.2
Semi-finished goods	39.6	39.7
Finished goods	263.4	231.0
Merchandise	59.3	52.5
Total	**512.7**	**451.4**

5 ACCRUED INCOME AND OTHER CURRENT ASSETS. CHF 91.3 mn (CHF 131.0 mn)
This item includes derivatives of CHF 1.5 mn (CHF 19.9 mn), accrued income and prepayments of CHF 60.9 mn (CHF 74.5 mn) as well as a loan to an associated company of CHF 8.1 mn (CHF 8.3 mn).

6 PROPERTY, PLANT AND EQUIPMENT. CHF 861.7 mn (CHF 832.9 mn)

in CHF mn	Property	Plant	Plants under construction	Equipment	Total
As of January 1, 2008					
Acquisition cost	121.3	581.9	79.0	1 142.7	1 924.9
Cumulative depreciation and impairment	-0.8	-312.8	-1.5	-778.4	-1 093.5
Net values as of January 1, 2008	**120.5**	**269.1**	**77.5**	**364.3**	**831.4**
Additions	5.2	8.5	107.7	70.5	191.9
Acquired on acquisition[1]	0.7	7.2	0.0	3.4	11.3
Exchange differences	-12.9	-24.6	-5.7	-31.0	-74.2
Disposals	-8.9	-8.7	-1.2	-5.1	-23.9
Reclassifications[3]	0.0	4.3	-56.0	49.1	-2.6
Depreciation charge for the year	0.0	-20.2	0.0	-80.8	-101.0
As of December 31, 2008	**104.6**	**235.6**	**122.3**	**370.4**	**832.9**
As of January 1, 2009					
Acquisition cost	105.2	544.1	122.9	1 120.2	1 892.4
Cumulative depreciation and impairment	-0.6	-308.5	-0.6	-749.8	-1 059.5
Net values as of January 1, 2009	**104.6**	**235.6**	**122.3**	**370.4**	**832.9**
Additions	0.0	14.0	53.8	66.9	134.7
Acquired on acquisition[2]	1.5	8.1	0.8	12.3	22.7
Exchange differences	0.0	0.6	0.3	-0.7	0.2
Disposals	-0.1	-0.1	0.0	-3.4	-3.6
Reclassifications[3]	0.0	35.1	-115.2	79.6	-0.5
Depreciation charge for the year	0.0	-20.9	0.0	-83.6	-104.5
Impairments	0.0	-1.7	-1.8	-16.7	-20.2
As of December 31, 2009	**106.0**	**270.7**	**60.2**	**424.8**	**861.7**
Acquisition cost	106.7	602.5	61.5	1 238.1	2 008.8
Cumulative depreciation and impairment	-0.7	-331.8	-1.3	-813.3	-1 147.1
Net values as of December 31, 2009	**106.0**	**270.7**	**60.2**	**424.8**	**861.7**

1 Valspar, Tricosal, Tricosal BBZ, Garland, Keshuai, Cappar, Pelplast
2 Iotech Group, Jiangsu TMS Admixture Co., Ltd. currency translation effect included
3 Plants and buildings under construction are reclassified after completion

The impairments presented here correspond to the full impairment necessary in 2009. In the Income Statement the corresponding values are divided between the line entries for Impairments (CHF 0.1 mn) and Restructuring costs (CHF 20.1 mn). See also Note 25.

Sika applies the cost model for all property, plant and equipment listed in this table. Included in the items “Property” and “Plant” are investment properties with a book value of CHF 0.8 mn (CHF 0.9 mn).

In principle all plants are owned by subsidiaries. Smaller plants as well as the new adhesive plant, the 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					
	2008	2009	2008			2009		
	Minimum payments	Minimum payments	Minimum payments	Interest	Present value of payments	Minimum payments	Interest	Present value of payments
Within 1 year	41.0	43.0	0.2	0.1	0.1	1.0	0.4	0.6
2–5 years	93.6	93.2	1.3	0.4	0.9	3.4	1.1	2.3
Over 5 years	109.4	99.3	4.2	1.2	3.0	1.5	0.3	1.2
Total	**244.0**	**235.5**	**5.7**	**1.7**	**4.0**	**5.9**	**1.8**	**4.1**

INSURANCE VALUES

in CHF mn	2008	2009
Buildings	994	957
Equipment	1 310	1 452

7 ASSOCIATED COMPANIES (PARTICIPATIONS BETWEEN 20% AND 50%). CHF 24.0 mn (CHF 19.6 mn)

	2008	2009
Sika Gulf B.S.C., Bahrain[1]		
Capital stock in CHF mn	2.8	2.8
Held by Sika AG, Baar, 45%	1.3	1.3
Sales	47.7	32.1
Profit	7.6	3.8
Assets	28.5	23.3
Liabilities	19.9	17.7
Addiment Italia S.r.l.		
Capital stock in thousand EUR	10.0	10.0
Held by Sika AG, Baar, 50%	5.0	5.0
Sales in CHF mn	34.8	30.3
Profit	3.7	3.7
Assets	31.8	32.2
Liabilities	10.3	7.9
All others[2]		
Capital stock in CHF mn	0.8	0.7
Held by Sika AG, Baar	0.5	0.3
Sales	66.1	63.0
Profit	3.4	2.7
Assets	36.5	41.1
Liabilities	19.8	18.4

[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] part GmbH, Germany; Condensil SARL, France; Hayashi-Sika, Japan; Chemical Sangyo, Japan; Sarna Granol AG, Switzerland; Copsa, Spain; Sika Saudi Arabia LLC, Jeddah

8 OTHER FINANCIAL ASSETS. CHF 9.5 mn (CHF 7.6 mn)

Other financial assets consist of available-for-sale financial assets of CHF 9.5 mn (CHF 7.6 mn).

9 INTANGIBLE ASSETS. CHF 562.0 mn (CHF 524.9 mn)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangible assets	Total
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[1]	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 January 1, 2009						
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 January 1, 2009	**253.8**	**44.7**	**75.6**	**118.7**	**32.1**	**524.9**
Additions	0.0	26.1	0.0	0.0	0.4	26.5
Acquired on acquisition[2]	27.1	0.2	2.2	10.3	8.5	48.3
Exchange differences	-1.6	-0.4	0.0	-1.0	-0.5	-3.5
Reclassifications (net)	0.0	0.5	0.0	0.0	0.0	0.5
Amortization for the year	0.0	-9.5	-1.1	-10.5	-10.9	-32.0
Impairment	0.0	-0.6	0.0	-2.1	0.0	-2.7
As of December 31, 2009	**279.3**	**61.0**	**76.7**	**115.4**	**29.6**	**562.0**
Acquisition costs	291.7	138.0	80.6	148.1	79.3	737.7
Cumulative amortization and impairment	-12.4	-77.0	-3.9	-32.7	-49.7	-175.7
Net values as of December 31, 2009	**279.3**	**61.0**	**76.7**	**115.4**	**29.6**	**562.0**

[1] Valspar, Tricosal, Tricosal BBZ, Garland, Keshuai, Cappar, Pelplast
[2] Iotech Group, Jiangsu TMS Admixture Co., Ltd., currency translation effect included

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 -2.6% for the planning period. Afterwards a growth rate of 2.1% is assumed. The discount rate amounts to 13.5%.

Goodwill items tested for impairment. With the exception of the newest of the goodwill items an impairment test was carried out on the basis of the discounted cash flow method. The basis for the calculation of the value in use is constituted by the planning figures approved by Group Management and cash flow forcasts. The horizon of forcast encompasses five years. The rates of sales growth upon which the forcast is set correspond to the market expectations of the cash-generating units and range between 0.2% to 11.0% per year. The goodwill positions are also recoverable at lower rates of growth and possible alterations of other evaluation parameters. The cash flow forcast outside of the planning period are extrapolated with a growth rate of 2–3%. The discount rates are determined on the basis of the weighted average cost of capital of the Group, with country and currency-specific risks within the context of cash flows taken into consideration. The business segments within the Regions constitute the cash-generating units.

GOODWILL ASSIGNED TO CASH-GENERATING UNITS

in CHF mn	Growth rates	Discount rates	2008	2009
Construction business Europe North	2.0%	12.2%	83.5	83.4
Automotive Europe North	2.0%	12.7%	52.8	52.6
Construction business Europe South	2.0%	12.8%	42.5	63.2
Construction business North America	2.0%	13.9%	56.9	55.5
Various	3.0%	13.4–19.4%	18.1	24.6
Total			**253.8**	**279.3**

Acquisitions 2008. In 2008 Sika acquired assets and liabilities of Tricosal GmbH & Co. KG, Germany. The takeover was concluded on June 26, 2008.

ACQUIRED NET ASSETS

in CHF mn	Book value	Market value adjustments	Market value
Cash and cash equivalents	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 obligation	1.8	0.1	1.9
Total liabilities	**10.9**	**0.1**	**11.0**
Acquired net assets	**13.1**	**2.6**	**15.7**
Goodwill from acquisition			3.5
Total purchase consideration			**19.2**
Cash and cash equivalents (per 12/31/2008)			-0.1
Payments still due (per 12/31/2008)			-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 consolidated net profit attributable to shareholders. Since the acquisition, Tricosal contributed in the previous year 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 and cash equivalents	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 obligation	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 and cash equivalents (per 12/31/2008)			-1.4
Payments still due (per 12/31/2008)			-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 in the previous yea of CHF 47.7 mn and CHF -0.5 mn, respectively.

