



Sika – for lasting bonds

Report on the third quarter of 2006

November 2006



Sika Group

Expansion trend maintained

In the first nine months of this year sales of the Sika Group climbed from CHF 2,172.7 mil. to CHF 2,888.7 mil. or 33.0% compared to the corresponding year-ago period. Organic growth accounted for 16.1%, acquisitions for 14.8% and favorable currency effects for 2.1%. The acquisition effects benefited the Construction Division exclusively.

Expressed in Swiss francs, Sika Group sales were up 31.8% in the third quarter, in local currencies 31.7%.

Development of earnings

The gross margin declined to 54.4% (56.2% prior year) principally due to rising raw material prices and shifts in the product mix in favor of Sarnafil goods which incur higher shares of material costs. Nevertheless, EBITDA improved from CHF 277.5 mil. to CHF 408.5 mil., a gain of 47.2%. The EBITDA margin rose correspondingly from 12.8% to 14.1%.

EBIT continues to be impacted by special effects resulting from the acquisition of Sarna Polymer Holding Inc. Additionally, impairments were taken in the third quarter for three subsidiaries. Yet, compared to the preceding year-ago period, EBIT increased to CHF 296.7 mil. or by 41.4%. The EBIT margin rose from 9.7% to 10.3%.

At CHF 184.9 mil. consolidated net profit in the first nine months were up 37.5% over the comparable year-ago period. Operating free cash flow, subject to sharp seasonal variations, increased from CHF 47.7 mil. to CHF 51.8 mil.

Regional and divisional sales

Trends evident until mid-year continued in the 3rd quarter. Organic sales kept growing in all regions. Against the comparable period in the prior year, the Latin America Region led the gains with a 26.2% improvement in sales, based on accounting in local currencies. The Europe South and Asia/Pacific Regions each did 16.1% better (incl. acquisitions 25.9% and 24.3% respectively). Sales of the North America Region, excluding the acquisition effect of Sarnafil, were up by about 15.4% (incl. acquisitions 67.4%), while the business of the Europe North Region improved by 9.2% (incl. acquisitions 25.1%).

In the first nine months Construction Division sales totaled CHF 2,249 mil. or 39.1% more than in the corresponding period a year earlier. Calculated in local currencies the expansion came to 36.9%, of which 18.3 percentage point were attributable to acquisitions.

Sales of the Industry Division rose from CHF 556 mil. to CHF 640 mil., a 15.1% improvement over the comparable period last year. Denominated in local currencies, the sales gain amounted to 13.1%; it represented solely organic growth because there were no acquisitions.

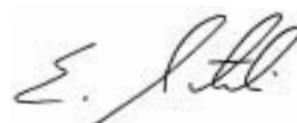
Outlook for year-end 2006

If the market environment continues to hold steady, we foresee a sales expansion for the entire year, exclusive of acquisition effects created by Sarnafil, distinctly exceeding the 10% already communicated. At the same time we are anticipating a slight disproportional increase in earnings.

