

SIKA  
HALF-YEAR REPORT

2022

# HALF-YEAR RESULTS AT A GLANCE

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New plants

4

Acquisitions

2

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Net sales in CHF mn

5,250.3

EBIT in CHF mn

841.9

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Net profit in CHF mn

598.8

Sales growth in local currencies

+19.5%

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EBIT-margin

16.0%

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# SIKA GROUP

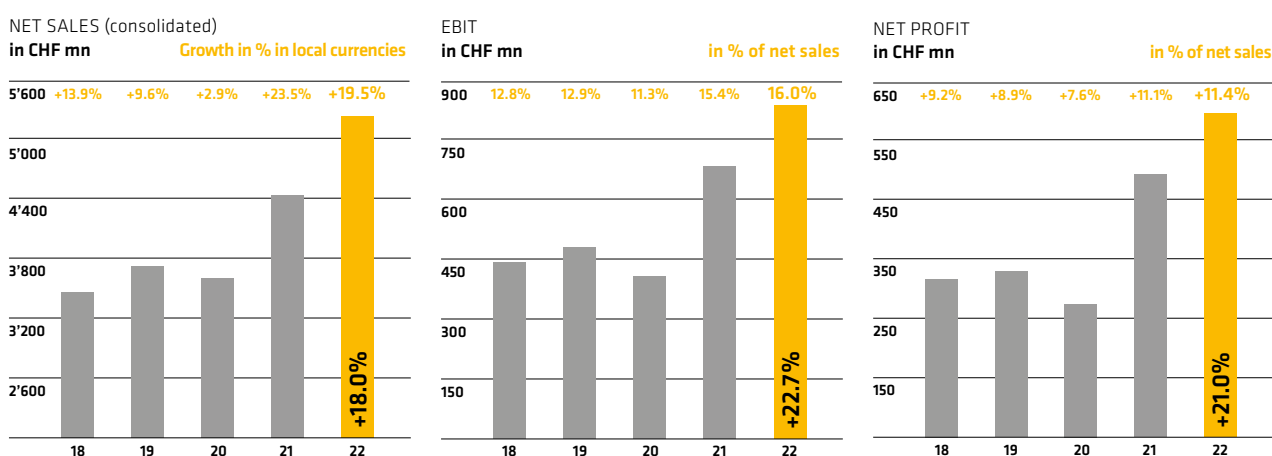
## Key figures

in CHF mn	1/1/2021 – 6/30/2021		1/1/2022 – 6/30/2022	
		as % of net sales		as % of net sales
Net sales	4,448.7		5,250.3	
Gross result	2,372.8	53.3	2,592.2	49.4
Operating profit before depreciation (EBITDA)	867.0	19.5	1,036.1	19.7
Operating profit (EBIT)	685.9	15.4	841.9	16.0
Net profit	494.7	11.1	598.8	11.4
Operating free cash flow	318.4	7.2	39.7	0.8
Capital expenditures	62.5	1.4	124.8	2.4
Balance sheet total <sup>1</sup>	10,706.8		11,031.4	
Shareholders' equity <sup>1</sup>	4,395.9		4,742.4	
Equity ratio in % <sup>1,2</sup>	41.1		43.0	
Return on capital employed (ROCE) in % <sup>3</sup>	19.8		20.7	
Basic earnings per share (EPS) in CHF	3.49		3.95	
Diluted earnings per share (EPS) in CHF	3.12		3.76	
New patents	54		49	
Acquisitions	4		2	
<b>Employees</b>				
Number of employees <sup>1</sup>	27,059		27,415	

1 As of December 31, 2021 / June 30, 2022.

2 Shareholders' equity divided by balance sheet total.

3 Capital employed = current assets, PPE, intangible assets less cash and cash equivalents, current securities, current liabilities (excluding bank loans and bonds).



## INVESTOR INFORMATION

	6/30/2021	6/30/2022
<b>Number of registered shares with a nominal value of CHF 0.01</b>	<b>141,781,160</b>	<b>153,153,882</b>
Registered share price as of June 30 (CHF)	302.50	220.00
Market capitalization as of June 30 (CHF mn)	42,889	33,694

# LETTER TO SHAREHOLDERS

Record figures for sales and profit in first half of 2022 – Sika confirms targets for current financial year.