Acquisitions 2009. In 2009 Sika acquired the Iotech Group Ltd., Great Britain. The takeover was concluded on January 26, 2009.

ACQUIRED NET ASSETS

in CHF mn	Book value	Market value adjustments	Market value
Cash and cash equivalents	2.5	0.0	2.5
Accounts receivable	11.7	-0.2	11.5
Inventories	6.4	1.3	7.7
Property, plant and equipment	10.3	5.3	15.6
Intangible assets	0.5	14.8	15.3
Other non-current assets	0.9	0.0	0.9
Total assets	**32.3**	**21.2**	**53.5**
Accounts payable and other liabilities	12.5	0.6	13.1
Provisions	0.8	6.3	7.1
Deferred tax liabilities	0.5	3.8	4.3
Total liabilities	**13.8**	**10.7**	**24.5**
Acquired net assets	**18.5**	**10.5**	**29.0**
Goodwill from acquisition			20.6
Total purchase price			**49.6**
Cash and cash equivalents			-2.5
Payments still due			-1.8
Net cash outflow			**45.3**

Directly attributable costs of CHF 1.7 mn were capitalized.

If the acquisition had occurred on the first day of the business year, consolidated net sales would have been CHF 4.1 mn higher and consolidated net profit attributable to shareholders would have remained roughly the same. Since the acquisition, the acquired business contributed sales of CHF 68.7 mn. Consolidated net profit remained unchanged. Goodwill is justified by expected synergies.

Acquisitions 2009. In addition Sika purchased a majority stake in Jiangsu TMS Admixture Co., Ltd., China. The takeover was concluded on October 1, 2009. The purchase price and its allocation (PPA) are not yet definitive.

ACQUIRED NET ASSETS

in CHF mn	Book value	Market value adjustments	Market value
Cash and cash equivalents	1.4	0.0	1.4
Accounts receivable and other receivables	6.5	-0.6	5.9
Inventories	2.2	0.1	2.3
Property, plant and equipment	5.1	1.5	6.6
Intangible assets	1.1	3.9	5.0
Other non-current assets	0.1	0.1	0.2
Total assets	**16.4**	**5.0**	**21.4**
Accounts payable	5.5	0.3	5.8
Other liabilities	5.3	0.0	5.3
Deferred tax liabilities	0.0	1.3	1.3
Total liabilities	**10.8**	**1.6**	**12.4**
Net assets	**5.6**	**3.4**	**9.0**
Minority interest			-2.9
Acquired net assets			**6.1**
Goodwill from acquisitions			5.9
Total purchase consideration			**12.0**
Cash and cash equivalents			-1.4
Payments still due			-10.0
Net cash outflow			**0.6**

Directly attributable costs of CHF 0.2 mn were capitalized.

If the acquisition had occurred on the first day of the business year, consolidated net sales would have been CHF 13.4 mn and consolidated net profit attributable to shareholders CHF 0.8 mn higher. Since the acquisition, the acquired business contributed sales and revenue of CHF 6.5 mn and CHF 0.3 mn, respectively. Goodwill is justified by expected synergies.

10 DEFERRED TAXES.

UNUSED LOSSES BROUGHT FORWARD

in CHF mn	2008	2009
1 year or less	–	–
2–5 years	6.5	11.2
over 5 years	15.4	26.0
Total	**21.9**	**37.2**

DEFERRED TAX

in CHF mn			2008			2009
	Assets	Liabilities	Net	Assets	Liabilities	Net
Category						
January 1	55.1	-56.8	-1.7	62.6	-65.8	-3.2
Credited (+) / debited (-) to income statement	10.6	-7.7	2.9	3.7	10.3	14.0
Exchange differences	-6.3	3.6	-2.7	0.0	1.6	1.6
Acquisitions / divestments[1]	3.2	-4.9	-1.7	2.9	-8.7	-5.8
December 31	**62.6**	**-65.8**	**-3.2**	**69.2**	**-62.6**	**6.6**

ALLOCATION OF ASSETS AND LIABILITIES

in CHF mn			2008			2009
	Assets	Liabilities	Net	Assets	Liabilities	Net
Category						
Tax losses brought forward	4.4	–	4.4	7.9	–	7.9
Current assets	18.0	-8.0	10.0	17.6	-6.3	11.3
Property, plant and equipment	4.7	-23.4	-18.7	6.6	-23.6	-17.0
Other non-current assets	2.9	-30.2	-27.3	1.4	-29.2	-27.8
Liabilities	32.6	-4.2	28.4	35.7	-3.5	32.2
Total	**62.6**	**-65.8**	**-3.2**	**69.2**	**-62.6**	**6.6**

[1] currency translation effect included

Tax losses brought forward are only considered to the extent that realization of the associated tax credit is probable.

In the year under review deferred tax assets from tax losses brought forward of CHF 1.0 mn (CHF 0.3 mn) were offset and deferred tax assets from losses brought forward of CHF 4.7 mn (CHF 2.4 mn) were generated.

11 EMPLOYEE BENEFIT PLANS.

Complementary to the benefits of state-regulated retirement schemes, Sika maintains additional employee pension plans for a number of subsidiaries. These can be differentiated as follows:

Defined-contribution pension funds. The majority of Sika subsidiaries operate defined-contribution pension funds. Employees and employers thereby regularly contribute to funds administered by a third party. The Consolidated Balance Sheet contains neither assets nor liabilities related to these funds.

Defined-benefit pension funds. 29 Group companies maintain defined-benefit employee pension funds. Included are these German pension plans, that include their pension in the companies balance sheet. The Sika companies in Switzerland have legally independent foundations for this purpose, thereby segregating their pension obligation liabilities. In accordance with local legal regulations Sika bears no obligations toward these pension funds beyond the regulated contribution payments. According to IAS 19 the Swiss pension funds qualify as defined-benefit funds therefore the actuarially calculated underfunding is recorded in the consolidated balance sheet.

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 resulting from alterations in actuarial assumptions are recognized as income or expense over the expected average remaining working lives of the employees participating in the plans, to the extent that these cumulative, unrealized gains and losses exceed 10% of the higher of the defined-benefit obligations or of the fair value of plan assets.

in CHF mn			**2008**			**2009**
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Employee benefit plans with defined benefits	15.7	99.5	83.8	8.8	101.2	92.4
Other employee commitments	0.0	28.2	28.2	0.0	29.1	29.1
Total	**15.7**	**127.7**	**112.0**	**8.8**	**130.3**	**121.5**

Sika companies in Switzerland also maintain a plan that allows for early retirement. In the year under review 22 employees took advantage of this possibility. Pension liabilities and terminal payments are determined based on actuarial appraisals.

Other long-term obligations derive from service jubilee premiums and similar benefits that Sika grants to its employees.

ACTUARIAL PRESENT VALUE OF DEFINED BENEFIT OBLIGATION (DBO)

in CHF mn	2008	2009
Opening balance	**536.3**	**567.9**
Current service cost	22.0	23.9
Interest cost	19.4	20.9
Contributions by plan participants	8.2	8.4
Actuarial gains(-)/losses(+)	-6.1	1.3
Exchange differences	-12.4	-0.4
Benefits paid	-20.1	-34.3
Past service costs	0.5	1.0
Business combinations and others	20.1	0.0
Curtailments	0.0	-0.3
Settlements	0.0	-2.3
Closing balance	**567.9**	**586.1**

FAIR VALUE OF PLAN ASSETS

in CHF mn	2008	2009
Opening balance	**462.3**	**413.3**
Expected return on plan assets	21.9	18.5
Actuarial gains(+)/losses(-)	-100.3	35.7
Exchange differences	-1.4	0.0
Contributions by employer	18.8	17.4
Contributions by plan participants	8.2	8.4
Benefits paid	-13.2	-27.7
Business combinations and others	17.1	0.0
Settlements	-0.1	0.0
Closing balance	**413.3**	**465.6**

STATUS

in CHF mn	2008	2009
Actuarial present value of defined benefit obligations (DBO)	567.9	586.1
Fair value of plan assets	413.3	465.6
Deficit(+)/Surplus(-)	**154.6**	**120.5**
Unrecognized actuarial loss(–)/gain(+)	-82.6	-45.0
Unrecognized past service costs	-0.5	-1.2
Unrecognized assets	12.3	18.1
Net liability recognized in balance sheet	**83.8**	**92.4**

INCOME STATEMENT

in CHF mn	2008	2009
Current service costs	22.0	23.9
Interest cost	19.4	20.9
Anticipated return on plan assets	-21.9	-18.5
Actuarial gains(-)/losses(+)	20.0	3.1
Past service costs	0.1	0.3
The effect of any curtailments and settlements	0.1	-2.4
The effect of the limit in Par. 58b	-13.0	5.8
Net periodic benefit costs	**26.7**	**33.1**
Actual gain(+)/loss(-) on plan assets	-78.4	54.2

Expected contributions to defined-benefit plans for 2010 amount to CHF 17.6 mn.

