



Sika – for lasting bonds

Report on the first half of 2007

August 2007



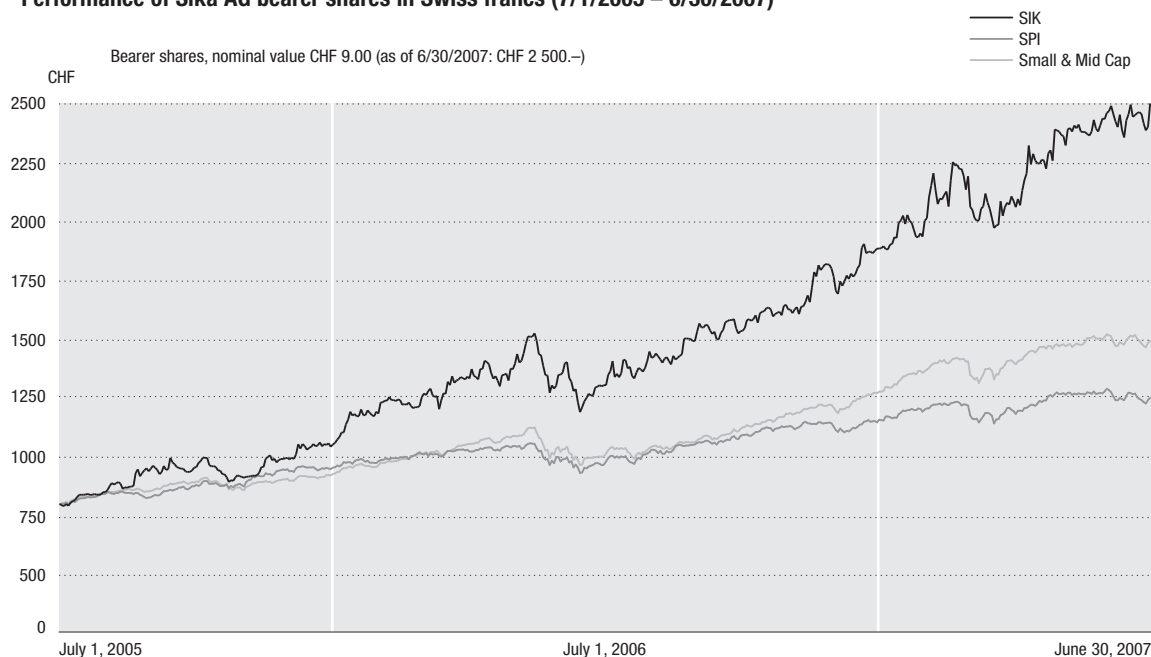
	6/30/2006	6/30/2007
Number of bearer shares: Nominal value CHF 9.00	2 151 199	2 151 199
of which entitled to dividend	2 149 205	2 149 687
of which entitled to vote	2 149 205	2 149 687
Number of registered shares: Nominal value CHF 1.50	2 333 874	2 333 874
of which entitled to dividend	2 333 874	2 333 874
of which entitled to vote	2 333 874	2 333 874
Key data per bearer share		
Consolidated half-year earnings after minority interests	CHF 39.6	65.1
Cash flow ¹	CHF 68.4	92.7
Equity after minorities	CHF 458	544
Other information		
Bearer share price	CHF 1 358	2 500
Market capitalization as of 6/30/2007 ²	CHF mil. 3 449	6 350

¹ Net profit plus depreciation/amortization/impairment plus changes in provisions

² As of 2003 the registered shares are delisted from the Swiss stock exchange.

Our calculation includes the registered shares with 1/6 of the bearer share price at June 30.

Performance of Sika AG bearer shares in Swiss francs (7/1/2005 – 6/30/2007)



Source: SWX Swiss Exchange



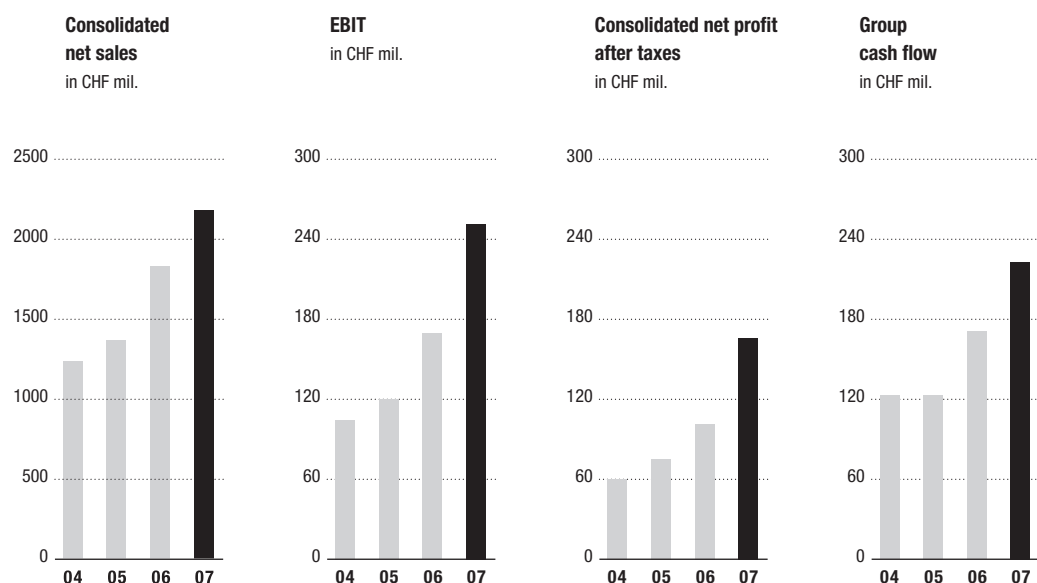
Key figures

in CHF mil.	6/30/2006	6/30/2007	Difference in %
Sika Group			
Net sales consolidated	1 831.1	2 182.7	19.2
Operating profit before depreciation (EBITDA)	239.5	314.6	31.4
Depreciation, amortization and impairment	-70.2	-63.2	-10.0
Operating profit (EBIT)	169.3	251.4	48.5
Consolidated net profit after taxes	101.7	165.9	63.1
Consolidated earnings per share in CHF ¹	39.6	65.1	64.4
Cash flow ²	175.0	235.3	34.5
Net capital expenditures for Property, Plant and Equipment	47.7	57.1	19.7
Operating free cash flow	-46.5	-117.1	-
Balance sheet total	2 779.1	3 251.8	17.0
Shareholders' equity	1 173.7	1 380.2	17.6
Debt/Equity-ratio in % ³	42.2	42.4	-
ROCE in %	20.6	24.9	-
ROE in %	16.2	21.0	-
Personnel expenses as % of net sales	22.8	20.8	-
Other operating expenses as % of net sales	19.7	18.7	-
Currency impact as % of net sales	3.3	2.3	-

¹ excluding minority interests

² Net profit plus depreciation/amortization/impairment plus changes in provisions

³ Shareholders' equity as % of balance sheet total



Strong, profitable growth

The dynamic trend evident in the first quarter of the year continued into the second three-month period. Compared to the corresponding year-ago period, sales, denominated in Swiss francs, increased 19.2% from CHF 1 831 mil. to CHF 2 183 mil. Consolidated net profit of CHF 165.9 mil. showed a notable gain of 63.1% compared to the first half of 2006 (CHF 101.7 mil.).