Dear Shareholders

Sika generated another record result in the first half of 2022 in a highly challenging environment. Sales increased noticeably to CHF 5,250.3 million (+18.0%), which corresponds to 19.5% growth in local currencies. This performance reflects Sika's robust strategy, and it is particularly notable given the military conflict in Europe, rising energy and commodity prices, high inflation, and Euro-Swiss franc parity. Even in a challenging geopolitical and macroeconomic environment, Sika achieves solid results.

## OVER-PROPORTIONAL EBIT INCREASE

Operating profit (EBIT) increased sharply in the first half of 2022, supported by a profit resulting from the divestment of the European industrial coatings business and negatively affected by expenses in connection with the acquisition of the MBCC Group. Higher input costs due to a substantial rise in the cost of raw materials were offset by price increases, operating leverage resulting from economies of scale, and greater efficiency. Overall, EBIT increased to CHF 841.9 million (previous year: CHF 685.9 million) and is therefore up +22.7% compared with 2021.

## DOUBLE-DIGIT GROWTH IN ALL REGIONS

The global construction sector is characterized by the megatrend of climate change, as well as by increasing automation, digitalization, and easy-to-apply products, all of which are increasingly transforming the industry. There is growing demand for solutions that are more environmentally sustainable, reduce CO<sub>2</sub> emissions, and use resources sparingly. With its broad product portfolio, Sika is ideally positioned to offer its customers technologies that allow them to reduce their CO<sub>2</sub> footprint, while at the same time enhancing longevity and minimizing the use of resources in construction. Innovative and easy-to-apply solutions also deliver cost efficiency in the construction and renovation process. Furthermore, Sika is benefiting from large government stimulus programs around the world.

## Sales growth in local currencies

+19.5%

The EMEA region (Europe, Middle East, Africa) reported a sales increase in local currencies of 12.9% (previous year: 24.1%). After two years of strong growth in the distribution business thanks to higher home renovation activity, this segment returned to a normal level. A slight downtrend is noticeable in project business in Western European countries. Conversely, countries in Africa and the Middle East are benefiting from dynamic double-digit growth.

Sika moved to a new site in the East African country of Tanzania in the first half of this year and is now producing mortars locally in addition to concrete admixtures. The company also extended its facility in Western Africa's Ivory Coast. This site has now doubled in size, and enjoys additional manufacturing facilities, new warehousing capacities, office space, and laboratories.

The Americas region recorded growth in local currencies of 35.8% (previous year: 19.5%). Sika generated a large part of this growth from infrastructure projects, which received state-funded investments this year amounting to the equivalent of CHF 200–250 billion. Construction activity has been focused on the modernization and expansion of subway lines, bridges, tunnels, and freeways. Additional strong demand was generated by investments in commercial construction projects, such as stadiums, warehouses, and data centers. Funds that were parked during the pandemic are now being freed up. Moreover, the mining business has picked up considerably, especially benefiting business in Canada, Peru, and Chile. In addition, strong demand along the distribution channel in Latin America and booming e-commerce orders in the region contributed to a solid result.

The acquisitions of Sable Marco in Canada and UGL in the USA provide Sika with two companies which sell high-performance products via established distribution channels. In addition, a new mortar production plant was commissioned in Bolivia, and a facility for concrete admixtures was opened near Washington D.C.

## Net Sales 1st Half-Year in CHF mn

# 5,250.3

Sales in the Asia/Pacific region rose by 17.0% in local currencies (previous year: 26.0%). In China, the distribution business benefited most from ongoing strong growth momentum, recording double-digit growth rates, whereas the project business was impacted by numerous pandemic-induced lockdowns. China was nevertheless able to post double-digit growth. India grew dynamically, while the countries in Southeast Asia recorded high single-digit growth in challenging markets.