The Group's entire pension expenses are recorded in the Consolidated Income Statement under "Personnel expenses."

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in % of market value	2008	2009
Shares	34.6	29.5
Bonds	38.1	35.4
Real estate	17.9	17.2
Other assets	9.4	17.9
Total	**100.0**	**100.0**

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2008	2009
Shares	8.6	8.3
Bonds	0.5	0.0
Property occupied by Sika	13.2	14.5
Total	**22.3**	**22.8**

ANNUAL COMPARISON IN ABSOLUTE TERMS

in CHF mn	2005	2006	2007	2008	2009
Actuarial present value of defined benefit obligations (DBO)	465.5	515.8	536.3	567.9	586.1
Fair value of plan assets	385.7	456.3	462.3	413.3	465.6
Deficit(+)/Surplus(-)	**79.8**	**59.5**	**74.0**	**154.6**	**120.5**
Experience adjustments on plan liabilities		7.8	16.5	-11.7	-3.9
Experience adjustments on plan assets		21.8	2.5	-100.1	35.7

The stated deficit results in large part from the DBO of the unfunded benefit plans of CHF 79.9 mn (CHF 84.6 mn). Primarily plans in Germany do not have segregated assets.

ANALYSIS OF THE DEFINED BENEFIT OBLIGATION FROM FUNDED AND UNFUNDED PLANS

in CHF mn	2008	2009
Funded plans	483.3	506.2
Unfunded plans	84.6	79.9
Total	**567.9**	**586.1**

ACTUARIAL ASSUMPTIONS

	2008	2009
Discount rate in the year under review (%)	3.8	3.6
Return[1] on plan assets in the year under review (%)	4.5	4.5
Pension trend (%)	0.6	0.6
Salary trend (%)	2.1	2.1
Number of insured employees	4 609	4 705
Number of insured retired persons	1 311	1 375
Total number of defined benefit plans	29	28
thereof number of defined benefit plans funded	9	10
thereof number of defined benefit plans unfunded	20	18

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

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

12 BANK OVERDRAFTS AND LOANS. CHF 2.2 mn (CHF 13.5 mn)

Short-term bank loans amounted to CHF 1.6 mn (CHF 13.3 mn). In addition, long-term bank loans and mortgages of CHF 0.6 mn (CHF 0.2 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. Some Group companies have proprietary but overall insignificant credit limits at their disposal.

13 NON-CURRENT LIABILITIES DUE WITHIN 12 MONTHS. CHF 0.3 mn (CHF 0.1 mn)

Non-current liabilities due in the next twelve months are being classified as current liabilities. The position includes finance lease liabilities amounting to CHF 0.2 mn (CHF 0.1 mn) and bank loans of CHF 0.1 mn (CHF 0 mn).

14 ACCOUNTS PAYABLE. CHF 355.2 mn (CHF 398.1 mn)

Accounts payable do not bear interest and will usually become due within 30 to 60 days.

15 ACCRUED EXPENSES. CHF 211.8 mn (CHF 197.4 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 15.7 mn (CHF 22.0 mn)

Included here are all other current liabilities with open derivative financial instruments of the category “fair value through profit or loss” of CHF 0.1 mn (CHF1.9 mn). The Group does not apply hedge accounting (see also Note 31).

17 BONDS. CHF 1066.9 mn (CHF 767.9 mn)

In the year under review Sika AG issued a five-year bond in an amount of CHF 300 mn with a coupon of 3.5% per annum on the Swiss capital market. The payment under subscription took place on June 4, 2009.

Included are the following bonds:

in CHF mn	Amortized costs	Nominal
2.750% 2006–2011	274.1	275.0
2.375% 2006–2013	247.9	250.0
3.500% 2009–2014	297.5	300.0
2.875% 2006–2016	247.4	250.0
Total	**1 066.9**	**1 075.0**

18 PROVISIONS. CHF 146.6 mn (CHF 107.1 mn)

Provisions for guarantees reflect all known claims anticipated in the near future. 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%.

In the year under review Sika resolved to take restructuring measures in Europe particularly in its production network for adhesives and roofing membranes, for which provisions were made.

From the sum of provisions, CHF 103.1 mn (CHF 93.1 mn) are shown under non-current liabilities, since an outflow of funds is not expected within the next 12 months.

For provisions of CHF 43.5 mn (CHF 14.0 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	Restructurings	Sundry risks	Total
As of January 1, 2008	**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**
Exchange differences	-0.1	-0.8	0.2	0.6	0.0
Assumed on acquisition	0.0	6.4	0.0	0.4	6.8
Additions	43.8	17.7	1.9	10.3	29.9
Utilization	-9.9	-5.9	-1.2	-7.1	-14.2
Reversal	-4.3	-7.7	0.0	-4.8	-12.5
As of December 31, 2009	**43.5**	**71.9**	**2.1**	**29.1**	**103.1**

The short-term provisions as of December 31, 2009, encompass CHF 11.7 mn for warranties, CHF 28.2 mn for restructuring and CHF 3.6 mn for sundry risks.

19 SHAREHOLDERS' EQUITY. CHF 1 593.0 mn (CHF 1 464.7 mn)
The equity share in total assets amounts to 43.9% (45.6%).

CAPITAL STOCK

in CHF mn	Number	2008	2009
Registered shares, nominal value CHF 1.50	2 333 874	3.5	3.5
Bearer shares, nominal value CHF 9.00	2 151 199	19.4	19.4
Capital stock		**22.9**	**22.9**

20 NET SALES. CHF 4 154.9 mn (CHF 4 624.5 mn)
Sales of goods account for practically all net sales. In comparison with the previous year net sales declined by 10.2% in Swiss francs. Taking currency effects amounting to -6.3% into consideration, sales decreased in local currencies by 3.9%. Growth through acquisitions of 2.3% is included.

Sales from construction contracts in the year under review amounted to CHF 14.9 mn (CHF 13.1 mn). On the date of the balance sheet accrued construction costs and recognized profit (less recognized losses) were CHF 65.3 mn (CHF 50.5 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 4 146.1 mn (CHF 4 641.8 mn)
In contrast to net sales, operating revenue includes other operating income and changes in inventory.

22 MATERIAL EXPENSES. CHF 1 850.8 mn (CHF 2 251.0 mn)
Material expenses declined as a percentage of net sales by 4.2 percentage points, resulting from the sharp decrease in raw material prices during the period under review.

23 OPERATING PROFIT BEFORE DEPRECIATION AND RESTRUCTURING. CHF 539.9 mn (CHF 556.1 mn)
In the year under review Sika benefited from falling raw material prices, which had a direct effect on gross profit, allowing it to rise from 51.7% to 55.2% of net sales by the end of the business year. Personnel costs, adjusted for acquisitions, and other operating costs could be substantially reduced, thereby limiting the decrease of operating profit before depreciations and restructuring to -2.9%.

Research and development expenses are included in other operating costs. Sika invested CHF 74.7 mn (CHF 74.1 mn) in the year under review, or 1.8% (1.6%) 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	2008	2009
Gross result	2 390.8	2 295.3
Personnel expenses[1]	-957.8	-954.3
Other operating expenses	-876.9	-801.1
Operating profit before depreciation and restructuring costs	**556.1**	**539.9**

PERSONNEL EXPENSES

in CHF mn	2008	2009
Wages and salaries	780.1	769.1
Social charges	177.7	185.2
Total personnel expenses	**957.8**	**954.3**

EMPLOYEE BENEFIT COSTS

in CHF mn	2008	2009
Employee benefit plans with defined benefits[1]	26.7	33.1
Other employee benefit plans	25.8	29.5
Total	**52.5**	**62.6**

[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 1727 (767) shares were granted at the currently prevailing market value of CHF 1.6 mn (CHF 1.4 mn). They were granted at market prices. Stock option plans do not exist within the group.

24 DEPRECIATION/AMORTIZATION/IMPAIRMENT. CHF 139.3 mn (CHF 134.1 mn)

During the period under review it was necessary to undertake various smaller impairments of customer bases and fixed assets in a combined total of CHF 2.8 mn (CHF 6.0 mn). The impairment charge was calculated based on the value of use.

The remaining amount includes the regular depreciations and amortizations of the year under review.

25 RESTRUCTURING. CHF 56.6 mn (CHF 0.0 mn)

In the year under review Sika took the decision to adapt structures for production of adhesives, sealants and polymeric membranes due to advances in production technology as well as the continually changing market conditions. The new organization should ensure the company's competitiveness in a sustainable manner. The measures affect various sites in Europe; among other steps individual production lines will be shut down as Sika concentrates its fabrication on the most efficient plants.

The extraordinary expenditures for restructuring are outlined as follows:

in CHF mn	2009
Impairments on PPE	20.1
Personnel expenses	31.8
Other operational expenses	4.7
Total	**56.6**

The impairments refer mainly to the production lines that will be shut down and can neither be otherwise employed nor sold, in which sense they were wholly impaired. The affected properties were depreciated to fair market value. Their future use is yet uncertain, though sales within the business year appear unrealistic. The personnel expenses deal primarily with severance payments.