The gain in the period under report was above all due to broad-based organic growth of 15.0%. In addition, both the Construction and Industry Divisions accounted for a consolidated 1.9% gain due to acquisitions (Protective Coatings business from DuPont and Proxan Dichtstoffe GmbH in Germany, Haberkorn Abdichtungssysteme GmbH in Austria, Sucoflex in Switzerland, Covercrete and MRT Construction Products in Canada) and divestments (premises in Muttenz, Switzerland and operational site in Gelsenkirchen in Germany, Sarna Plastec AG in Switzerland). Moreover a favorable currency effect amounted to 2.3%.

Sika achieved organic growth in all regions. The increases were led by the new IMEA Region - India, the Mid-East, Egypt and South Africa - where currency-adjusted sales rose in the period under review by 38.0% against the corresponding year-ago level. The Latin America Region was up by 23.0%, North Europe by 21.4%. The latter profited from favorable weather conditions in the early months of this year. In the Asia/Pacific Region Sika achieved a gain of 20.9%, excluding Japan where business stagnated. The regional growth rate averaged 14.3%. The South Europe Region boosted sales by 12.0%. The North America Region moved ahead by 8.2%, a slower pace relative to other regions, due to an Industry Division change in U.S. strategy calling for relinquishing unattractive business in the automotive and aftermarket sectors and focusing instead on new business and profitability. In the United States the Industry Division is, in proportion to the Construction Division, far larger than in other countries and its impact on the overall performance is thus correspondingly bigger.

The gross margin decreased by 1.6 percentage points, primarily due to higher raw material prices and inventory changes. However, the margin decline was more than compensated by altogether 3 percentage point gains in efficiency improvements. Consequently, operating profit before depreciation (EBITDA) rose by 31.4%, from CHF 239.5 mil. to CHF 314.6 mil. The EBITDA margin therefore improved from 13.1% to 14.4%. The operating profit after depreciation (EBIT) increased by 48.5%, from CHF 169.3 mil. to CHF 251.4 mil. The cited divestments improved the EBIT by CHF 11.9 mil. This is contrasted by impairments in the year-ago period of CHF 16.9 mil.

Compared to the corresponding six months a year earlier, interest expenses rose by CHF 2.7 mil (27.8%) as a consequence of the Swiss franc bond placements in February and March 2006. On the other hand the tax rate dropped by 1.9 percentage points to 30.5%.

At 24.9% ROCE, the return on capital employed, was 4.3 percentage points higher than in the corresponding year-ago period (20.6%). ROE, the return on equity, increased from 16.2% by 4.8 percentage points to 21.0%.

During the first half of 2007 two new plants became operational. Sika® ViscoCrete® admixtures as well as mortar are now also being produced at Suzhou (China) and Tuzla (Turkey).

Outlook

If market conditions or raw material prices do not change materially, Sika expects organic growth above 10% in the current year and a disproportionately higher rise in earnings despite a potential slowdown of the world economy in the second half of 2007.

Both of the major corporate projects – the construction of a research center in Zurich and of the large-volume production plant for Sikaflex® bonding and sealing substances in Düringen, Switzerland – will be nearly completed by the end of 2007 and become operational by early 2008.

Sika AG

The Annual General Meeting approved a gross dividend payout per bearer share of CHF 31.20 (prior year: nominal value repayment of CHF 19.20) and CHF 5.20 per registered share, respectively (prior year: CHF 3.20). The dividend, totaling CHF 79.3 mil., was paid to shareholders in the first half of 2007 (prior year: CHF 48.8 mil in the second half of the year).

Lasting bonds

Our employees, customers, partners and suppliers share in developing solutions and in the satisfaction of the resulting success. We extend our sincere appreciation to all. Our thanks also to all our shareholders as well as the public for the trust placed in us.

Sincerely,



Dr. Walter Gruebler
Chairman of the Board



Ernst Baertschi
Chief Executive Officer

Market environment

Compared to the first half of 2006, net sales of Sika's Construction Division rose from CHF 1 400 mil. to CHF 1 692 mil. Expressed in local currencies, the 20.9% gain represented 16.1% in organic growth, a 2.4% acquisition/divestment effect and a 2.4% currency effect.

The Division's success was based, on the one hand, on the successful implementation of a volume strategy in selected markets and activities and, on the other, on strong acquisition of new projects in support of the "Roof to Floor" strategy. Besides, added market penetration was achieved with new technologies like Sika® VisoCrete® or Sikaflex® AT (Advanced Technology in the area of elastic bonding and sealing).

Operating profit before depreciation (EBITDA) amounted to CHF 242.5 mil., an increase of 34.9% against the corresponding period in the preceding year. Compared to the growth in sales, these results represent a notably disproportional advance and reflect improved Division efficiencies.

The broad-based market upturn, evident already a year earlier, maintained its momentum also in the first half of 2007. As a result current market conditions are exceedingly good around the world. Only the United States, where construction is lagging, poses an exception. Yet despite the slowdown, Sika was able to improve its market share there.

Concrete producers

Above-average growth was realized with concrete and cement industry customers. The success of Sika's ViscoCrete® technology continues unabated. To satisfy the growing demand for Sika admixtures, production capacities were significantly enlarged, especially in China, Europe and the Mid-East.

In addition to strong developments in major markets in the United States, Europe and China, the newly-formed IMEA region yielded particularly gratifying gains. Business in Europe benefited from favorable construction weather in the first quarter of 2007. Despite declining demand for residential construction in the United States, Sika captured added market shares and attained two-digit sales growth. The acquisition of MRT Construction Products in Canada in March of this year strengthened Sika's position in the Canadian concrete market. Overall, business was spurred by significant major projects, including in the United States, China and the Mid-East.