With kind regards,



Dr. Walter Gruebler
Chairman of the Board



Ernst Baertschi
Chief Executive Officer

Key Data of the Consolidated Income Statement

Consolidated Income Statement from January 1 till September 30, 2006

in CHF mil.	%	1/1–9/30/2005	%	1/1–9/30/2006	Changes in %
Continuing operations					
Net sales	100.0	2 172.7	100.0	2 888.7	33.0
Other operating income	0.0	0.6	0.2	6.2	933.3
Changes in inventory	0.6	13.0	0.9	26.4	103.1
Operating revenue	100.6	2 186.3	101.1	2 921.3	33.6
Material expenses	-44.4	-966.3	-46.7	-1 349.1	39.6
Gross profit	56.2	1 220.0	54.4	1 572.2	28.9
Personnel expenses	-23.2	-503.6	-21.6	-625.2	24.1
Other operating expenses	-20.2	-438.9	-18.7	-538.5	22.7
Operating profit before depreciation (EBITDA)	12.8	277.5	14.1	408.5	47.2
Depreciation	-2.6	-56.7	-2.7	-78.6	38.6
Amortization	-0.3	-7.6	-0.8	-23.4	207.9
Impairment	-0.2	-3.4	-0.3	-9.8	188.2
Operating profit (EBIT)	9.7	209.8	10.3	296.7	41.4
Interest income	0.1	1.1	0.1	1.7	54.5
Interest expenses	-0.3	-6.0	-0.5	-15.9	165.0
Other financial income	0.1	1.4	0.0	0.6	-57.1
Other financial expenses	-0.2	-3.8	-0.5	-13.7	260.5
Income from associated companies	0.0	0.1	0.0	1.0	900.0
Consolidated net profit before taxes	9.3	202.6	9.4	270.4	33.5
Income taxes	-3.1	-68.1	-3.0	-85.5	25.6
Consolidated net profit after taxes from continuing operations	6.2	134.5	6.4	184.9	37.5
Minority interests		-1.5		-2.0	33.3
Profit attributable to Sika shareholders		133.0		182.9	37.5

Key data for the third quarter

in CHF mil.		7/1–9/30/2005		7/1–9/30/2006	Changes in %
	in % of net sales		in % of net sales		
Net sales	100.0	802.5	100.0	1 057.6	31.8
Operating profit before depreciation (EBITDA)	14.0	112.2	16.0	169.0	50.6
Operating profit (EBIT)	11.2	90.0	12.1	128.4	42.7
Consolidated net profit after taxes	7.4	59.2	8.0	84.2	42.2

Segment Information Sika Group

Consolidated net sales for the first nine months

in CHF mil.	1/1–9/30/2005	1/1–9/30/2006	Year-on-year change (+/- in %)		
			in Swiss francs	in local currencies	Currency effect
By region					
Europe North	834	1 053	26.3%	25.1%	1.2%
Europe South, incl. Africa and Near East	640	813	27.0%	25.9%	1.1%
North America	280	486	73.6%	67.4%	6.2%
Latin America	167	221	32.3%	26.2%	6.1%
Asia/Pacific	252	316	25.4%	24.3%	1.1%
Consolidated net sales	2 173	2 889	32.9%	30.8%	2.1%
By division					
Construction	1 617	2 249	39.1%	36.9%	2.2%
Industry	556	640	15.1%	13.1%	2.0%
Consolidated net sales	2 173	2 889	32.9%	30.8%	2.1%
Net sales in the third quarter					
in CHF mil.	7/1–9/30/2005	7/1–9/30/2006	Year-on-year change (+/- in %)		
			in Swiss francs	in local currencies	Currency effect
By region					
Europe North	324	413	27.5%	26.1%	1.4%
Europe South, incl. Africa and Near East	217	280	29.0%	28.7%	0.3%
North America	106	175	65.1%	64.7%	0.4%
Latin America	66	79	19.7%	22.8%	-3.1%
Asia/Pacific	90	111	23.3%	26.1%	-2.8%
Consolidated net sales	803	1 058	31.8%	31.7%	0.1%
By division					
Construction	616	849	37.8%	37.6%	0.2%
Industry	187	209	11.8%	12.0%	-0.2%
Consolidated net sales	803	1 058	31.8%	31.7%	0.1%

Important Dates

Friday, March 9, 2007
Publication of Annual Report 2006

Tuesday, April 17, 2007
Annual General Meeting

The statements in this review relating to matters that are not historical facts are forward-looking statements. They are no guarantee of future performance and involve risks and uncertainties with regard to future global economic conditions, foreign exchange rates, regulatory rules, market conditions, the actions of competitors and other factors beyond the control of the company.

The consolidated financial statements are prepared according to the International Financial Reporting Standards (IFRS).

This report on the third quarter of 2006 is available in both German and English and can also be accessed on our website www.sika.com. The printed German text is the definitive version.

Sika AG
Zugerstrasse 50
CH-6341 Baar
Switzerland
Phone +41 41 768 68 00
Fax +41 41 768 68 50
sikagroup@ch.sika.com
www.sika.com