26 INTEREST EXPENSES/OTHER FINANCIAL EXPENSES. CHF 37.7 mn (CHF 63.2 mn)
Interest expenses increased slightly to CHF 27.4 mn (CHF 25.8 mn). The effective interest on bonds amounts to CHF 28.5 mn (CHF 22.1 mn). Due to a change in the financial accounting standards (IAS 23) interest in an amount of CHF 3.7 mn (CHF 0 mn) was capitalized during the year under review at a rate of 4.6%.

Other financial expenses declined from CHF 37.4 mn to CHF 10.3 mn. In the previous period these expenses were considerably higher due to negative currency effects.

27 INTEREST INCOME/OTHER FINANCIAL INCOME/INCOME FROM ASSOCIATED COMPANIES.
CHF 9.3 mn (CHF 14.5 mn)
Short-term surpluses in liquidity in various countries led to interest income of CHF 3.1 mn (CHF 5.1 mn). Income from associated companies decreased to CHF 5.3 mn (CHF 6.2 mn). Other financial income was reduced to CHF 0.9 mn (CHF 3.2 mn).

28 INCOME TAXES. CHF 89.9 mn (CHF 105.9 mn)
The income tax rate remained almost unchanged at 28.5% (28.4%). Income taxes of CHF 89.9 mn consist of:

INCOME TAXES

in CHF mn	2008	2009
Income tax during the year under review	101.5	98.3
Deferred income tax	-2.9	-14.0
Income tax from prior years	7.3	5.6
Total	**105.9**	**89.9**

RECONCILIATION BETWEEN ANTICIPATED AND EFFECTIVE TAX EXPENSE

	%	2008	%	2009
Profit before taxes	–	373.3	–	315.6
Anticipated tax expense	24.4	91.0	24.5	77.3
Non-tax-deductible expense	0.6	2.3	0.8	2.7
Non-tax-deductible goodwill impairment	0.4	1.7	0.0	0.0
Effect of non-recognition of tax losses	0.6	2.1	1.3	4.0
Change in anticipated tax rate	0.1	0.5	-0.3	-1.0
Adjusted tax expense from earlier periods	2.0	7.3	1.3	4.3
Valuation adjustment on deferred tax assets	0.0	0.0	0.9	2.7
Other	0.3	1.0	-0.0	-0.1
Tax expense as per consolidated income statement	28.4	105.9	28.5	89.9

The anticipated average Group income tax rate of 24.5% (24.4%) corresponds with the average tax on profits of the individual Group companies in their respective fiscal jurisdictions.

29 MINORITY INTERESTS. CHF -0.2 mn (CHF 0.7 mn)

Most important companies with minority interests:
- Consorzio IGS, Switzerland (35%)
- Sika UAE LLC, Dubai (34%)
- Sichuan Keshuai Additive Co., Ltd., China (20%)
- Jiangsu TMS Admixture Co., Ltd., China (30%)

30 EARNINGS PER SHARE. CHF 91.03 (CHF 107.00)

	2008	2009
Undiluted ("basic EpS")		
Net profit / CHF mn	266.7	225.9
Weighted average number of shares[1]		
Bearer shares[2] / units	2 103 435	2 092 632
Registered shares[3] / units	2 333 874	2 333 874
Earnings per share		
Bearer shares[2] / CHF	107.00	91.03
Registered shares[3] / CHF	17.83	15.17

[1] Excluding bearer treasury shares held in the Group at a nominal value of CHF 9.00 (CHF 9.00)
[2] Nominal value: CHF 9.00 (CHF 9.00)
[3] Nominal value: CHF 1.50 (CHF 1.50)

Consolidated earnings per share (EPS) amount to CHF 91.03 (CHF 107.00). 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 results because no options or convertible bonds are outstanding. For the business year 2008 dividend amounted to CHF 45.00 per bearer share and to CHF 7.50 per registered share.

31 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 m			2008		2009
	Level	Book value	Market value	Book value	Market value
Financial assets					
Cash and cash equivalents		318.3	318.3	801.6	801.6
Available-for-sale financial assets	1	10.7	10.7	18.9	18.9
Loans and receivables		787.0	787.0	747.5	747.5
Financial assets at fair value through profit and loss	2	19.9	19.9	1.5	1.5
Total		**1 135.9**	**1 135.9**	**1 569.5**	**1 569.5**
Financial liabilities					
Bank overdrafts		13.5	13.5	2.3	2.3
Bonds		767.9	758.7	1 066.9	1 107.9
Accounts payable		398.1	398.1	355.2	355.2
Other financial liabilities		4.6	4.6	4.7	4.7
Financial liabilities measured at amortized cost		**1 184.1**	**1 174.9**	**1 429.1**	**1 470.1**
Financial liabilities at fair value through profit and loss	2	1.9	1.9	0.1	0.1
Total		**1 186.0**	**1 176.8**	**1 429.2**	**1 470.2**

The Group employs the following hierarchy in determining the evaluation procedure of financial instruments:

– Level 1: quoted (unadjusted) prices on active markets for similar assets or liabilities.
– Level 2: procedures in which all input parameters having an essential effect on the registered market value are either directly or indirectly observable.
– Level 3: procedures employing input parameters having an essential effect on the registered market value but are not based on observable market data.

Sika does not own any financial instruments requiring evaluation according to level three procedures.

A gain of CHF 2.4 mn (loss CHF 3.7 mn) on available-for-sale financial assets was recognized in comprehensive income. Through sale or a depreciation in value a loss of CHF 2.4 mn (loss CHF 0.2 mn) was transferred from shareholders' equity to the income statement.

A net loss of CHF 20.1 mn (profit CHF 12.6 mn) was incurred on income statement related financial assets and liabilities held at fair market value; this is included in other financial expenses.

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 hedging volatility risks.

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 CEDED ASSETS (ENCUMBERED ASSETS)

in CHF mn	2008	2009
Receivables	1.7	1.9
Property, plant and equipment	1.3	1.4
Total encumbered assets	**3.0**	**3.3**

OPEN DERIVATIVES

				Contractual value upon maturity	
in CHF mn	Replacement value (+)	Replacement value (-)	Contract value	Up to 3 months	3 to 12 months
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**
Open derivatives 2009					
Forward contracts (foreign exchange)	–	-0.1	13.4	3.1	10.3
Swaps (foreign exchange)	1.5	–	619.0	395.5	223.5
Total derivatives	**1.5**	**-0.1**	**632.4**	**398.6**	**233.8**

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 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	
	2008	2009
EUR: +5% (+5%)	-1.6	-0.5
EUR: -5% (-5%)	1.6	0.5
USD: +8% (+8%)	-6.5	-6.5
USD: -8% (-8%)	6.5	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. Short-term crude oil price increases only had limited impact on raw material prices. 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 1 075 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 Group held no securities for loans and accounts receivable at year-end 2008 nor at year-end 2009. The largest possible risk represented by these items are the book value of the accounts and any warranties granted.

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, 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**
December 31, 2009				
Bank loans	1.7	0.6	0.0	2.3
Bonds	31.2	921.1	264.4	1 216.7
Accounts payable	355.2	0.0	0.0	355.2
Other financial liabilities	0.5	2.8	1.4	4.7
Financial liabilities measured at amortized cost	**388.6**	**924.5**	**265.8**	**1 578.9**
Financial liabilities at fair value through profit and loss	0.1	0.0	0.0	0.1
Total	**388.7**	**924.5**	**265.8**	**1 579.0**

Capital Management. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity 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, 2009 and December 31, 2008. The Group monitors the equity ratio, which is shareholders equity divided by total capital.

32 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	2008	2009
Raw material supply contracts[1]	209	159
Delivery contracts for finished goods[1]	513	370

[1] Contract runs until 2018, maximum

Contingent liabilities. In ongoing business activity the Group may be 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	2008	2009
Guarantees and letters of comfort	30	28

The largest individual position in an amount of CHF 6.9 mn (CHF 6.9 mn) relates to an associated company.

If warranties were claimed at the earliest possible date, then within one year roughly one-third would be due, and the remainder within five years.