In response to rapid consolidation in the construction industry, especially among cement and ready-mix concrete manufacturers, Sika intensified its attention on international key accounts. This strategy resulted in substantially more business in various countries.

By introducing an optimized "Toolbox" Sika made ViscoCrete® admixtures, designed originally for high-value concrete, marketable also among mid-range concrete classifications and thus achieved still higher market penetration in this sector.

With the introduction of special product properties yielding supplemental customer benefits, for instance, optimized workability capabilities or customer-specified curing qualities, the business unit succeeds increasingly in supplanting conventional admixtures.

Contractors

Sika again registered two-digit growth in this market thanks to sturdy organic growth and acquisitions made in 2005 and 2006, among them Sarnafil, Haberkorn roofing membranes and DuPont protective coatings business. Growth was accelerated and sales as well as production efficiencies were improved. In addition much of the success is derived from the acquisition of projects within the framework of the "Roof to Floor" strategy, substantially profiting from the Sarnafil acquisition.

Creating a competitive advantage for applicators, the balanced price/performance relationship of Sikafloor® 263/264, an industrial flooring system for large areas, supported the business of supplying industrial and commercial projects effectively. During the period under review considerable orders were received for subterranean waterproofing projects from the Near East as well as Eastern European customers. Sika also supplied its first Sikaplan® sealing membranes for the large "Niagara Falls" water tunnel.

Key to the success of the contractor business is rooted to a large extent in project-related, overall system solutions that prove to be advantageous to all concerned; for example, new solutions featuring innovative processing technology provide builders, architects and contractors top-notch workflow efficiencies.

Distribution

By pursuing sales growth, market penetration and EBIT improvement strategies resolutely, sales in the distribution sector again far outpaced market expansion during the first half of 2007. Mild and therefore construction-friendly weather in Europe apparently did not play a major role because each region surpassed market growth. Market penetration as gauged by sales of Sika merchandise at the point of sale proved to be an important spur to growth. That applies especially in newly emerging markets – Brazil, Russia, India and China (known by their acronym: BRIC) – with a disproportionately higher increase in sales.

Unlike international competitors who rely on imports from various countries, Sika benefits from local manufacturing of its product line for sale in the distribution sector. In addition, Sika Group capital expenditures in the efficient production of bonding and sealing products also supported lower costs for this business area.

The integration of FOSROC New Zealand, acquired in 2006, into the existing distribution business, now nearly completed, drove market penetration and profitability in the first half of the year. The worldwide rollout of Sikaflex® AT and SikaBond® AT adhesive innovations, as well as applications of SikaBond® PU Technology for laying wood flooring, is in full swing and contributed importantly to overall results. The new technologies captured the interest of dealers in sealing products and wood flooring and, in turn, their customers.

In the period under review the ten global key accounts in this customer group achieved disproportionately high growth rates continually and surpassed the returns realized by the customer group as a whole. Focusing on our most important global customers thus proved effective and confirmed our strategy.

The strength of the Sika brand is one of the most important factors driving the distribution business. Dealers and the final customers trust the quality, performance and service associated with Sika products, attributes embodied in the brand's image. An advertising campaign, heralding "Know-how from Site to Shelf", is to highlight the values Sika upholds: Sika sells only high-quality products. They feature performance capabilities proven at the world's largest construction sites and find their way directly from sites to sales counters. Customers large and small around the globe benefit from the qualitative edge gained by using Sika products.

Market environment

Net sales of Sika's Industry Division rose from CHF 431 mil. to CHF 491 mil. against the first half of 2006. The 13.8% growth rate reflects a gain – expressed in local currencies – of 11.1% in organic growth, an acquisition effect of 0.6%, and a currency effect of 2.1%. Transportation industry markets as well as the appliance and equipment, building components segment headed the advance.

As was the case a year earlier, the Division profited from further gains in the output of cars and commercial vehicles. That increase and further improvements in key account management led to higher customer penetration and therefore rising proceeds. Sika won numerous new customers in emerging markets. Besides, it was also positioned to satisfy more customer needs for new system solutions.

The United States was the only market where the Division did not make headway since it dropped unattractive automotive and aftermarket business and focused on the improvement of profitability. The turnaround resulting from the restructuring is likely to be felt only in two to three years. In the aftermarket, business exceeded previous year's levels but still lagged behind expectations.

Operating profit before depreciation (EBITDA) of CHF 78.9 mil. was 7.5% higher than in the corresponding year-ago period, representing a disproportionally small increase compared to sales growth. The EBITDA margin of 16.1% fell somewhat short of expectations as it failed to match the prior year's level (17.0%), an outcome primarily attributed to the unsatisfactory performance of the business in the United States where margins, impacted by strong price pressures, suffered the consequences of consolidations among customers as well as concurrent higher raw material costs. Sika restructured its automotive sector in the United States.

Business in the first half of 2007 once again demonstrated the ever-growing importance being accorded to key account management in light of worldwide consolidations through increasing M&A activities. Sika adjusted not only to these developments, but as much to the relentless trend to lighter, more energy-efficient vehicle designs. This circumstance drives demand for bonding solutions, now also in emerging markets.

Automotive

Automotive includes traditional direct glazing, noise damping and direct structural reinforcements as well as structural and laminating adhesives. In the period under report Sika outpaced the market

appreciably on the strength of the successful introduction of various new models using Sika products, lifting sales, notably to automotive producers (OEM) in France and Italy, but also to system suppliers (OES) throughout Europe and Asia.

In the wake of ongoing discussions on traffic-generated carbon dioxide emissions, weight reductions in automotive engineering have become a primary concern. In response, Sika technology draws on its palette of SikaPower® structural adhesives and SikaReinforcer® structural components. Sika works intensively together with material specialists, simulation experts, raw material suppliers and relevant customer departments in developing added know-how and seeking new application opportunities. In planning new models this cooperation already begins early on because structural components have to be thoroughly calculated, analyzed and tested as well as crash tested. For this reason market product introductions coincide in each case with the new model.

With Sikaflex® as a core technology of the Sika Group, business expanded above all in Europe and Mexico. Altogether sales were up 20%. European customers agreed to convert further lines to direct glazing with Sikaflex in the second half of the year. A new generation of booster systems with Latent Hardeners-Technology, patented by Sika for direct glazing, was introduced successfully in the first half of the year. Volume growth in this sector correlates with added PUR capacities currently being built in Switzerland, the United States and China.

