The Future is Now

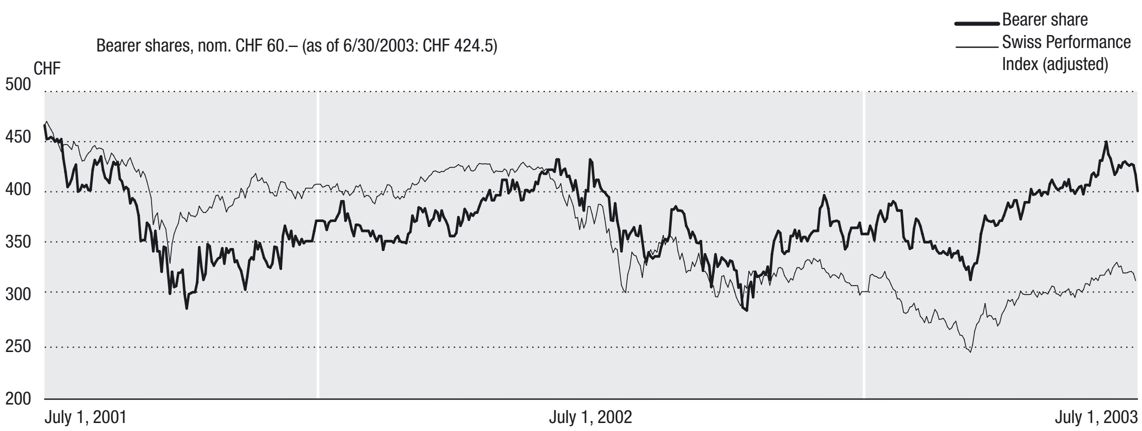
Half Year Report 2003

August 2003

		6/30/2003	6/30/2002
Number of registered shares[2] (nom. CHF 10.–)		**2 367 804**	3 505 044
of which entitled to dividend		**2 367 804**	3 366 276
of which entitled to vote		**2 367 804**	3 366 276
Number of bearer shares[2] (nom. CHF 60.–)		**2 145 366**	1 955 826
of which entitled to dividend		**2 177 642**	1 949 792
of which entitled to vote		**2 099 842**	1 931 992
Key data per bearer share[1]			
Consolidated half year earnings per share	CHF	**16.1**	14.1
Operating free cash flow per share	CHF	**0.64**	9.7
Equity per share	CHF	**329**	317
Other information			
Market capitalization as of 6/30/2003	CHF m	**1 066**	1 015
in % of equity	%	**129**	127

1 excluding minority interests
2 Following June 30, 2003 the deadline for the conversion of registered into bearer shares was extended once again from July 3 – 11, 2003. The shares converted during the extension are not included in this accounting.
A review of the voluntary exchange of registered into bearer shares appears on page 7.

Sika AG stock performance in Swiss francs (7/1/2001 – 6/30/2003)



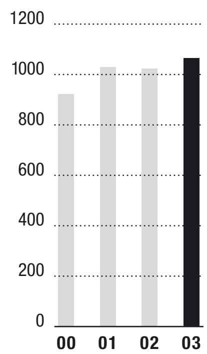
Source: Datastream, UBS Zurich

Key figures

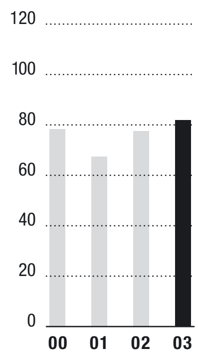
in CHF m	Difference in %	6/30/2003	6/30/2002
Sika Group			
Net sales	3.4	**1 069.8**	1 034.9
Operating profit before depreciation (EBITDA)	–3.7	**127.8**	132.7
Depreciation/Amortization	–13.9	**47.6**	55.3
Operating profit (EBIT)	3.6	**80.2**	77.4
Consolidated net profit after taxes	14.6	**40.7**	35.5
Cash flow[1]	0.2	**91.1**	90.9
Net capital expenditures at average exchange rates	–20.2	**30.0**	37.6
Balance sheet total	1.7	**1 790.1**	1 760.6
Consolidated Group equity	4.1	**826.5**	793.8
Dept/Equity-ratio in %	0.9	**46.2**	45.8
NOA	–8.6	**1 369**	1 497
NOPAT	11.1	**50**	45
Personnel expenses	7.5	**288**	268
Personnel expenses as % of net sales	3.9	**26.9**	25.9
Currency impact as % of net sales		**–6.8**	–5.9