33 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 -57.7 mn)
- changes in net working capital (CHF +63.2 mn)
- a lower amount invested (CHF +69.2 mn)
- a bond issue (CHF +297.2 mn)

in CHF mn	2008	2009
Inflow (+)/outflow (-) from		
Operating activities	376.8	526.3
Investment activities	-287.3	-213.8
Financing activities	-187.4	172.0
Exchange differences	-21.9	-1.2
Net change in cash and cash equivalents	**-119.8**	**483.3**

Free cash flow and operating free cash flow.

in CHF mn	2008	2009
Cash flow from operating activities	376.8	526.3
Net investment in		
Property, plant and equipment	-172.8	-131.1
Intangible assets	-38.2	-26.5
Acquisitions less cash and cash equivalents	-74.6	-45.9
Acquisition of minority interests	-5.0	0.0
Capital increase at associated companies	0.0	-2.0
Acquisitions (-)/Disposals (+) of financial assets	3.3	-8.3
Free cash flow	**89.5**	**312.5**
Acquisitions/Disposals less cash and cash equivalents[1]	79.6	47.9
Acquisitions (+)/ Disposals (-) of financial assets	-3.3	8.3
Operating free cash flow	**165.8**	**368.7**

[1] incl. purchase of minority interests and share capital increases in associated companies

Other adjustments. Included in other adjustments are:

in CHF mn	2008	2009
Non-liquidity-related interest expenses/income	0.0	7.1
Non-liquidity-related financial expenses/income	-0.4	5.0
Profit/loss from disposals of PPE	-4.2	0.0
Other	-0.4	-1.6
Total	**-5.0**	**10.5**

34 SEGMENT REPORTING.

Sika conducts its worldwide activities according to Regions, to which a certain number of countries belong. Region heads are members of Group Management. Group Management is the highest operative executive body measuring the profit and loss of segments and allocating resources. The key figure of profit by which the segments are directed is that of operating profit, which stands in correlation with the Consolidated Financial Statement. The financing (including financial expenditures and revenues) as well as income taxes are managed uniformly across the Group and not assigned to the individual segments. The composition of the Regions does not follow the generally observed geographic grouping of countries to continents, manifesting rather diverse organizational, commercial and cultural circumstances. So for example in Region IMEA (India, Middle East, Africa) among others the countries of the Middle East and India are grouped together, since these countries are strongly interwoven regarding their building and construction industry. The precise composition of the Regions is shown on page 16. From the acquisition of the Iotech Group companies were assigned to Regions Europe North, Europe South and North America. The acquired Jiangsu TMS Admixture Co. is assigned to Region Asia/Pacific.

Products and services from all product groups are sold in all Regions. Customers derive from the building and construction industry or from the area of industrial manufacturing. Sales are assigned according to company locations. Taxes and any effects of financing are allocated to Central Services. Transfer prices between segments are calculated according to generally recognized principles.

Central Services comprise the expenditures for Group Headquarters and its revenues from services and delivery of goods to Group companies. In addition this includes also expenditures and revenues that are not assigned to any Region. Mainly these amount to expenditures for research and development.

NET SALES

in CHF mn			2008			2009
	With third parties	With other segments	Total	With third parties	With other segments	Total
Europe North	1 735.9	111.8	1 847.7	1 474.8	86.5	1 561.3
Europe South	1 050.4	33.3	1 083.7	934.6	35.7	970.3
North America	656.8	15.4	672.2	602.3	17.1	619.4
Latin America	432.9	0.1	433.0	395.3	0.1	395.4
IMEA	257.7	1.9	259.6	263.6	1.0	264.6
Asia / Pacific	482.8	7.0	489.8	472.6	4.0	476.6
Central Services	8.0	–	8.0	11.7	–	11.7
Eliminations	–	-169.5	-169.5	–	-144.4	-144.4
Consolidated net sales	**4 624.5**	**–**	**4 624.5**	**4 154.9**	**–**	**4 154.9**
Products for construction industry			3 699.6			3 381.7
Products for industrial manufacturing			924.9			773.2

The first application of IFRS 8, Business Segments, affected segment reporting for business year 2008 in the following way:

– Companies generated net sales with third-party customers amounting to CHF 8.3 mn that is now attributed to Central Services. Prior to introduction of IFRS 8 this was attributed to Region Europe North.
– The internal business area Sika Supply Center (containing among others central factories) that was assigned to the two European Regions in 2008 is now attributed to Central Services. The net sales and the operating result of Central Services as well as of the Regions Europe North and Europe South were consequently adjusted. Due to this conversion the operating profit of Central Services is listed as CHF 18.5 mn lower, while correspondingly those of Europe North and South are respectively listed as CHF 7.9 mn and CHF 10.6 mn higher.

SEGMENT INFORMATION

CHANGES IN NET SALES

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

PERFORMANCE FIGURES

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

OPERATING PROFIT BEFORE RESTRUCTURING

in CHF mn	2008	2009	Change compared to prior year	
			(+/-)	(+/- in %)
By Region				
Europe North	190.5	159.0	-31.5	-16.5
Europe South	144.8	136.4	-8.4	-5.8
North America	46.6	63.6	17.0	36.5
Latin America	59.0	56.7	-2.3	-3.9
IMEA	32.0	42.5	10.5	32.8
Asia/Pacific	31.6	54.3	22.7	71.8
Operating profit before restructuring	**504.5**	**512.5**		
Share of Central Services	-82.5	-111.9	-29.4	-35.6
Operating profit of the Group before restructuring	**422.0**	**400.6**	**-21.4**	**-5.1**

The following countries had a share of greater than 10% on at least one of corresponding Group key figures:

in CHF mn

	Net sales				Non-current assets[1]			
	2008	%	2009	%	2008	%	2009	%
Switzerland	321.5	7.0	298.1	7.2	510.5	37.0	524.0	36.2
USA	587.1	12.7	529.2	12.7	218.2	15.8	213.2	14.7
Germany	640.2	13.8	549.0	13.2	168.8	12.2	152.7	10.5
All other	3 075.7	66.5	2 778.6	66.9	482.2	34.9	558.9	38.6
Total	**4 624.5**	**100.0**	**4 154.9**	**100.0**	**1 379.7**	**100.0**	**1 448.8**	**100.0**

[1] Non-current assets without financial instruments, deferred tax assets and post-employement benefit assets

35 RELATED PARTIES.

Sika had two 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, 2009, owned 54.1% of all voting shares, in part through the Schenker-Winkler Holding AG, Baar. Lone Pine Capital LLC, headquartered in Greenwich, Connecticut, held 5.0% of all voting shares on the balance sheet date.

Associated companies. In the year under review goods totaling CHF 10.5 mn (CHF 16.4 mn) were sold by the Sika Group to Sika Gulf B.S.C. Goods totaling CHF 10.1 mn (CHF 9.1 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 12.3 mn (CHF 9.8 mn).

Employee benefit plans. In Switzerland, employee benefit plans are handled through legally independent foundations, to which a total of CHF 18.9 mn (CHF 18.7 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 2009 amounted to CHF 0.5 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 0.3 mn (CHF 3.1 mn) was spent on property, plant and equipment, and CHF 0.6 mn (CHF 0.4 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	2008	2009
Current benefits[1]	11.8	14.7
Pension fund contribution	1.3	1.5
Total	**13.0**	**16.2**

[1] Members of Group Management draw 20% or 40% of their salary 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 (as of page 145).

37 RELEASE OF FINANCIAL STATEMENTS FOR PUBLICATION.

The Board of Directors of Sika AG approved the Consolidated Financial Statements for publication on February 26, 2010.

38 EVENTS AFTER THE BALANCE SHEET DATE.

Between December 31, 2009, and the approval of the presented Consolidated Financial Statements there were no major business-relevant occurrences.

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 monitoring and risk controlling.

Details regarding the assessment of risk management can be found in Note 31 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, Brussels	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	72 000	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	*	
	❍	Tricosal Bauabdichtungs GmbH, Illertissen	EUR	50	100		
Great Britain	❍	Sika Ltd., Welwyn Garden City	GBP	10 000	100	*	*
	✜	Sarnafil Ltd., Bowthrope	GBP	200	100		
	▲	Iotech Limited, Lancashire	GBP	100	100		
	❍	Liquid Plastics Limited, Lancashire	GBP	1	100	*	*
	❍	Incorez Ltd., Lancashire	GBP	1	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	*	
	❍	Sika Polyurethane Manufacturing S.r.l., Cerano	EUR	1 600	100		
Kazakhstan	❍	Sika Kazakhstan LLP, Almaty	CHF	200	100		
Latvia	✜	Sika Baltic SIA, Riga	LVL	870	100		
Netherlands	✜	Sika Nederland BV, Utrecht	EUR	1 589	100	*	
	❍	BV Descol Kunststoff Chemie, Deventer	EUR	1 588	100	*	*
	▮	BV DIAC, Deventer	EUR	681	100	*	*
Norway	❍	Sika Norge A/S, Skytta	NOK	42 900	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

LIST OF GROUP COMPANIES

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	285 394	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	*	*
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		
	❍	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 El Djazaïr, 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	*	*
Saudi Arabia	✧	Sika Saudi Arabia LLC, Jeddah	SAR	15 000	45		
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		
	✤	Sika FZCO, Dubai	AED	500	80		
North America							
Canada	❍	Sika Canada Inc., Pointe Claire / QC	CAD	5 600	100	*	*
USA	❍	Sika Corporation, Lyndhurst / NJ	USD	72 710	100	*	*
	❍	Liquid Plastics Inc., Middletown / CT	USD	0	100	*	*
	❍	Incorez Corporation, Middletown / CT	USD	0	100	*	*
	▲	Iotech Properties Inc., Middletown / CT	USD	0	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, Tocancipá	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	*	*
	✜	Sika (Guangzhou) Trading Company Ltd., Guangzhou	CNY	3 723	100		
	❍	Sarnafil Waterproofing Systems, (Shanghai) Ltd., Shanghai	USD	10 000	100	*	
	❍	Jiangsu TMS Concrete Admixture Co. Ltd., Zhengjiang	CNY	24 500	70		
	✜ ▮	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 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 comprehensive income, statement of changes in equity, cash flow statement and notes (pages 76 to 128) for the year ended on December 31, 2009.