High-quality products and competent customer service through intensive key account management are key elements of Sika's success. Maintaining the pace calls for further globalization of production, development capacities and project management, particularly in emerging markets like China, India and Russia.

Automotive Aftermarket

The AGR (Aftermarket Glass Repair) product line continued to be successful in the period under report. The product line for replacing defective glass is based on SikaTack®-MOVE GC, SikaTack®-Drive New Formulation and Sikaflex®-256 New. The above-average growth owed its development to the expansion of existing key accounts, sales in more countries as well as new products and technologies. In the period under review Sika®Cleaner S. made its debut. It removes silicon contamination occurring in auto glass manufacturing from surfaces more easily and therefore secures the replaced glass better. Sales of SikaGard® products for protection against automotive corrosion doubled in the initial six months as a result of the launch of a new product line. Sika's success in the aftermarket sector is derived from innovations, product development, product introductions together with customers as well as high-level product quality and technology.

Transportation industry

Sales in commercial vehicle markets – consisting of busses, trucks, special and rail vehicles as well as ships - were again substantially higher, especially in marine applications. The expansion was boosted on the one hand by new applications and on the other by an excellent economic environment that increased customer output. Key accounts, abetted by the full-range approach which offers customer entire system rather than individual products, contributed substantially to the success and led to decidedly greater market penetration. These systems, developed in cooperation with customers, result in cost-optimized production processes. Ship building is substantially spurred by the constantly growing orders for cruise ships.

Appliances and equipment, building components

The appliances and equipment, building components business rose by nearly 30% in the period under review, also thanks to the strength of full-range approaches taken here as well as with the transportation industry. The end of 2006 acquisition of Germany's Proxan Dichtstoffe GmbH, a manufacturer of sealants, yielded anticipated advantages in the windows segment and supported the expansion decidedly. Sales of silicon products for glass façades grew substantially in Eastern Europe and Mid-East. Business with key accounts in the wind energy sector expanded considerably since demand for wind turbines is growing in tandem with higher energy costs. It is also encouraged by government subsidies in numerous countries. Currently Sika is building a SikaForce® manufacturing facility at its Suzhou site in China to supply the world's largest makers of wind farms.

Consolidated Balance Sheet as of June 30, 2007

Assets

in CHF mil.	Notes	12/31/2006	6/30/2007
Current assets			
Cash and cash equivalents	1	427.7	213.0
Securitized	2	6.1	6.3
Accounts receivable	3		
Receivables		838.1	1 070.2
Bad debts		-48.2	-53.3
		789.9	1 016.9
Inventories	4		
Raw materials and semi-finished goods		140.1	174.0
Finished goods and merchandise		272.4	344.1
		412.5	518.1
Accrued income	5	47.1	42.8
Other current assets		58.5	95.8
Total current assets		1 741.8	1 892.9
			(as of 6/30/2006: 1 492.5)
Non-current assets			
Property, plant and equipment	6		
Property		107.8	114.0
Plant		253.8	257.8
Equipment		402.7	420.2
		764.3	792.0
Financial assets			
Participations		2.7	13.5
Other financial assets		7.3	10.2
		10.0	23.7
Intangible assets	7		
Goodwill		248.9	249.3
Software		16.0	12.9
Trademarks		72.4	73.6
Customer relations		111.2	107.7
Other intangible assets		37.9	34.3
		486.4	477.8
Deferred tax assets		44.7	50.9
Employee benefit assets		10.4	10.8
Other non-current assets		2.0	3.7
Total non-current assets		1 317.8	1 358.9
			(as of 6/30/2006: 1 286.6*)
Assets held for sale		4.0	
Total assets		3 063.6	3 251.8
			(as of 6/30/2006: 2 779.1)

* Restated due to the definitive purchase price allocation of Sarna acquisition. See page 25.



Liabilities and Shareholders' Equity

in CHF mil.	Notes	12/31/2006	6/30/2007
Liabilities			
Current liabilities	8		
Bank loans		34.3	13.6
Non-current liabilities due in the next 12 months		3.9	3.6
Accounts payable		386.5	432.4
Taxes payable		76.5	71.5
Accrued expenses		180.9	234.6
Current provisions		14.8	17.7
Other current liabilities		16.3	13.9
Total current liabilities		713.2	787.3
			(as of 6/30/2006: 809.9*)
Non-current liabilities	9		
Bank loans and mortgage		8.7	8.1
Bonds		765.1	765.7
Other non-current liabilities		11.1	10.6
Provisions	10	104.2	105.6
Deferred taxes		54.2	55.1
Employee benefit liabilities		133.1	139.2
Total non-current liabilities		1 076.4	1 084.3
			(as of 6/30/2006: 795.5*)
Total liabilities		1 789.6	1 871.6
			(as of 6/30/2006: 1 605.4)
Shareholders' equity			
Capital stock		22.9	22.9
Capital surplus		256.0	256.0
Treasury stock		-2.4	-1.8
Exchange differences		-117.5	-91.4
Fluctuations in value of financial instruments		-0.6	-0.4
Retained earnings		1 105.1	1 191.8
Equity attributable to Sika shareholders		1 263.5	1 377.1
Minority interests		10.5	3.1
Total shareholders' equity	11	1 274.0	1 380.2
			(as of 6/30/2006: 1 173.7*)
Total liabilities and shareholders' equity		3 063.6	3 251.8
			(as of 6/30/2006: 2 779.1)

* Restated due to the definitive purchase price allocation of Sarna acquisition. See page 25.