[1] Net profit plus depreciation plus changes in provisions

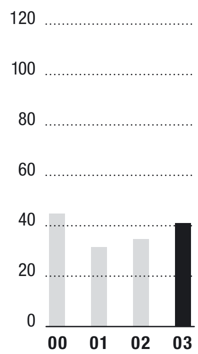
Net sales
in CHF m



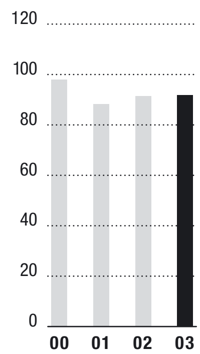
EBIT
in CHF m



Net profit after taxes
in CHF m



Cash flow
in CHF m



The Sika Group

Gratifyingly resistant to economic climate

Thanks to its presence in global markets and focus on its two Operating Divisions Construction and Industry, Sika achieved higher sales and gratifying earnings despite the prevailing recession.

Expressed in Swiss francs the company's steady but persistent 3.4% sales growth during the first half of 2003 demonstrated its strength in overcoming challenging market conditions. The 10.2% increase in sales, denominated in local currencies, is yet another indicator pointing in the same direction.

Steps taken to optimize the cost structure in respect to interest and taxes are showing initial results. Management expects the process to take two to three years before the entire cost reduction potential can be fully realized.

In the first half of the year 2003 operating profit (EBIT) rose 3.6% to CHF 80.2 m. Group earnings reached CHF 40.7 m, a 14.6% gain over the corresponding period in the preceding year.

Sika's balance sheet reflects its customary solidness. Group-wide centralized management of liquid funds resulted in a reduction of indebtedness by about CHF 100 m.

Segments

In terms of local currencies, both the Construction and Industry Operating Divisions scored very gratifying gains. The Construction Division attained an 8.4% improvement, while the Industry Division attained even a two-digit increase of 14.8%. Innovative market introductions produced strong results for both Divisions.

In the various regions currency effects impacted net sales substantially, in North America it was down 17%, in the inflationary environment of South America, 39.2%. In Europe business, denominated in local currencies, was up 11.2%. Developments in the German market continue to be cause for concern. The situation calls for additional remedial measures. Business in Asia remains satisfactory. Worth special mention is the expansion of business in Spain, Turkey, Eastern Europe and India.

Capital expenditures

Capital expenditures of altogether about CHF 30.0 m in the first half of 2003 decreased against the first six months of last year (CHF 37.6 m). Funds were mainly allocated to production capacities, their expansion and efficiencies.

New companies established and acquired

New Sika companies were set up in Russia and the Baltic states.

As a result of the acquisition of the 50% share held by Heidelberg-Cement in the Addiment Italia joint venture, Sika became partner of Buzzi Unicem, one of the major producers of cement and concrete in Italy.

Outlook

Since no signs of economic recovery can be seen, we expect restrained growth in Swiss franc-denominated sales and earnings. Supported in particular by promising market introductions we anticipate a further expansion of our market position.

Sika AG

Shareholders welcomed our offer to conduct a voluntary exchange of registered into bearer shares. The offer was concluded in July. Since the registered shares are being delisted on the SWX, the Swiss stock exchange, Sika will be exclusively listed in terms of bearer shares with a 100% free float.

We always strive to be reliable partners of customers and employees. We are grateful to them for the trust they continually bestow on us. However, we owe special thanks to you, our esteemed shareholders. Your confidence and trust continues to make a lasting contribution to our success and the independence of Sika.

Kind regards,
Sika AG

Dr. Hans Peter Ming	Dr. Walter Grüebler
Chairman of the Board	Chief Executive Officer

Market environment

Compared to the first-half last year, Construction Division sales rose in terms of Swiss francs by 2.4%. For the first six months of 2003 they amounted to CHF 762 m (prior year: CHF 744 m). Expressed in local currencies, the increase totaled 8.4%.

The gratifying rise was mainly supported by business in concrete admixtures as well as by the building materials distribution business.

Throughout world markets volume continued to decline. However, the development was marked by considerable geographical differences. Competitive pressures increased in all markets. No substantial change in these conditions is expected in the second half of the year.

Core construction
This market, which continues to be spurred by Sika's ViscoCrete® technology, registered considerable sales gains. An additional plant came on line in Italy. Buzzi Unicem, the cement and concrete producer, became a joint venture partner as a result of the acquisition of a 50% share of Addiment Italia. The alliance formed in the Tunneling and Mining sector with Putzmeister, the leading manufacturer of concrete pumps, has already led to a major order from Spain.

Elastic bonding and sealing
Sales in the elastic bonding and sealing market made significant headway. Especially our more recent Eastern European subsidiaries achieved disproportional advances. Installing parquet flooring with SikaBond® is winning ever greater acceptance across the world. The product continues to gain increasing acceptance, even in the recessive German market. The silicone business is making significant strides. It benefits from our alliance with Wacker GmbH, the German chemical company.