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, 2009 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 26, 2010

Ernst & Young Ltd

Edgar Christen
Licensed audit expert
(Auditor in charge)

Bernadette Koch
Licensed audit expert

FIVE-YEAR REVIEWS

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

in CHF mn		2005	2006	2007	2008	2009
Balance sheet total	a	**2 610**	**3 064**	**3 318**	**3 209**	**3 629**
Current assets	b	**1 293**	**1 743**	**1 916**	**1 744**	**2 094**
Cash, cash equivalents and securities		168	434	444	321	811
Accounts receivable	c	692	790	861	779	739
Inventories	d	371	413	500	513	451
Other current assets		62	106	111	131	92
Non-current assets	e	**1 317**	**1 317**	**1 402**	**1 466**	**1 535**
Property, plant and equipment		748	764	831	833	862
Financial assets		8	10	34	27	34
Intangible assets		495	486	463	525	562
Other non-current assets[1]		66	57	74	81	78
Assets held for sale		**0**	**4**	**0**	**0**	**0**
Current liabilities	f	**1 201**	**713**	**742**	**685**	**666**
Short-term debt[2]		624	38	17	13	2
Accounts payable	g	344	387	439	398	355
Other current liabilities		233	288	286	274	309
Non-current liabilities		**313**	**1 076**	**1 101**	**1 060**	**1 370**
Long-term debt[3]		24	20	11	5	7
Provisions, employee benefit liabilities[4]		220	237	266	221	233
Deferred taxes		69	54	57	66	63
Bonds		0	765	767	768	1 067
Shareholders' equity	h	**1 096**	**1 274**	**1 475**	**1 465**	**1 593**
Capital stock		72	23	23	23	23
Capital surplus		256	256	256	256	256
Treasury shares		-2	-2	-65	-118	-106
Currency translation differences		-110	-118	-116	-225	-224
Fluctuations in value of financial instruments		-2	-1	-1	-5	0
Retained earnings		873	1 105	1 375	1 530	1 640
Minority interests		9	11	3	3	5

[1] Employee benefit assets, other non-current assets, deferred taxes
[2] Bank loans and long-term debts with a maturity within the next 12 months.
[3] Bank loans, mortgages and other long-term debt.
[4] "Provisions with a reversal within 12 months" are posted under current liabilities.

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

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

KEY BALANCE SHEET DATA

in CHF mn	Calculation	2005	2006	2007	2008	2009
Net working capital	(c+d–g)	719	816	922	893	835
Net working capital as % of net sales		25	21	20	19	20
Non-current assets as % of balance sheet total	(e : a)	50	43	42	46	42
Shareholders' equity as % of non-current assets	(h : e)	83	97	105	100	104
Net debt[1]	j	480	389	352	465	265
Gearing in %	(j : h)	44	31	24	32	17
Equity ratio in %	(h : a)	42	42	44	46	44

[1] Net debt: Interest-bearing indebtedness (short and long-term bank debt + bonds) ./. interest-bearing current assets (cash, cash equivalents and securities)

VALUE-BASED KEY DATA

in CHF mn	Calculation[1]	2005	2006	2007	2008	2009
Capital employed [1]		1 792	1 884	2 041	2 109	2 041
Annual average of capital employed	k	1 459	1 838	1 963	2 075	2 075
Operating profit before restructuring	i	245	371	511	422	401
Return on capital employed (ROCE) in %	(i :k)	17	20	26	20	19

[1] Capital employed=Operating assets./.cash./.non interest bearing current liabilities

SEGMENT INFORMATION

in CHF mn	2005	2006	2007	2008	2009 Europe North	2005	2006	2007	2008	2009 Europe South
Net sales	1 106	1 439	1 713	1 736	1 475	846	947	1 101	1 050	935
Operating profit before restructuring	114	155	228	191	159	90	127	168	145	136
in % of net sales	10.3	10.8	13.3	11.0	10.8	10.6	13.4	15.3	13.8	14.6
Depreciation/amortization	31	49	50	28	29	19	21	21	15	19
Impairment	0	6	-1	6	2	7	0	0	0	0
Capital expenditures	37	39	78	67	45	26	17	27	21	17

in CHF mn	2005	2006	2007	2008	2009 IMEA	2005	2006	2007	2008	2009 Asia/Pacific
Net sales		164	223	258	264	354	407	478	483	473
Operating profit before restructuring		20	29	32	43	29	36	43	32	54
in % of net sales		12.2	13.0	12.4	16.1	8.2	8.8	9.0	6.5	11.5
Depreciation/amortization		2	2	3	3	9	10	13	12	13
Impairment		1	-1	0	0	9	3	1	0	1
Capital expenditures		7	12	7	11	13	23	21	20	11

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

Due to the first application of IFRS 8, data for 2008 were adjusted. No adjustments were made for prior years.

				North America					Latin America
2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
376	637	681	657	602	235	302	377	433	395
19	45	64	47	64	29	35	50	59	57
5.1	7.1	9.4	7.1	10.6	12.3	11.6	13.3	13.6	14.3
18	30	26	25	25	5	6	6	6	6
3	1	0	0	0	0	0	0	0	0
15	36	28	26	24	8	9	12	26	8

				Central Services					Total
2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
			8	12	2 917	3 896	4 573	4 625	4 156
-36	-48	-71	-83	-112	245	371	511	422	401
					8.4	9.5	11.2	9.1	9.6
6	10	10	40	42	88	128	128	128	137
0	0	0	0	0	19	11	-1	6	3
17	8	8	64	46	116	139	186	230	161

EMPLOYEES

	2005	2006	2007	2008	2009
Employees by region (as of December 31)					
Europe North	**3 417**	**4 151**	**4 248**	**4 741**	**4 417**
Switzerland	1 333	1 773	1 792	2 036	1 900
Germany	1 167	1 375	1 302	1 422	1 336
Europe South	**1 709**	**1 869**	**1 922**	**1 994**	**2 108**
France	643	651	664	685	617
North America	**1 099**	**1 330**	**1 319**	**1 358**	**1 163**
USA	983	1 192	1 155	1 180	991
Latin America	**1 248**	**1 365**	**1 539**	**1 729**	**1 561**
Brazil	159	169	188	209	220
IMEA	**465**	**496**	**789**	**873**	**892**
Asia / Pacific	**1 764**	**2 098**	**1 906**	**2 205**	**2 228**
Japan	239	210	211	212	197
Total	**9 702**	**11 309**	**11 723**	**12 900**	**12 369**
Personnel expenses (in CHF mn)					
Wages and salaries	548	678	746	780	769
Social charges, other	138	167	180	178	185
Total personnel expenses	**686**	**845**	**926**	**958**	**954**
Personnel expenses as % of net sales	24	22	20	21	23
Key data per employee (in CHF 1 000)					
Net sales	308	352	397	376	329
Net value-added[1]	98	110	125	112	103

[1] See next page, Five-year reviews, Value-Added Statement

in CHF mn	2005	2006	2007	2008	2009
Source of value-added					
Corporate performance (net sales)	2 917	3 896	4 573	4 625	4 155
Intermediate inputs	-1 873	-2 524	-2 982	-3 132	-2 676
Gross value-added	**1 044**	**1 372**	**1 591**	**1 493**	**1 479**
Expenses not affecting liquidity					
Depreciation and amortization	-108	-143	-127	-134	-139
Change in provisions	-5	-12	-27	21	-42
Net value-added	**931**	**1 217**	**1 437**	**1 380**	**1 298**
Distribution of value-added					
To employees					
Wages and salaries	548	678	746	780	769
Social charges	138	167	180	178	185
To governments (capital and income taxes)	79	99	138	106	90
To lenders (financial expenses)	11	38	31	49	28
To shareholders (dividend payout, incl. minority interests)	43	49	79	112	112
To the company					
Net profit for the year	155	235	342	267	226
Less dividend payout	-43	-49	-79	-112	-112
Net value-added	**931**	**1 217**	**1 437**	**1 380**	**1 298**
Number of employees					
End of year	9 702	11 309	11 723	12 900	12 369
Annual average	9 460	11 080	11 516	12 312	12 635
Net value-added per employee (in CHF 1 000)	**98**	**110**	**125**	**112**	**103**

Net value-added 2009

Intermediate inputs	64.4%	(67.7%)
Non-liquidity-related expenses	4.4%	(2.4%)
Net value-added	**31.2%**	**(29.8%)**

Distribution of value-added = 100%

Employees	73.5%	(69.4%)
Company	26.0%	(27.4%)
Government	6.9%	(7.7%)
Shareholders	8.6%	(8.1%)
Lenders	2.2%	(3.6%)

SIKA AG BALANCE SHEET AS OF DECEMBER 31

ASSETS

in CHF mn	Notes	2008	2009
Current assets			
Cash in bank	1	169.8	674.8
Securities	2	2.7	7.3
Accounts receivable from subsidiaries	3	856.4	765.5
Accounts receivable from third parties	3	8.9	10.1
Treasury shares	4	55.4	50.1
Accrued income		0.1	0.5
Total current assets		**1 093.3**	**1 508.3**
Non-current assets			
Furnishings	5	0.0	0.0
Trademark licenses	6	1.8	1.3
Investments	7	1 005.7	1 031.4
Long-term loans and other non-current assets	8	9.9	10.1
Total non-current assets		**1 017.4**	**1 042.8**
Total assets		**2 110.7**	**2 551.1**