Consolidated Income Statement from January 1 till June 30, 2007

in CHF mil.	Notes	%	1/1–6/30/2006*	%	1/1–6/30/2007	Changes in %
Continuing operations						
Consolidated net sales	12	100.0	1 831.1	100.0	2 182.7	19.2
Other operating income		0.2	4.2	0.2	3.6	-14.3
Changes in inventory		1.5	27.9	0.5	10.1	-63.8
Operating revenue	13	101.8	1 863.2	100.6	2 196.4	17.9
Material expenses	14	-46.2	-846.3	-46.7	-1 019.8	20.5
Gross profit		55.5	1 016.9	53.9	1 176.6	15.7
Personnel expenses		-22.8	-416.8	-20.8	-453.1	8.7
Other operating expenses		-19.7	-360.6	-18.7	-408.9	13.4
Operating profit before depreciation (EBITDA)	15	13.1	239.5	14.4	314.6	31.4
Depreciation		-2.8	-51.8	-2.3	-49.9	-3.7
Amortization		-0.8	-15.5	-0.6	-13.3	-14.2
Impairment		-0.2	-2.9	0.0	0.0	-100.0
Operating profit (EBIT)	16	9.2	169.3	11.5	251.4	48.5
Interest income	17	0.1	1.5	0.2	3.3	120.0
Interest expenses	17	-0.5	-9.7	-0.6	-12.4	27.8
Other financial income	18	0.0	0.3	0.1	1.8	500.0
Other financial expenses	18	-0.6	-11.3	-0.3	-6.9	-38.9
Income from participations		0.0	0.4	0.1	1.5	275.0
Consolidated net profit before taxes		8.2	150.5	10.9	238.7	58.6
Income taxes	19	-2.7	-48.8	-3.3	-72.8	49.2
Consolidated net profit		5.6	101.7	7.6	165.9	63.1
Attributable to Sika shareholders		5.5	100.4	7.6	165.3	64.6
Attributable to minority interests		-0.1	-1.3	0.0	-0.6	-53.8
Consolidated earnings per bearer share (in CHF)			39.6		65.1	

* Restated due to the definitive purchase price allocation of Sarna acquisition. See page 25.

Statement of Shareholders' Equity

in CHF mil.	Capital stock	Capital surplus	Treasury shares ¹	Currency translation differences	Fluctuations in value of financial instruments	Retained earnings*	Total Sika shareholders	Minority interests	Total shareholders' equity
December 31, 2005	71.6	256.0	-2.1	-110.4	-1.5	872.8	1 086.4	9.6	1 096.0
Currency translation differences				-22.1			-22.1		-22.1
Fluctuations in value of financial instruments									-
Total income/expense recognized directly in equity	-	-	-	-22.1	-	-	-22.1	-	-22.1
Profit of the year						100.4	100.4	1.3	101.7
Total profit and loss	-	-	-	-22.1	-	100.4	78.3	1.3	79.6
Sale/purchase of treasury shares			-0.3				-		-
Gains/losses on treasury shares						0.3	-		-
Repayment of nominal value/Dividends							-		-
Change in scope of consolidation							-		-
Change in minority interests							-	-1.9	-1.9
June 30, 2006	71.6	256.0	-2.4	-132.5	-1.5	973.5	1 164.7	9.0	1 173.7
Currency translation differences				15.0			15.0	0.1	15.1
Fluctuations in value of financial instruments					0.9		0.9		0.9
Total income/expense recognized directly in equity	-	-	-	15.0	0.9	-	15.9	0.1	16.0
Profit of the year						131.5	131.5	1.3	132.8
Total profit and loss	-	-	-	15.0	0.9	131.5	147.4	1.4	148.8
Sale/purchase of treasury shares							-		-
Gains/losses on treasury shares						0.1	0.1		0.1
Repayment of nominal value/Dividends	-48.8						-48.8		-48.8
Change in scope of consolidation							-		-
Change in minority interests							-	0.1	0.1
December 31, 2006	22.9	256.0	-2.4	-117.5	-0.6	1 105.1	1 263.5	10.5	1 274.0
Currency translation differences				26.1			26.1		26.1
Fluctuations in value of financial instruments					0.2		0.2		0.2
Total income/expense recognized directly in equity	-	-	-	26.1	0.2	-	26.3	-	26.3
Profit of the year						165.3	165.3	0.6	165.9
Total profit and loss	-	-	-	26.1	0.2	165.3	191.6	0.6	192.2
Sale/purchase of treasury shares			0.6				0.6		0.6
Gains/losses on treasury shares						0.6	0.6		0.6
Repayment of nominal value/Dividends						-79.2	-79.2	-0.5	-79.7
Change in scope of consolidation ²							-	-7.5	-7.5
Change in minority interests							-		-
June 30, 2007	22.9	256.0	-1.8	-91.4	-0.4	1 191.8	1 377.1	3.1	1 380.2

¹ At cost

² See note 7

* Restated due to the definitive purchase price allocation of Sarna acquisition. See page 25.

Cash Flow Statement

in CHF mil.	1/1–6/30/2006*	1/1–6/30/2007
Operating activities		
Operating profit (EBIT) ¹	169.3	251.4
Depreciation / amortization / impairment	70.2	63.2
Increase (+) / decrease (–) in provisions	3.1	6.2
Other items not affecting liquidity	–1.1	–6.1
Cash flow before changes in net working capital	241.5	314.7
Increase (–) / decrease (+) in net working capital	–181.1	–273.8
Interest received	1.5	3.2
Interest paid	–2.7	–16.7
Other financial income / expense	–7.6	–8.7
Cash flow from operations	51.6	18.7
Income taxes paid	–46.1	–77.6
Cash flow from operating activities	5.5	–58.9
Investing activities		
Property, plant and equipment: Capital expenditures	–53.3	–65.3
Disposals	5.6	8.2
Intangible assets: Capital expenditures	–4.3	–1.1
Disposals	0.0	0.0
Acquisitions less cash	–23.6	–3.7
Divestments less cash	0.0	11.4
Deconsolidation Addimint Italia S.r.l. ²	0.0	–7.2
Increase (–) / decrease (+) of financial assets	4.3	–1.6
Cash flow from investing activities	–71.3	–59.3
Financing activities		
Increase in short-term loans	0.0	0.0
Decrease in short-term loans	–419.3	–21.2
Increase in long-term loans	491.6	0.0
Decrease in short-term loans	–3.2	–2.0
Change in treasury stock	–0.3	1.2
Dividend payment	0.0	–79.2
Other	–1.1	–0.5
Cash flow from financing activities	67.7	–101.7
Translation differences on liquid funds	–5.4	5.2
Net change in liquid funds	–3.5	–214.7
Liquid funds at the beginning of the year	154.9	427.7
Liquid funds at the end of the year	151.4	213.0
Net change in liquid funds	–3.5	–214.7
Free cash flow	–65.8	–118.2
Deconsolidation / Acquisitions / divestments less cash	23.6	–0.5
Increase (+) / decrease (–) of financial assets	–4.3	1.6
Operating free cash flow	–46.5	–117.1

¹ The connection between consolidated net profit before taxes and EBIT is shown in the consolidated income statement.

² See note 7

* Restated due to the definitive purchase price allocation of Sama acquisition. See page 25.

Principles of Consolidation and Valuation

The unaudited, consolidated interim report for the first half of 2007 was prepared in keeping with International Accounting Standards (IAS) No. 34 "Interim Reporting".