Industrial flooring
Industrial flooring sales registered further advances. Business in the second quarter of 2003 was especially gratifying in southern and eastern Europe as well as in Asia/Pacific. Volume was down in Germany and France. New to the market is an overall approach to cementitious floors and Sikafloor®-Level 25, a pumpable, cement-modified overlay for uneven substrates. Major projects in this business involved semi-conductor industry projects in China, Taiwan and Germany as well as for automobile manufacturers, above all, in Poland, Germany and the Czech Republic.

Repair and protection, structural strengthening
On the strength of further expansion of our global leadership position, we succeeded in meeting the targeted growth in structural strengthening. Growth in repair and protection markets was driven by innovation and greater market penetration. Sika's pre-stressed CarboDur Systems scored their first commercial successes in the United States.

Waterproofing
In waterproofing Sika capitalizes above all from reviving markets in Latin America and overall improved market penetration. Driven by infrastructure projects for logistics services, such as warehouses or shopping centers, sales of plastic roofing membranes advanced sharply in Eastern Europe. In Switzerland Sika participates in NEAT, the construction under the Gotthard mountain of the world's longest tunnel. The company is supplying 1.6 m square meters of Sikaplan® waterproofing membranes and 130 kilometers of Sika waterbars.

Distribution and retail
The strong expansion in the retail and distribution business was supported largely by growth in Europe and Latin America. Major contributions stemmed from hardware, parquet flooring as well as home improvement stores dedicated to do-it-yourself customers. The integration of Sika membranes into the core segment of the building materials product line is proving to be a very promising stimulant for sales. In building materials distribution Sika pursues a strategy based on featuring a full selection of products with emphasis on sealants and adhesives. North America's largest do-it-yourself chain has decided to sell Sika products in all of its 1,400 outlets.

Market environment

In Swiss francs, the Industry Division’s business moved 5.8% ahead of the level established in the corresponding first-half last year. Net sales of CHF 308 m rose against the CHF 291 m attained in the first six months a year ago. In local currencies the advance amounted to 14.8%.

The gain, propelled mainly by innovative, new applications, substantiates the continued strengthening of the Industry’s Division’s position in the marketplace.

In the first half of 2003 these Sika markets were impacted by cuts in automobile, bus and truck production. The resulting decline in capacity utilization experienced by some adhesive manufacturers created drastic price pressures. The markets served by Sika will at best remain stagnant through the rest of the year.

Automotive

Business in Europe developed satisfactorily despite lower rates of production by automobile manufacturers and their suppliers. The spirits of North American manufacturers (The “Big Three”) were somewhat depressed. However, sales to European and Asian manufacturers exceeded year-ago levels, even at their North American transplants. The success was supported in large part by body-in-white structural adhesives that belong to the Sika Power® family. This product line fulfills highest requirements in respect to ease of processing in manufacturing and performance in the event of a crash. In the production of car bodies, these adhesives are increasingly replacing welding. Sika received baffle and reinforcer orders for VW’s new Golf and Ford’s new Focus. Both go into production in the second half of 2003.

Automotive aftermarket

Sika accounts for a large share of the AGR (automotive glass replacement) market, yet it was still able to realize an incremental increase in this sector. The SikaTack®-ASAP and SikaTack®-MOVE adhesives spearheaded the success during the past 12 months. These products make it possible for an air-bag equipped car requiring auto glass replacement to be back on the road within a short period of time.

Transportation industry

New applications for the existing Sika Tivoli product palette upheld a slight gain in sales. Initial signs of a recovery in truck production turned out to be short-lived.

Marine

In the first half of 2003 the market for marine applications, particularly in southern Europe, put its best foot forward. Sales rose. Sika’s Cufadan line of sound-dampning flooring system for ships was approved by the U.S. Coast Guard. The certification opens the large North American market for this product line.

Appliance and equipment, building components

Business in these markets is proceeding according to plan and maintained a close to year-ago pace. Most noteworthy is a breakthrough being achieved in window manufacturing. On the basis of its elastic SikaFlex® line of adhesives in combination with a new specially developed application technology, Sika succeeded to come up with a system for embedding glass in window frames. The new approach harbors a major potential because it permits manufacturing windows that will meet the particular demands posed by use for high impact applications in hurricane regions. Stricter regulations adopted by many of the U.S. states are forcing manufacturers to revise their window designs and fabrication methods.