LIABILITIES AND SHAREHOLDERS' EQUITY

in CHF mn	Notes	2008	2009
Liabilities			
Accounts payable to subsidiaries	9	31.7	35.8
Accounts payable to third parties	9	3.0	4.5
Deferred income	10	14.0	38.4
Total current liabilities		**48.7**	**78.7**
Bonds	11	775.0	1 075.0
Provisions for risks related to investments	12	60.1	70.1
Total non-current liabilities		**835.1**	**1 145.1**
Total liabilities		**883.8**	**1 223.8**
Shareholders' equity			
Capital stock	13	22.9	22.9
Legal reserve		113.4	113.4
Reserve for treasury shares		117.6	106.3
Free reserves		4.0	15.3
Total reserves	14	235.0	235.0
Profit brought forward		734.8	857.2
Net profit for the year		234.2	212.2
Retained earnings	15	**969.0**	**1 069.4**
Total shareholders' equity	16	**1 226.9**	**1 327.3**
Total liabilities and shareholders' equity		**2 110.7**	**2 551.1**

SIKA AG INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	2008	2009
Income			
Income from subsidiaries	17	277.3	203.4
Financial income	18	54.5	52.0
Trademark licenses	19	36.3	31.6
Other income		0.2	1.3
Total income		**368.3**	**288.3**
Expenses			
Administrative expenses	20	14.4	13.7
Financial expenses	21	113.4	37.4
Taxes	22	0.1	1.3
Depreciation / change in provisions	23	2.1	20.5
Other expenses	24	4.1	3.2
Total expenses		**134.1**	**76.1**
Net profit for the year		**234.2**	**212.2**

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. In 2009 Sika AG issued another five-year bond on the Swiss capital market amounting to CHF 300 mn with a coupon of 3.5% per annum for long-term, general financing of the company.

1 **CASH IN BANK.** CHF 674.8 mn (CHF 169.8 mn)
All bank deposits are held in interest-bearing accounts denominated in Swiss francs.

in CHF mn	2008	2009
Swiss francs (CHF)	169.7	674.7
Foreign currencies	0.1	0.1
Total cash in banks	**169.8**	**674.8**

2 **SECURITIES.** CHF 7.3 mn (CHF 2.7 mn)
The increased value of shares resulted from the purchase of shares for CHF 4.0 mn as well as stock price gains 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 775.6 mn (CHF 865.3 mn). Receivables consist mainly of CHF 750.9 mn (CHF 831.2 mn) in loans to subsidiaries. These loans constitute part of the Group-wide cash management concept. Due to positive development of liquidity subsidiaries reduced their loans.

in CHF mn	2008	2009
Europe North	174.4	110.4
Europe South	142.8	146.7
North America	180.7	124.8
Latin America	13.7	10.3
IMEA	28.8	41.2
Asia / Pacific	102.2	92.9
Corporate	188.6	224.6
Total loans	**831.2**	**750.9**

Data from the previous year was adjusted due to the first application of IFRS 8.

Sika AG has additional receivables of CHF 14.6 mn (CHF 25.0 mn) due from Sika subsidiaries on open accounts.

Receivables from third parties of CHF 10.1 mn (CHF 8.9 mn) include CHF 0.3 mn (CHF 0.5 mn) in credits from the Swiss tax authorities, CHF 1.7 mn (CHF 0) from an insurance company and CHF 8.1 mn (CHF 8.3 mn) due from the associated company Sika Gulf.

4 TREASURY SHARES. CHF 50.1 mn (CHF 55.4 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		Registered shares nominal value CHF 1.50		Total
	Units		Units		
As of December 31, 2007	**34 020**	**66.1**	**0**	**0.0**	**66.1**
Reductions	-767	-1.5	0	0.0	-1.5
Additions	28 255	53.4	0	0.0	53.4
Valuation adjustment	–	-62.6	–	0.0	-62.6
As of December 31, 2008	**61 508**	**55.4**	**0**	**0.0**	**55.4**
Reductions	-5 881	-5.3	0	0.0	-5.3
Additions	0	0.0	0	0.0	0.0
Valuation adjustment	–	0.0	–	0.0	0.0
As of December 31, 2009	**55 627**	**50.1**	**0**	**0.0**	**50.1**

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 1.3 mn (CHF 1.8 mn)
Capitalized trademark licenses are amortized over their useful life.

7 INVESTMENTS. CHF 1 031.4 mn (CHF 1 005.7 mn)
In Region Europe South Sika acquired the Iotech Group Ltd. at a value of CHF 49.6 million. Capital increases amounting to CHF 28.0 million were undertaken in various Regions. In Europe North and Latin America capital reductions took place amounting to CHF 51.8 million. Major participations are indicated in the List of Group Companies beginning on page 125.

CHANGES IN INVESTMENTS

in CHF mn	2008	2009
As of January 1	**981.7**	**1 005.7**
Europe North	-2.0	-27.2
Europe South	0.0	46.9
North America	0.0	0.0
Latin America	0.0	-0.1
IMEA	12.6	0.0
Asia / Pacific	13.4	3.5
Corporate	0.0	2.6
Total net	**24.0**	**25.7**
As of December 31	**1 005.7**	**1 031.4**

8 LOANS AND OTHER NON-CURRENT ASSETS. CHF 10.1 mn (CHF 9.9 mn)
Long-term loans of CHF 2.3 mn consist of shareholders' loans to Sika Argentina SAIC, Argentina, and 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 40.3 mn (CHF 34.7 mn)
The total includes CHF 35.8 mn (CHF 31.7 mn) in liabilities to Sika subsidiaries, resulting from the worldwide cash management concept. The remaining liabilities of CHF 4.5 mn (CHF 3.0 mn) consist of accounts payable to third parties.

10 DEFERRED INCOME. CHF 38.4 mn (CHF 14.0 mn)
Deferred income includes pro-rata interest of CHF 18.1 mn (CHF 12.1 mn), unrealized foreign exchange gains on Group loans of CHF 18.1 Mio. (CHF 0), as well as other accrued expenses of CHF 2.2 mn (CHF 1.9 mn).

11 BONDS. CHF 1 075.0 mn (CHF 775.0 mn)
In 2006 three bonds were issued to finance the acquisition of Sarna Polymer Holding Inc. as well as Group growth, and in 2009 another bond was issued for long-term, general financing of the company.

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
3.500% fixed-interest bond 2009–6/4/2014	CHF 300.0 mn
2.875% fixed-interest bond 2006–3/23/2016	CHF 250.0 mn

12 PROVISIONS FOR RISKS RELATED TO INVESTMENTS. CHF 70.1 mn (CHF 60.1 mn)
Provisions for risks related to investments were increased by CHF 10.0 mn to CHF 40.0 mn. They relate to the economical, financial and political risks of a globally operating company. Provisions to cover credit risks of Group loans were left unchanged at CHF 30.1 mn.

13 CAPITAL STOCK. CHF 22.9 mn (CHF 22.9 mn)
On December 31, 2009, the company had 52 (56) registered shareholders. Information regarding major shareholders can be found on page 124.

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]
12/31/2008 (units)	2 151 199	2 333 874	4 485 073
Nominal value (CHF)	19 360 791	3 500 811	22 861 602
12/31/2009 (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 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	2008	2009
General statutory reserve	113.4	113.4
Reserve for treasury shares	117.6	106.3
Free reserve	4.0	15.3
Total	**235.0**	**235.0**

15 RETAINED EARNINGS. CHF 1069.4 mn (CHF 969.0 mn)
Net profit of the year reflects the regular business activities. A dividend of CHF 111.7 mn for the business year 2008 was distributed to shareholders in April 2009.

in CHF mn	2008	2009
Profit brought forward	734.8	857.2
Net profit for the year	234.2	212.2
Retained earnings	**969.0**	**1 069.4**

16 SHAREHOLDERS' EQUITY. CHF 1 327.3 mn (CHF 1 226.9 mn)
Shareholders' equity lies above the level of the prior year. The ratio of shareholders' equity to balance sheet total decreased from 58.1% to 52.0%.

Contingent liabilities. Letters of guarantee and letters of comfort are issued to finance business transactions. A subordinated claim declaration of EUR 2.0 million has been issued for the Sarna Kunststoffbeteiligungs GmbH, Stuttgart, Germany. 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 the tax group.

in CHF mn	2008	2009
Letters of guarantee		
Issued	160.7	152.6
Used	9.1	9.1
Letters of comfort		
Issued	5.4	8.0
Used	2.8	0.1
Credit lines to subsidiaries		
Used	1.5	0.8

17 INCOME FROM ASSOCIATED COMPANIES. CHF 203.4 mn (CHF 277.3 mn)
Income from subsidiaries includes dividend distributions.

18 FINANCIAL INCOME. CHF 52.0 mn (CHF 54.5 mn)
Financial income includes interest income and gains from foreign exchange transactions.