The principles of consolidation and valuation cited in the 2006 Annual Report (page 10 et seq.) have been applied for this report on the first half of 2007 without change.

Data as of Dec. 31, 2006 ()

Notes to the Consolidated Financial StatementsBalance sheet as of
June 30, 2007

1 Cash and cash equivalents CHF 213.0 mil. (CHF 427.7 mil.)	As part of the Group cash management the Group's cash and cash equivalents are pooled. The entry "cash and cash equivalents" contains payment instruments with a duration less than three months.
2 Securities CHF 6.3 mil. (CHF 6.1 mil.)	This item contains securities available for sale.
3 Accounts receivable CHF 1 070.2 mil. (CHF 838.1 mil.)	Accounts receivables rose 27.7% due to seasonal influences and therefore disproportionally high to net sales because of stronger growth in regions with longer payment targets. Provisions for bad debts, treated in accordance with uniform guidelines applicable throughout the Group, rose 10.6%.
4 Inventories CHF 518.1 mil. (CHF 412.5 mil.)	Compared to the corresponding year-ago period, inventories increased 25.6% due to seasonal influences.
5 Accrued income and other current assets CHF 42.8 mil. (CHF 47.1 mil.)	This item includes advance payments and particularly accrued income.

6 Property, plant and equipment
CHF 792.0 mil. (CHF 764.3 mil.)

in CHF mil.	Property	Plant	Equipment	Total
as of 1/1/2006				
Acquisition cost	106.0	553.1	1 075.9	1 735.0
Accumulated depreciation and impairment	-3.5	-293.8	-689.6	-986.9
Total net values as of 1/1/2006	102.5	259.3	386.3	748.1
1/1-6/30/2006				
as of 1/1/2006	102.5	259.3	386.3	748.1
Additions	0.0	4.0	49.3	53.3
Acquired on acquisition	2.5	8.4	0.7	11.6
Exchange differences	-3.1	-6.1	-10.8	-20.0
Disposals	0.0	-0.3	-2.2	-2.5
Disposals of a subsidiary	-0.1	-0.9	-0.2	-1.2
Reclassifications	0.0	2.4	-4.5	-2.1
Amortization charge for the period under report	0.0	-12.4	-39.4	-51.8
Impairment loss	0.0	0.0	-1.8	-1.8
as of 6/30/2006	101.8	254.4	377.4	733.6
Acquisition cost	105.1	556.7	1 084.9	1 746.7
Accumulated depreciation and impairment	-3.3	-302.3	-707.5	-1 013.1
Total net values as of 6/30/2006	101.8	254.4	377.4	733.6
as of 1/1/2007				
Acquisition cost	111.0	559.8	1 133.0	1 803.8
Accumulated depreciation and impairment	-3.2	-306.0	-730.3	-1 039.5
Total net values as of 1/1/2007	107.8	253.8	402.7	764.3
1/1-6/30/2007				
as of 1/1/2007	107.8	253.8	402.7	764.3
Additions	3.4	1.1	60.8	65.3
Acquired on acquisition	0.0	0.0	0.3	0.3
Exchange differences	2.6	5.2	8.8	16.6
Disposals	-0.2	-1.8	-1.4	-3.4
Disposals of a subsidiary	0.0	-0.2	-1.0	-1.2
Reclassifications	0.4	9.1	-9.5	0.0
Amortization charge for the period under report	0.0	-9.4	-40.5	-49.9
as of 6/30/2007	114.0	257.8	420.2	792.0
Acquisition cost	117.4	564.7	1 195.3	1 877.4
Accumulated depreciation and impairment	-3.4	-306.9	-775.1	-1 085.4
Total net values as of 6/30/2007	114.0	257.8	420.2	792.0

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

7 Intangible assets

CHF 477.8 mil. (CHF 486.4 mil.)

in CHF mil.	Goodwill	Software	Trade- marks	Customer Relations	Other	Total
as of 1/1/2006						
Acquisition cost	255.9	75.6	72.4	122.2	62.1	588.2
Accumulated depreciation and impairment	-7.0	-58.2	0.0	0.0	-28.2	-93.4
Total net values as of 1/1/2006	248.9	17.4	72.4	122.2	33.9	494.8
1/1-6/30/2006						
as of 1/1/2006	248.9	17.4	72.4	122.2	33.9	494.8
Additions	0.0	2.6	0.2	0.0	1.5	4.3
Acquired on acquisition of a subsidiary	0.0	0.0	0.0	0.0	6.7	6.7
Exchange differences	-1.2	-0.2	-0.1	-2.9	-0.5	-4.9
Disposals	0.0	0.0	0.0	0.0	-0.1	-0.1
Reclassifications	0.0	0.4	0.0	0.0	0.3	0.7
Amortization charge for the period under report	0.0	-4.8	-0.1	-4.7	-5.9	-15.5
Impairment loss recognised in profit or loss	-1.1	0.0	0.0	0.0	0.0	-1.1
as of 6/30/2006	246.6	15.4	72.4	114.6	35.9	484.9
Acquisition cost	254.2	77.3	72.5	119.2	69.9	593.1
Accumulated depreciation and impairment	-7.6	-61.9	-0.1	-4.6	-34.0	-108.2
Total net values as of 6/30/2006	246.6	15.4	72.4	114.6	35.9	484.9
as of 1/1/2007						
Acquisition cost	256.9	77.0	72.4	120.9	62.6	589.8
Accumulated depreciation and impairment	-8.0	-61.0	0.0	-9.7	-24.7	-103.4
Total net values as of 1/1/2007	248.9	16.0	72.4	111.2	37.9	486.4
1/1-6/30/2007						
as of 1/1/2007	248.9	16.0	72.4	111.2	37.9	486.4
Additions	0.1	1.1	0.0	0.0	0.0	1.2
Acquired on acquisition of a subsidiary	1.1	0.0	0.0	0.0	2.0	3.1
Exchange differences	3.7	0.2	0.0	0.4	0.5	4.8
Disposals of a subsidiary	-4.5	0.0	0.0	0.0	0.0	-4.5
Reclassifications	0.0	0.0	1.6	0.0	-1.5	0.1
Amortization charge for the period under report	0.0	-4.4	-0.4	-3.9	-4.6	-13.3
as of 6/30/2007	249.3	12.9	73.6	107.7	34.3	477.8
Acquisition cost	258.0	80.0	75.2	121.4	62.6	597.2
Accumulated depreciation and impairment	-8.7	-67.1	-1.6	-13.7	-28.3	-119.4
Total net values as of 6/30/2007	249.3	12.9	73.6	107.7	34.3	477.8

The intangible assets (except goodwill and trademarks) have a finite useful life over which the assets are amortized.