In response to an appeal by the Sika pension fund the Board of Directors of Sika AG decided on April 23, 2003 to offer all owners of registered shares the opportunity for an exchange on a voluntary basis. This made it possible for all owners of registered shares to exchange their holdings into more marketable bearer shares. For 6 registered shares (nominal value CHF 10.–) tendered, a stockholder was entitled to receive one new bearer share (nominal value CHF 60.–) in return.

The conversion offer was launched on June 3, 2003 and ended initially on June 27, 2003, but was subsequently extended to July 11, 2003.

By the end of the extension period on July 11, 2003 altogether 1,171,170 registered shares had been submitted and converted into 195,195 new bearer shares. Sika's founding family participated to the extent that its ownership of registered and bearer shares still does not exceed 54.3% of the voting stock.

The share capital of Sika AG totals CHF 152.4 m; it consists now of 2,333,874 registered shares, each worth CHF 10 at par, and 2,151,021 bearer shares, each worth CHF 60 at par.

The free float within the bearer share totals 100%. As a result of the conversion the free float of the registered share declined to less than 1%. For this reason these shares are being delisted from SWX, the Swiss stock exchange on September 4, 2003.

Distribution of shares

	7/11/2003	12/31/2002
Bearer shares: Nominal value CHF 60.–		
Number of shares	2 151 021	1 955 826
of which entitled to dividend	2 122 695	1 949 792
of which entitled to vote	2 104 895	1 931 992
Registered shares: Nominal value CHF 10.–		
Number of shares	2 333 874	3 505 044
of which entitled to dividend	2 333 870	3 366 276
of which entitled to vote	2 333 870	3 366 276

Financial Report

Assets

in CHF m	Notes	June 30, 2003		December 31, 2002	
Current assets					
Liquid funds			**141.9**		287.3
Securities	1		**16.1**		13.3
Accounts receivables	2				
Receivables		**562.9**		435.6	
Bad debts		**–41.8**	**521.1**	–32.2	403.4
Inventories	3				
Raw materials and semi-finished goods		**107.2**		92.5	
Finished products and merchandize		**184.3**	**291.5**	159.0	251.5
Other current assets	4		**27.7**		41.3
Accrued income	4		**38.3**		28.5
Total current assets			**1 036.6**		1 025.3
			(as of 6/30/2002: 1 026.4)		
Non-current assets					
Property, plant and equipment	5				
Property		**74.3**		74.4	
Plant		**210.4**		219.2	
Equipment		**274.6**	**559.3**	239.2	532.8
Financial assets	6				
Investments in subsidiaries		**5.9**		6.9	
Investments in long-term bonds		**0.0**		0.0	
Other financial assets		**2.8**	**8.7**	3.7	10.6
Intangible assets	7				
Goodwill		**131.6**		130.6	
Software		**8.8**		5.3	
Other intangible assets		**11.7**	**152.1**	15.9	151.8
Deferred tax assets	8		**29.8**		13.1
Employee benefits assets	9		**0.6**		0.0
Other non-current assets			**3.0**		0.0
Total non-current assets			**753.5**		708.3
			(as of 6/30/2002: 734.2)		
Total assets			**1 790.1**		1 733.6
			(as of 6/30/2002: 1 760.6)		

Liabilities and Shareholders' Equity

in CHF m	Notes	June 30, 2003	December 31, 2002
Liabilities			
Current liabilities	10		
Bank loans		**47.9**	167.6
Current portion of long term debt		**2.6**	0.0
Accounts payable		**225.9**	153.4
Deferred income		**132.5**	112.7
Current provisions		**12.9**	0.0
Other current liabilities		**24.3**	24.6
Total current liabilities		**446.1**	458.3
		(as of 6/30/2002: 427.6)	
Non-current liabilities	11		
Bank loans & mortgage		**53.3**	32.7
Other non-current liabilities		**4.1**	2.8
Bonds		**296.4**	294.7
Financial lease		**0.9**	0.0
Provisions	12	**50.6**	139.4
Deferred tax liabilities		**25.9**	11.4
Employee benefit liabilities		**82.9**	0.0
Total non-current liabilities		**514.1**	481.0
		(as of 6/30/2002: 511.8)	
Total liabilities		**960.2**	939.3
		(as of 6/30/2002: 939.4)	
Minority interests in subsidiaries	13	**3.4**	0.5
Shareholders' equity			
Capital stock		**152.4**	152.4
Capital surplus		**239.3**	255.9
Treasury shares		**–22.7**	–23.5
Currency translation differences		**–104.7**	–129.8
Value fluctuations on financial instruments		**0.0**	–6.2
Retained earnings		**562.2**	545.0
Consolidated group equity	14	**826.5**	793.8
		(as of 6/30/2002: 796.2)	
Total liabilities and group equity		**1 790.1**	1 733.6
		(as of 6/30/2002: 1 760.6)	

