

For immediate publication

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Sika Group 2006 half-year results

Sales and earnings continue to rise

The favorable dynamic that marked the first quarter of 2006 persisted in the second and led to notable growth. In the first half of this year Sika made strident gains in sales and earnings. Compared to the corresponding year-ago period, sales denominated in Swiss francs were ahead by 33.6% and exceeded CHF 1.8 bil., the EBITDA even advanced by 44.9%. The net profit totaled more than CHF 100 mil.

In the period under review Sika achieved a broadly-supported internal growth of 14.8%. Foreign exchange effects added another 3.3 percentage points. Acquisitions, limited to the Construction Division, contributed 15.5 percentage points. Overall Group sales rose from CHF 1,370.2 mil. to CHF 1,831.1 mil., an increase of 33.6%.

Due to higher raw material prices, a larger share of material costs at Sarnafil and a growing share of merchandise, operating results reflected a further decline in gross margins; they were down 1.6 percentage points. However because the pressure on gross margins was more than offset at the operating level (EBITDA) by efficiency improvements (+2.5 percentage points), the EBITDA increased 44.9% from CHF 165.3 mil. to CHF 239.5 mil., a margin improvement from 12.1% to 13.1%.

Depreciation include one-time special effects stemming from the acquisition of Sarna Polymer Holding Inc. and result primarily from adjustment and standardization to the more conservative depreciation and valuation practices applied by Sika. These special effects put a CHF 11.2 mil burden on operating profit (EBIT), yet EBIT still staged an advance by 40.5% to CHF 168.3 mil.

Interest expenses increased on account of larger requirements for capital to finance the Sarna acquisition. The rise in other financial expenses is largely attributable to the negative fluctuations of foreign exchange rates and higher hedging costs. Despite special effects and larger financial expenses, consolidated net profit of the Sika Group was greater by 33.7% in advancing to CHF 100.7 mil.



Sales development by regions and divisions

Internal growth enhanced Sika's expansion in all regions. Latin America achieved the strongest growth, its currency-adjusted sales being up 28.4 %. The North American region registered a 21.2 % increase and the Asia/Pacific region was up 19.2 %. Almost all our Asian and Pacific subsidiaries reported notable increases, yet Sika Japan, our largest Asian company lagged behind expectations and burdened overall results in the Asia/Pacific region. Despite market maturity and saturation, sales in Europe were once again higher. Our business in the regions Europe South and North expanded practically in tandem, by 15.0% and 12.3% respectively.

Compared to the corresponding year-ago period, net sales of Sika's Construction Division were 39.9% higher; they rose from CHF 1,001 mil. to CHF 1,400 mil. Organic growth accounted for 18.7 percentage points (CHF 187.2 mil) of the gain, acquisitions for 21.2 percentage points (CHF 211.8 mil.). Expressed in local currencies the expansion amounted to 36.4%.

Advancing from CHF 369 mil. to CHF 431 mil., net sales of Sika's Industry Division were 16.8% higher than in the corresponding period last year. The gain is attributed entirely to organic growth since no acquisitions were made in the Industry Division. Denominated in local currencies, the sales gain amounted to 13.7%. Thus the favorable pace of business established in the corresponding year-ago period was further intensified.

Outlook

Should the recovery of the markets continue apace, we anticipate - without taking the Sarna acquisition effect into account – a better than 10% increase in sales by the end of the fiscal year. Much uncertainty surrounds the development of raw material prices. We will try to pass the increases through to customers. However, based on experience, this pass-through effort can only be accomplished with delays in most cases.

For details on Sika's performance during the first half of this year, please see the report on the first half of 2006. The report can be downloaded on www.sika.com. For a printed version please contact the address shown above. Please note that a conference call will be held today. On the following page you will find further details for the conference call.



Conference call today August 21, 2006 at 9.30 am (CET)

In connection to the publication of the half-year results a conference call will be held. Please dial in approx. 15 minutes before the start via the following phone numbers.

+41 (0) 91 610 56 00 (Europe)

+1 (1) 866 291 4166 (USA)

+44 (0) 207 107 0611 (UK)

The operator will then put you through to Markus Zenhäusern (CFO) and Alfred Spieser (IR).

The conference call will be recorded and will be available during 24 hours on the following phone numbers:

+41 (0) 91 612 4330 (Europe)

+1 (1) 866 416 2558 (USA)

+44 (0) 207 108 6233 (UK)

Please give the code **ID 172** when requested, followed by the **#** sign.

Sika AG – a corporate profile

Sika AG, located in Baar, Switzerland, is a globally integrated company supplying the specialty chemicals markets. It is a leader in processing materials used in sealing, bonding, damping, reinforcing and protecting load-bearing structures in construction (buildings and infrastructure construction) and in industry (vehicle, building component and equipment production).

Sika's product lines feature high-quality concrete admixtures, specialty mortars, sealants and adhesives, damping and reinforcing materials, structural strengthening systems, industrial flooring and membranes.

Subsidiaries in 70 countries worldwide and 10,000 employees link customers directly to Sika and guarantee the success of all of its business relationships. With this business structure Sika generates annual sales of approximately CHF 2.9 billion. Visit our website at www.sika.com.