Acquisition MRT Construction Products, Canada

On March 12, 2007 Sika acquired assets of MRT Construction Products, Canada.

Acquired net assets

in CHF mil.	Carrying amount	Fair-value adjustments	Fair value
Inventories	0.3	0.0	0.3
Property, plant and equipment	0.3	0.0	0.3
Intangible assets	0.0	2.0	2.0
Total assets	0.6	2.0	2.6
Fair value of net assets	0.6	2.0	2.6
Goodwill			1.1
Total purchase price			3.7
Net cash outflow from the acquisition			3.7

If the company had been acquired on the first day of the business year, Sika would have posted additionally CHF 1.7 mil. in consolidated net sales and unchanged EBIT. Since the acquisition, chargeable sales and earnings of CHF 1.2 mil. and CHF 0.1 mil., respectively, have been posted.

Deconsolidation of Addiment Italia S.r.l.

At the start of the year Addiment Italia S.r.l. was deconsolidated. The company is now therefore considered an associated company. As a result of this reclassification the equity capital was reduced by CHF 7.5 mil., equal to the share of the joint venture partner. The flow of funds due to investments reflects CHF 7.2 mil. in deconsolidated bank deposits and cash on hand. In the first half of the previous year sales of the company amounted to CHF 14.9 mil.

Divestment of a subsidiary

Sika made the sale of Sarna Plastec AG, Sarnen, Switzerland, public on January 15, retroactively as of January 1, 2007. Sika also sold the production of bituminous coatings retroactively as of the start of the year.

Net assets sold

in CHF mil.	Total
Cash in bank and cash on hand	0.9
Current receivables	1.3
Inventories	1.6
Property, plant and equipment	3.5
Total assets	7.3
Current liabilities	1.3
Non-current liabilities	1.2
Total liabilities	2.5
Net assets	4.8
Sale price	13.8
Net assets sold	-4.8
Goodwill	-1.6
Capital gain	7.4
Net cash inflow from sale	
Sale price	13.8
Loan to purchaser	-1.5
Cash in bank and cash on hand	-0.9
Net cash inflow	11.4

The consolidated financial statement of the group was not affected by the business activities of the divested businesses.

The divested businesses attained sales of CHF 9.6 mil. and a profit of CHF 0.7 mil. in the first half of the preceding year.

8 Current liabilities

CHF 787.3 mil. (CHF 713.2 mil.)

Current liabilities increased mainly due to risen accounts payable caused by sales growth (+ CHF 45.9 mil) and higher accrued expenses (+ CHF 53.7 mil.). In contrast current bank loans decreased by CHF 20.7 mil.

9 Non-current liabilities

CHF 1 048.3 mil. (CHF 1 076.4 mil.)

Non-current liabilities remained unchanged to a large extent.

10 Provisions

CHF 105.6 mil. (CHF 100.1 mil.)

in CHF mil.	Short-term Provisions	Warranties	Restructurings	Sundry risks	Long-term Provisions
1/1-6/30/2006					
as of 1/1/06	15.4	51.8	0.9	51.7	104.4
Exchange difference	-0.1	-1.0	0.0	-0.4	-1.4
New to consolidation and reclassification	0.6	-0.1	0.0	0.1	0.0
Additions	1.6	2.8	0.0	4.9	7.7
Used	-5.6	-2.7	-0.1	-5.3	-8.1
Reversed	-0.4	-0.6	0.0	-1.9	-2.5
Total net values as of 6/30/2006	11.5	50.2	0.8	49.1	100.1
1/1-6/30/2007					
as of 1/1/07	14.8	53.3	0.4	50.5	104.2
Exchange difference	0.3	0.7	0.0	0.9	1.6
New to consolidation and reclassification	0.0	-0.2	0.0	-0.6	-0.8
Additions	8.1	4.1	0.1	7.1	11.3
Used	-4.6	-3.5	-0.3	-6.3	-10.1
Reversed	-0.9	-0.6	0.0	0.0	-0.6
as of 6/30/2007	17.7	53.8	0.2	51.6	105.6

Provisions for guarantees reflect all known claims anticipated in the near future and not covered by insurance. The provision amounts are determined on the basis of experience and are therefore subject to a degree of uncertainty. The outflow of funds depends on the timing of the filing and conclusion of warranty claims.

Provisions for sundry risks include loan guarantees as well as open and anticipated legal cases with a probability of above 50%. For provisions of CHF 17.7 mil. (CHF 14.8 mil.), an outflow of funds is expected during the next 12 months. These amounts are shown as short-term provisions.

11 Shareholders' equity

CHF 1 380.2 mil. (CHF 1 274.0 mil.)

Shareholders' equity increased as a consequence of earnings realized in the first half of 2007. Moreover, it has to be noted that in the prior year the redemption of the nominal value of shares was paid out in the second half of the year. This year, the dividend payout occurred in the first half of the year.

Contingent liabilities and future obligations

No new essential contingent liabilities and future obligations were added in the reporting period to those shown in the 2006 year-end report.