Consolidated Income Statement from January 1 till June 30, 2003

in CHF m	Notes	%	1/1 – 6/30/2003	%	1/1 – 6/30/2002
Net sales	15	**100.0**	**1 069.8**	100.0	1 034.9
Other operating income/Change in inventories		**0.7**	**7.1**		
Operating revenue	16	**100.7**	**1 076.9**		1 034.9
Material expenses		**39.1**	**–417.8**	38.9	–403.0
Gross profit		**61.6**	**659.1**	61.1	631.9
Personnel expenses		**26.9**	**–287.7**	25.9	–267.8
Other operating expenses		**22.8**	**–243.6**	22.4	–231.4
Operating profit before depreciation (EBITDA)	17	**11.9**	**127.8**	12.8	132.7
Depreciation	18	**3.3**	**–35.3**	4.4	–45.6
Amortization		**1.1**	**–12.3**	0.9	–9.7
Operating profit (EBIT)	19	**7.5**	**80.2**	7.5	77.4
Financial income	20	**1.3**	**13.6**	0.5	5.0
Financial expenses	20	**2.1**	**–22.8**	2.0	–20.8
Consolidated net profit before taxes		**6.6**	**71.0**	6.0	61.6
Income taxes	21	**2.8**	**–30.3**	2.5	–26.1
Consolidated net profit after taxes	22	**3.8**	**40.7**	3.4	35.5
Minority interests			**–0.3**		–0.4
Consolidated net profit after minority interests			**40.4**		35.1
Consolidated earnings per bearer share (in CHF)			**16.1**		14.0
Consolidated earnings per registered share (in CHF)			**2.7**		2.3

in CHF m	Capital stock	Capital surplus	Treasury shares[1]	Currency translation differences	Value fluctuations on financial instruments	Retained earnings	Consolidated group equity
December 31, 2001	**152.4**	**255.9**	**–23.5**	**–47.7**	**0.0**	**500.8**	**837.9**
Dividend payout						–34.6	
Net profit after minority interests						35.1	
Currency translation differences				–42.2			
Value fluctuations on financial instruments					0.0		
June 30, 2002	**152.4**	**255.9**	**–23.5**	**–89.9**	**0.0**	**501.3**	**796.2**
Dividend payout						0.0	
Net profit after minority interests						43.7	
Currency translation differences				–39.9			
Value fluctuations on financial instruments					–6.2		
December 31, 2002	**152.4**	**255.9**	**–23.5**	**–129.9**	**–6.2**	**545.0**	**793.8**
Sales of treasury shares			0.8				
Dividend payout						–36.2	
Net profit after minority interests						40.4	
Currency translation differences				26.9			
Value fluctuations on financial instruments					0.7		
June 30, 2003	**152.4**	**255.9**	**–22.7**	**–102.9**	**–5.5**	**549.2**	**826.4**

[1] At costs

in CHF m	1/1 – 6/30/2003	1/1 – 6/30/2002
Operating activities		
Consolidated net profit before taxes	**71.0**	61.6
Depreciation/Amortization	**47.6**	55.3
Increase (+) / decrease (–) in provisions	**2.8**	0.1
Other adjustments	**–4.8**	15.4
Cash flow before changes in net working capital	**116.6**	132.4
Increase (–) / decrease (+) in net working capital	**–56.7**	–40.5
Cash flow from operations	**59.9**	91.9
Income taxes paid	**–28.0**	–25.8
Cash flow from operating activities	**31.9**	66.1
Investing activities		
Property, plant and equipment: Capital expenditures	**–38.4**	–39.7
Disposals	**8.4**	2.1
Increase (–) / decrease (+) in intangible assets	**–0.3**	–4.1
Acquisitions less cash	**–3.7**	–9.7
Cash outflow from investing activities	**–34.0**	–51.4
Free cash flow	**–2.1**	14.7
Acquisitions less cash	**3.7**	9.7
Operating free cash flow	**1.6**	24.4
Financing activities		
Increase (+) / decrease (–) in long-term bank loans	**22.9**	–7.3
Increase (+) / decrease (–) in short-term bank loans	**–117.1**	10.2
Increase (–) / decrease (+) in financial assets	**–2.3**	4.1
Dividend payments to shareholders of Sika AG	**–36.2**	–34.7
Dividend payments to minority shareholders of subsidiaries	**–0.2**	–0.1
Cash flow from financing activities	**–132.9**	–27.8
Translation differences on liquid funds	**–10.4**	–11.2
Net change in liquid funds	**–145.4**	–24.3
Liquid funds at the beginning of the year	**287.3**	222.9
Liquid funds at the end of the period	**141.9**	198.6
Net change in liquid funds	**–145.4**	–24.3