Financial income consists of:

in CHF mn	2008	2009
Interest income from		
subsidiaries	50.6	45.6
banks	1.4	0.8
Income from securities	0.1	0.0
Gains from securities and foreign exchange	2.4	4.9
Valuation adjustments to securities	0.0	0.6
Other income	0.0	0.1
Total	**54.5**	**52.0**

19 TRADEMARK LICENSES. CHF 31.6 mn (CHF 36.3 mn)
Income from trademark licenses reflects business development in 2009.

20 ADMINISTRATIVE EXPENSES. CHF 13.7 mn (CHF 14.4 mn)
Administrative expenses include expenses for the holding and allocated Group management costs.

21 FINANCIAL EXPENSES. CHF 37.4 mn (CHF 113.4 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 which decreased in 2009. The difference to the prior year is due moreover to the one-time value adjustment of treasury shares of CHF 62.6 million.

Financial expenses consist of:

in CHF mn	2008	2009
Loan and bank interest	22.5	28.6
Interest payed to local companies	1.1	0.9
Coupon redemption expenses	0.2	0.2
Bank fees	0.6	0.4
Fees for syndicated credit line	0.3	0.3
Valuation adjustments to securities and treasury shares	64.7	0.0
Foreign exchange losses from foreign currencies, securities, hedges	24.0	7.0
Total	**113.4**	**37.4**

22 TAXES. CHF 1.3 mn (CHF 0.1 mn)
Tax expenses include the required tax provisions for the year under review.

23 DEPRECIATION/CHANGE IN PROVISIONS. CHF 20.5 mn (CHF 2.1 mn)
The provision for participations was increased by CHF 10.0 million. Due to the capital reduction in Sika Holding GmbH, Stuttgart, Germany, CHF 6.2 million were written off. A loan of CHF 3.5 million to Sarna Immobilien AG, Buochs, Switzerland, was written off; the company merged as of January 1, 2009, with Sika Sarnafil Manufacturing AG, Sarnen, Switzerland. A short-term provision of CHF 0.3 million was established for a foreign tax claim. Trademark licenses were depreciated as is customary.

in CHF mn	2008	2009
Current provisions	0.0	0.3
Depreciation / provisions of investments	1.3	19.7
Trademark licenses	0.8	0.5
Total	**2.1**	**20.5**

24 OTHER EXPENSES. CHF 3.2 mn (CHF 4.1 mn)
This item consists of:
– Non-recoverable withholding taxes: CHF 2.5 mn
– Expenses for trademark licenses: CHF 0.7 mn

25 REMUNERATION OF THE BOARD OF DIRECTORS.

Compensation paid to members of the Board of Directors in 2009 (2008):

	Walter Grüebler Chairman		Thomas W. Bechtler[2] Vice Chairman		Urs F. Burkard[3]		Urs B. Rinderknecht[4]		Toni Rusch	
in 1 000 CHF	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Cash										
Fix fees	170.0	168.6	150.0	149.1	120.0	118.9	120.0	119.8	130.0	128.7
Fix salary	396.2	394.9								
Variable salary portion[1]	344.2	339.9								
Other expenses	41.4	41.4	25.0	22.5	22.0	20.0	22.0	16.0	22.0	24.0
Payments in kind					**5.8**	**5.8**				
Benefit obligations										
Social security contributions	14.9	9.0	16.8	10.5	14.1	8.7		2.2	14.3	9.4
Management insurance	55.3	55.3								
Benefit plan										
Total	**1 022.0**	**1 009.1**	**191.8**	**182.1**	**161.9**	**153.4**	**142.0**	**138.0**	**166.3**	**162.1**

	Daniel J. Sauter		Fritz Studer		Ulrich W. Suter		Christoph Tobler		Total	
in 1 000 CHF	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Cash										
Fix fees	120.0	118.8	120.0	117.4	120.0	119.0	120.0	119.2	1 170.0	1 159.5
Fix salary									396.2	394.9
Variable salary portion[1]									344.2	339.9
Other expenses	20.0	20.0	10.0	20.0	17.0	19.0	16.0	14.0	195.4	196.9
Payments in kind									**5.8**	**5.8**
Benefit obligations										
Social security contributions	14.0	8.7	10.4	7.3	14.1	8.7	14.0	8.4	112.6	72.9
Management insurance									55.3	55.3
Benefit plan									0.0	0.0
Total	**154.0**	**147.5**	**140.4**	**144.7**	**151.1**	**146.7**	**150.0**	**141.6**	**2 279.5**	**2 225.2**

[1] 20% or 40% has to be drawn in the form of shares. The allocation occurs at market values.
[2] In the reporting year 2009 CHF 0.6 mn (CHF 0.4 mn) was paid for services to a company associated with T. Bechtler.
[3] In the reporting year 2009 CHF 0.3 mn (CHF 3.1 mn) was paid for equipment to a company owned by U. Burkard.
[4] Remuneration of U. 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. No compensation was paid in 2009 to Paul Hälg, a member of the Board of Directors since April 2009.

26 REMUNERATION OF GROUP MANAGEMENT.

For the business years listed the Group Management is entitled to the following remuneration:

	Ernst Bärtschi CEO		Total	
in 1 000 CHF	**2008**	**2009**	**2008**	**2009**
Cash				
Fix salary	806.1	908.0	5 562.0	7 036.0
Variable salary portion[1]	679.7	820.5	3 379.2	4 625.5
Other expenses	45.6	45.6	402.6	408.4
Payments in kind	**0.0**	**0.0**	**319.5**	**494.4**
Benefit obligations				
Management insurance	182.8	227.0	965.0	1 294.8
Benefit plan	14.0	12.7	129.8	120.8
Total	**1 728.2**	**2 013.8**	**10 758.1**	**13 979.9**

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

The greater remuneration of Group Management results essentially from the expansion of Group Management by two members and from additional salaries consequential to the foreign delegation of two members of Group Management.

All bonuses shown are accrued and pertain to entitlements acquired in 2009 that will be paid out in 2010. The entitlements are subject to the Nomination and Compensation Committee, which will decide upon them following approval of the Consolidated Financial Statements.

Payments to former executives and directors. In the year under review compensation in the amount of TCHF 702.8 (TCHF 1 674.4) was paid to former members of Group Management. This included TCHF 503.8 (TCHF 648.2) fix salary, bonuses in the amount of TCHF 185.8 (TCHF 451.6) and expenses of TCHF 13.2 (TCHF 28.3).

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)	
	2008	2009	2008	2009
Board of Directors				
Walter Grüebler, Chairman	1 886	2 046	0	0
Thomas W. Bechtler, Vice Chairman	221	238	0	0
Urs F. Burkard[1]	2 800	1 050	0	0
Paul Hälg	0	0	0	0
Urs B. Rinderknecht	1 000	1 000	540	0
Daniel J. Sauter	2 487	1 487	0	0
Fritz Studer	20	20	0	0
Ulrich W. Suter	0	0	0	0
Christoph Tobler	400	260	0	0
Group Management				
Ernst Bärtschi, CEO	1 134	1 019	0	0
Silvio Ponti, deputy CEO	312	425	0	0
Alexander Bleibler	422	584	0	0
Iven Chadwick	0	54	0	0
Bruno Fritsche	34	63	0	0
Christoph Ganz	58	58	0	0
Jan Jenisch	320	263	0	0
Peter Krebser	90	133	0	0
Urs Mäder	119	168	0	0
Hubert Perrin de Brichambaut	0	0		
Ernesto Schümperli	88	108	0	0
Paul Schuler	146	197	0	0
Ronald Trächsel	29	241	0	0
José Luis Vasquez	470	411	0	0
Total	**12 279**	**9 825**	**540**	**0**

[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 monitoring and risk controlling.

Information on the Group-wide risk assessment processes can be found in Note 31 to the Consolidated Financial Statements.

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

in CHF mn	2008	2009
Composition of retained earnings		
Net profit for the year	234.2	212.2
Profit brought forward	734.8	857.2
Retained earnings	**969.0**	**1 069.4**
Allocation to general statutory reserve[1]	0.0	0.0
Allocation to free reserve	0.0	0.0
Dividend payment		
Dividend payment[2]	111.7	111.8
Balance to be carried forward[3]	857.2	957.6
Total	**969.0**	**1 069.4**

[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, 2009).
[3] Rounding difference CHF 0.1 mn

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

in CHF	2008	2009
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 27, 2010, upon presentation of coupon No. 18 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 20, 2010, 3 p.m. in the Lorzensaal in Cham, Switzerland.

Baar, February 26, 2010

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 136 to 148) for the year ended December 31, 2009.

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, 2009 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 26, 2010

Ernst & Young Ltd

Edgar Christen	Bernadette Koch
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

FINANCIAL CALENDAR 2010

TUESDAY, APRIL 20
42th Annual General Meeting, Lorzensaal, Cham, Switzerland, 3 pm

WEDNESDAY, APRIL 21
Letter to shareholders (first-quarter report)

TUESDAY, APRIL 27
Dividend payment

FRIDAY, JULY 30
Letter to shareholders (half-year report)

FRIDAY, NOVEMBER 5
Letter to shareholders (third-quarter report)