		Income statement 1/1–6/30/2007
12 Net sales CHF 2 182.7 mil. (CHF 1 831.1 mil.)	Sales of merchandise account for practically all of the net sales. Swiss-franc denominated net sales rose 19.2% in comparison with the corresponding year-ago period. Expressed in local currencies, net sales rose 16.9%. For more details by regions and divisions, see page 23.	
13 Operating revenue CHF 2 196.4 mil. (CHF 1 863.2 mil.)	In contrast to net sales, operating revenue includes other operating income and changes in inventory.	
14 Material expenses CHF 1 019.8 mil. (CHF 846.3 mil.)	Compared to the corresponding year-ago period, the material expenses rose due to higher raw material costs 0.5 percentage points, from 46.2% to 46.7% of net sales.	
15 Operating profit before depreciation (EBITDA) CHF 314.6 mil. (CHF 239.5 mil.)	<p>Personnel as well as other operating expenses rose against net sales disproportionately less and contributed 2.0 percentage points and 1.0 percentage point respectively to earnings improvements. This efficiency increase led to an improvement of the EBITDA margin of 1.3 percentage points, in spite of rising raw material prices. For more details by regions and divisions, see page 24.</p> <p>Personnel expenses include that portion of the salaries paid to top executives in the form of Sika AG stock. The shares are posted at market prices and subject to selling restrictions. All shares were acquired on the market place. As a result the 2007 income statement was encumbered by a charge of CHF 1.0 mil. Expenses for research and development are included in other operating expenses because they do not meet the criteria for capitalization costs.</p>	
16 Operating profit (EBIT) CHF 251.4 mil. (CHF 169.3 mil.)	Against the comparable period a year ago, EBIT rose 48.5% to CHF 251.4 mil. Margins improved from 9.2% to 11.5%. EBIT comprises one time effects of CHF 11.9 mil. related to divestments of operations in Muttentz, Switzerland and Gelsenkirchen, Germany and Sarna Plastec AG, Switzerland. For more details by regions and divisions, see page 24.	
17 Interest income / expenses CHF 9.1 mil. (CHF 8.2 mil.)	Compared to the corresponding year-ago period, interest expenses rose by CHF 2.7 mil. due to the Swiss Francs bonds launched in February and March 2006. This rise was partly offset by an increase in interest income.	
18 Other financial expenses CHF 5.1 mil. (CHF 11.0 mil.)	The decrease in financial expenses is to a large extent due to positive effects of foreign exchange fluctuations and declining hedging costs.	

19 Income taxes CHF 72.8 Mio. (CHF 48.8 Mio.)	The income tax rate decreased from 32.4% to 30.5% compared to the previous-year period.
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Cash flow analysis

The cash flow in the first half of 2007 was characterized by:

- an EBIT increase compared to the corresponding year-ago period (+CHF 82.1 mil.)
- a higher increase of net working capital due to sales growth (– CHF 92.7 mil.)
- increase of paid income taxes compared to first half of 2006 (– CHF 31.5 mil.)
- the payout of dividend in the first half of 2007 (– CHF 79.2 mil.)
- the repayment of short-term loans (– CHF 21.0 mil.)

in CHF mil.	as of 6/30/2006	as of 6/30/2007
Addition (+) / Disposal (–) from		
Operating activities	5.5	–58.9
Investing activities	–71.3	–59.3
Financing activities	67.7	–101.7
Exchange differences	–5.4	5.2
Net change in cash and cash equivalents	–3.5	–214.7

Free cash flow and operating free cash flow

in CHF mil.	as of 6/30/2006	as of 6/30/2007
Cash flow from operating activities	5.5	–58.9
Net investment in		
Property, plant and equipment	–47.7	–57.1
Intangible assets	–4.3	–1.1
Acquisitions/divestitures less cash and cash equivalents	–23.6	7.7
Deconsolidation	0.0	–7.2
Free cash flow	–65.8	–118.2
Deconsolidation/Acquisitions/divestitures less cash	23.6	–0.5
Increase (+) / decrease (–) of financial assets	–4.3	1.6
Operating free cash flow	–46.5	–117.1

Segment Information

Net sales in the first half year

in CHF mil.	1/1–6/30/2006	1/1–6/30/2007	Year-on-year change (+/- in %)		
			in Swiss francs	in local currencies	Currency effect
By region					
Europe North	640	808	26.3%	21.4%	4.9%
Europe South	467	548	17.5%	12.0%	5.5%
IMEA ¹	80	107	33.1%	38.0%	-4.9%
North America	311	326	4.7%	8.2%	-3.5%
Latin America	142	174	22.7%	23.0%	-0.3%
Asia/Pacific	191	220	15.0%	14.3%	0.7%
Consolidated net sales	1 831	2 183	19.2%	16.9%	2.3%
By division					
Construction	1 400	1 692	20.9%	18.5%	2.4%
Industry	431	491	13.8%	11.7%	2.1%
Consolidated net sales	1 831	2 183	19.2%	16.9%	2.3%

¹ India, Middle East, Africa (IMEA). Regional reporting for IMEA has been established on January 1, 2007.

Operating profit before depreciation (EBITDA)

in CHF mil.	1/1–6/30/2006	1/1–6/30/2007	Year-on-year change (+/-) (+/-)	
By region				
Europe North	91.9	122.3	30.4	33.1%
Europe South	73.6	93.1	19.5	26.5%
IMEA ¹	11.2	15.9	4.7	42.0%
North America	36.5	42.7	6.2	17.0%
Latin America	21.1	24.8	3.7	17.5%
Asia/Pacific	18.9	22.6	3.7	19.6%
Operating profit before depreciation (EBITDA)	253.2	321.4	68.2	26.9%
By operating division				
Construction	179.8	242.6	62.7	34.9%
Industry	73.4	78.9	5.5	7.5%
Operating profit before depreciation (EBITDA)	253.2	321.4	68.2	26.9%
Share of central services	-13.7	-6.8	6.9	-50.4%
EBITDA of the Group	239.5	314.6	75.1	31.4%

Operating profit (EBIT)

in CHF mil.	1/1–6/30/2006*	1/1–6/30/2007	Year-on-year change (+/-) (+/-)	
By region				
Europe North	65.2	97.6	32.4	49.7%
Europe South	63.8	83.2	19.4	30.4%
IMEA ¹	10.2	14.8	4.6	45.1%
North America	21.2	28.9	7.7	36.3%
Latin America	18.3	22.0	3.7	20.2%
Asia/Pacific	13.8	17.5	3.7	26.8%
Operating profit (EBIT)	192.5	264.0	71.5	37.1%
By division				
Construction	133.4	196.9	63.5	47.6%
Industry	59.1	67.1	8.0	13.5%
Operating profit (EBIT)	192.5	264.0	71.5	37.1%
Share of central services	-23.2	-12.6	10.6	-45.7%
EBIT of the Group	169.3	251.4	82.1	48.5%

¹ India, Middle East, Africa (IMEA). Regional reporting for IMEA has been established on January 1, 2007.

* Restated due to the definitive purchase price allocation of Sarna acquisition. See page 25.

**Purchase price allocation
of Sarna Polymer Holding Inc.**

As part of the definitive purchase price allocation of Sarna Polymer Holding Inc., made in December 2006, the assets of Sarnafil China were assessed at a lower value. The depreciation taken in the first half of 2006 was therefore too high by CHF 1 mil. The postings covering previous time periods were adjusted correspondingly.

Events after the half-year closing

There are no relevant events after the half-year closing.

Important Dates

Friday, November 9, 2007

Letter to shareholders (third-quarter report)

Thursday, January 10, 2008

Publication of net sales 2007

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 first half 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.

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