Principles of Consolidation and Valuation

The consolidation and valuation principles described on page 28 et seq. of the 2002 Annual Report were applied unchanged to the accounting for the first half of 2003. In addition Group accounting directives, introduced on January 1, 2003, included a standardization of depreciation rates and of provisions for debts as well as adjustments of deferred taxes. These adjustments had no effect on earnings. Moreover, it should be noted that cost of sales accounting was switched to the cost of production method and cost center accounting to type of cost accounting.

Figures as of December 31, 2002 ( )

Notes

Consolidated Balance Sheet as of June 30, 2003

1 **Securities**
CHF 16.1 m (CHF 13.3 m)

Listed securities are to be sold

2 **Accounts receivables**
CHF 521.1 m (CHF 403.4 m)

High seasonal sales gains, as experienced in the 2nd quarter, led to an increase in debit balances. The provisions for bad and doubtful debts are booked in accordance with Group-wide uniform guidelines.

3 **Inventories**
CHF 291.5 m (CHF 251.5 m)

Inventories have increased seasonally.

4 **Other current assets and accrued income**
CHF 66.0 m (CHF 69.8 m)

The item includes prepayments and, above all, prepaid expenses.

5 **Property, plant and equipment**
CHF 559.3 m (CHF 532.8 m)

Increases in property, plant and equipment are attributable to higher currency-related valuations, especially in the Eurozone.

in CHF m	as of 12/31/2002	Currency translation difference	New to consolida-tion and re-classification	Additions (+)	Disposals (–)	Revalua-tion (+)	as of 6/30/2003
Gross acquisition cost							
Total acquisition cost	1 378.4	32.8	4.9	38.4	–14.0	0.0	**1 440.5**
Cumulated depreciation							
Total cum. depreciation	845.6	18.1	7.8	35.5	–5.6	–20.2[1]	**881.2**
Total net values in period under report	532.8	14.7	–2.9	2.9	–8.4	20.2	**559.3**
Total net values 1/1 – 6/30/2002	590.1	–32.5	1.6	–5.5	–2.8	2.4	553.3

[1] Depreciation includes the one-time effect due to the introduction of uniform accounting directives on January 1, 2003 and the new depreciation rates specified therein.

6 **Financial Assets**
CHF 8.7 m (CHF 10.6 m)

in CHF m	2003	2002
Allocation by assets:		
Investments in subsidiaries	**5.9**	6.9
Other financial assets	**2.8**	3.7
Total	**8.7**	10.6

All financial investments (bonds) were sold in 2002.
In addition obligations and credits, respectively, incurred relative to the Pension Fund as well as deferred taxes, are now posted separately and not, as heretofore, under Financial assets (see also Notes 8 and 9).

The table reflecting the development of financial assets, shown in prior years, will no longer be included because the subtotal, shown under financial assets, amounts to only CHF 8.7 m and is therefore no longer significant.

7 Intangible assets
CHF 152.1 m (CHF 151.8 m)

Compared to June 30, 2002, the rise in intangible assets results from an increase in goodwill due to the acquisition of Addiment and the remaining partnership shares of Sika Tivoli.

in CHF m	as of 12/31/2002	Currency translation difference	New to consolida-tion and re-classification	Additions (+)	Disposals (–)	Revalu-ation (+)	as of 6/30/2003
Gross acquisition costs	240.1	4.6	3.6	2.4	–0.2	0.0	**250.5**
Total cum. amortization	88.3	1.9	0.2	12.1	–0.2	–3.9[1]	**98.4**
Total net values in period under report	151.8	2.7	3.4	–9.7	0.0	3.9	**152.1**
Total net values 1/1 – 6/30/2002	95.4	–0.5	0.0	5.7	0.2	0.0	100.8

[1] Amortization includes the one-time effect due to the introduction of uniform accounting directives on January 1, 2003 and the new amortization rates specified therein.

8 Deferred tax assets
CHF 29.8 m (CHF 13.1 m)

Under the new accounting directives deferred tax assets were revalued.

9 Employee benefits assets
CHF 0.6 m

Since January 1, 2003 credit balances accruing to employee benefits are being posted separately for the first time.

10 Current liabilities
CHF 446.1 m (CHF 458.3 m)

Seasonal business trends account for the increase in short-term liabilities. Central cash management cut indebtedness to banks by about 70%.
For the first time the share of long-term indebtedness, due within the next twelve months, is posted separately (CHF 2.6 m) and allocated to short-term liabilities. New is also that provisions (CHF 12.9 m), which are very likely to be dissolved within the next twelve months, are also shown under short-term liabilities.

11 Non-current liabilities
CHF 514.1 m (CHF 481.0 m)

Changes in provisions are tracked in Development of Provisions, see Note 12.

The CHF 150 m 1% convertible bond, 1998 – 2004, is booked following deduction of the equity and interest components.

Obligations of the Pension Fund (CHF 82.9 m) as well as financial leasing (CHF 0.9 m) are now recorded separately under non-current liabilities. Long-term bank loans include CHF 40 m of the syndicated credit line.

12 Provisions
CHF 63.5 m (CHF 60.7 m)

Provisions no longer include employee benefit provisions because these are booked separately under non-current liabilities. In addition, a distinction is now made between current and non-current provisions (see Note 10).

in CHF m	as of 12/31/2002	Currency difference	New to consolidation and reclassification(+)	Additions (+)	Used (–)	Reversed (–)	as of 6/30/2003
Current Provisions	7.5	0.5	7.2	4.6	6.5	0.4	12.9
Non-Current Provisions	53.2	0.8	–1.3	4.6	2.9	3.8	50.6
Total Provisions	60.7	1.3	5.9	9.2	9.4	4.2	**63.5**
Total net values 1/1 – 6/30/2002	135.7	–0.6	0.0	16.1	9.3	6.1	135.8

13 Minority interests in subsidiaries
CHF 3.4 m (CHF 0.5 m)

Minority interests in subsidiaries increased again due to the acquisition of a 50% participation in Sika Addiment Italia.

14 Consolidated group equity
CHF 826.5 m (CHF 793.8 m)

Currency variations produced favorable conversions and accounted for a slight increase in equity capital.

Contingent liabilities and future obligations

There are neither open or undisclosed receivables. The amount of operating leases remains unchanged against the year-ago period.

15 Net sales
CHF 1 069.8 m (CHF 1 034.9 m)

Against the first-half of 2002, net sales, expressed in Swiss francs, were 3.4% higher. Denominated in local currencies they rose by 10.2%. Acquisitions contributed CHF 31.2 m to the gain in net sales.

16 Operating revenue
CHF 1 076.9 m

The accounting of Sika's operating performance is included for the first time. Compared to net sales, the item includes adjustments for other operating income as well as changes in inventories.

17 Operating profit before depreciation (EBITDA)
CHF 127.8 m (CHF 132.7 m)

The operating profit before depreciation (EBITDA) declined slightly principally due to the economic problems encountered in Germany.

18 Depreciation / Amortization
CHF 47.6 m (CHF 55.3 m)

Group-wide standardization of depreciation and the optimization of investments led to a decrease in depreciation, even though amortization of goodwill rose as a result of acquisitions.

19 Operating profit (EBIT)
CHF 80.2 m (CHF 77.4 m)

Due to lower depreciation the operating profit (EBIT) rose by 3.6% compared to the first six months a year earlier.

20 Financial expenses and income
CHF –9.2 m (CHF –15.8 m)

Net financial expense fell substantially below the year-ago level since no valuation adjustments on securities had to be conducted and due to the newly-introduced centralized management.

21 Income taxes
CHF 30.3 m (CHF 26.1 m)

As expected and already announced, taxes increased temporarily as a result of the restructuring of Sika companies operating in research and services.

22 Consolidated net profit after taxes
CHF 40.7 m (CHF 35.5 m)

Consolidated net profit after taxes was 14.6% higher.

Cash flow analysis

The redemption of local bank indebtedness led to a decrease in liquid funds by June 30, 2003.

in CHF m	**6/30/2003**	**6/30/2002**
Addition (+) / Disposals (–) from:		
Operating activities	**31.9**	66.1
Investing activities	**–34.0**	–51.4
Financing activities	**–132.9**	–27.8
Translation differences	**–10.4**	–11.2
Net change in liquid funds	**–145.4**	–24.3

Free cash flow & operating free cash flow

Cash flow from operations declined against the comparable period a year ago. This is in part due to lower depreciation and higher tax payments. Net current assets rose marginally compared to first-half of the prior year and had a commensurate effect on cash flow.
Net investments as well as acquisitions decreased against the corresponding period last year; Overall, the free cash flow was slightly negative. The operating free cash flow, adjusted to acquisitions, was at CHF 1.6 m only marginally positive.

in CHF m	**6/30/2003**	**6/30/2002**
Cash flow from operating activities	**31.9**	66.1
Net investments in		
Property, plant and equipment	**–30.0**	–37.6
Financial assets	**0.0**	0.0
Intangible assets	**–0.3**	–4.1
Acquisitions less cash	**–3.7**	–9.7
Free cash flow	**–2.1**	14.7
Acquisitions less cash	**3.7**	9.7
Operating free cash flow	**1.6**	24.4

Segment information

Primary segment reporting encompasses the divisions Construction and Industry; secondary reporting is based on Sika's regional presence.
The Construction and Industry Division did not conduct any intersegment business (IAS 14).

Net sales in the first half year

in CHF m	1/1 – 6/30/2003	1/1 – 6/30/2002	Changes from previous year (+/– in %) in CHF	in local currencies	Currency impact
By region					
Europe incl. Africa	**745**	663	12.4	11.2	1.2
North America	**147**	173	–14.9	2.1	–17.0
Latin America	**69**	86	–19.6	19.6	–39.2
Asia / Pacific	**109**	113	–3.4	9.3	–12.7
Net sales consolidated	**1 070**	1 035	3.4	10.2	–6.8
By business activity					
Construction	**762**	744	2.4	8.4	–6.0
Industry	**308**	291	5.8	14.8	–9.0
Net sales consolidated	**1 070**	1 035	3.4	10.2	–6.8

Net sales in the second quarter

in CHF m	1/4 – 6/30/2003	1/4 – 6/30/2002	Changes from previous year (+/– in %) in CHF	in local currencies	Currency impact
By region					
Europe incl. Africa	**421**	375	12.2	9.0	3.2
North America	**81**	93	–12.4	3.6	–16.0
Latin America	**36**	43	–16.2	14.0	–30.2
Asia / Pacific	**56**	60	–6.9	7.1	–14.0
Net sales consolidated	**594**	571	4.0	8.3	–4.3
By business activity					
Construction	**431**	423	1.9	4.9	–3.0
Industry	**163**	148	10.1	17.9	–7.8
Net sales consolidated	**594**	571	4.0	8.3	–4.3

Operating profit before depreciation (EBITDA)[1]

in CHF m	1/1 – 6/30/2003	1/1 – 6/30/2002	Changes from previous year (+/–)	(+/– in %)
By region				
Europe incl. Africa	**97.0**	108.1	–11.1	–10.3
North America	**23.0**	26.0	–3.0	–11.5
Latin America	**16.0**	9.4	6.6	70.2
Asia/Pacific	**16.0**	14.1	1.9	13.5
Operating profit before depreciation (EBITDA)	**152.0**	157.6	–5.6	–3.6
By business activity				
Construction	**102.0**	107.3	–5.3	–4.9
Industry	**50.0**	50.3	–0.3	–0.6
Operating profit before depreciation (EBITDA)	**152.0**	157.6	–5.6	–3.6
Total attributable expenses of central services before depreciation	**–24.2**	–24.9	0.7	–2.8
EBITDA of the Group	**127.8**	132.7	–4.9	–3.7

Operating profit (EBIT)[1]

in CHF m	1/1 – 6/30/2003	1/1 – 6/30/2002	Changes from previous year (+/–)	(+/– in %)
By region				
Europe incl. Africa	**68.8**	71.9	–3.1	–4.3
North America	**14.7**	11.2	3.5	31.3
Latin America	**7.2**	7.7	–0.5	–6.5
Asia/Pacific	**12.2**	9.0	3.2	35.6
Operating profit (EBIT)	**102.9**	99.8	3.1	3.1
By business activity				
Construction	**68.0**	67.9	0.1	0.1
Industry	**34.9**	31.9	3.0	9.4
Operating profit (EBIT)	**102.9**	99.8	3.1	3.1
Total attributable expenses of central services	**–22.7**	–22.4	–0.3	1.3
EBIT of the Group	**80.2**	77.4	2.8	3.6

[1] With the establishment of Sika Technology AG and Sika Services AG certain costs for central services were booked elsewhere as of July 1, 2002 and no longer allocated directly to the various segments. For comparison purposes last year's data was adjusted accordingly.

Events after the balance sheet date

The deadline for the voluntary conversion of registered into bearer shares was extended from July 3, 2003 to July 11, 2003. The final outcome is shown again on page 7. All other data in this report relates to the date of the balance sheet.

Between June 30 and the approval of the Group accounting, as reported here, no other events occurred which would require adjustment of the book values of Group assets or liabilities and equity.

Report of Review

The customary audit of the half-year financial statements is now to be performed for the third-quarter closing.

Important Dates

Tuesday, November 11, 2003
Letter to shareholders (third-quarter report)

Wednesday, April 21, 2004
Annual General Meeting 2004

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