In the Global Business segment, Sika posted growth in local currencies of 13.2% (previous year: 27.6%), clearly outperforming the market. Persistent supply bottlenecks, particularly in Europe, continue to weigh on the global automotive industry this year. In most regions, automobile manufacturers are unable to meet the demand for new vehicles. However, Sika foresees long-term growth momentum for its automotive business, which will be driven by the transformation and strategic reorientation of the industry. Electromobility and alternative drive concepts will play a key role, and these are being supported by government programs. Sika's comprehensive portfolio, which includes high-performance adhesives for lightweight construction and solutions for heat management in modern electric battery systems, enables the construction of novel vehicles and makes electric vehicles lighter, more environmentally friendly, and safer.

### UPDATE ON ACQUISITION OF MBCC

In November 2021, Sika signed a binding agreement to acquire the MBCC Group (the former BASF construction chemicals business). With sales of CHF 2.9 billion, the MBCC Group is a leading supplier of construction chemicals and solutions worldwide. This acquisition will complement and broaden Sika's portfolio in four of five core technologies and seven of Sika's eight target markets, while further strengthening the company's geographic footprint. The transaction will create a major player supporting greater sustainability.

The heavily fragmented market for construction chemical products and solutions is set to grow to around CHF 80 billion over the next few years and it will continue to offer substantial growth opportunities, particularly in the area of sustainability. MBCC generates around 53% of its sales in the construction

systems sector and the remaining 47% in the concrete admixtures segment. The acquisition is subject to approval by the authorities. Sika is confident it will receive all the necessary authorizations in a timely manner and is cooperating closely with the authorities to this end. The closing of the acquisition is targeted for the end of 2022.

### OUTLOOK

Thanks to its innovative technologies, Sika is the partner of choice for many customers in the construction and industrial sectors. Government-supported investment programs running into the billions will benefit its business in the coming years. Moreover, Sika is staying at the forefront of megatrends which drive its key markets.

Based on these expectations, Sika is confirming its 2023 strategic targets as well as those for the current financial year. The company's focus remains on long-term success and profitable growth. With its focus on the six strategic pillars – market penetration, innovation, operational efficiency, acquisitions, strong corporate values, and sustainability – Sika is seeking to grow by 6%–8% per year in local currencies up to 2023. Since 2021, the company is aiming to record an EBIT margin in the range of 15%–18%. Projects in the areas of operations, logistics, procurement, and product formulation should result in an annual improvement in operating costs equivalent to 0.5% of sales.

For fiscal 2022, Sika expects sales to rise by well over 10% in local currencies – surpassing CHF 10 billion for the first time – and is anticipating an over-proportional increase in EBIT.

Sincerely,



DR. PAUL HÄLG  
Chair of the Board



THOMAS HASLER  
CEO

# REGIONS

Double-digit growth in all regions

All regions achieved double-digit growth in the first half of 2022. The EMEA region saw a degree of normalization after two years of strong growth in the distribution business. The other regions continued to grow dynamically.

## Region EMEA

With growth for the construction industry in western Europe forecast at 1.6%, construction activity in Europe will be more muted this year compared to the previous year. This is due to the military conflict in Europe, rising energy and commodity prices, supply bottlenecks, inflationary trends, and high consumer prices. In various European countries, initial stimulus programs for the construction industry have already been launched. Middle East and Africa remain solid, with growth forecast at 5% in the current fiscal year.

In the past half-year, the target markets of Concrete, Flooring, and Refurbishment have developed especially positively in the EMEA region. In the Middle East and Africa, Sika achieved dynamic double-digit growth.

Investments were also made into the African supply chain. In the reporting period, Sika moved into a new site in Tanzania, East Africa, and now produces concrete admixtures locally in addition to mortar. The site on the West African Ivory Coast was also expanded. This site is twice as large as before, with new storage, office facilities, and laboratories alongside additional production capacity.

**Region EMEA**  
sales growth in local currencies

+12.9%

## Region Americas

In the Americas region, the first half was characterized by strong growth in USA construction markets and by significantly higher inflation rates. The main drivers of this trend were government infrastructure programs and persistent cost increases for commodities and fuel.

Sika remained strong in a challenging environment by steadily raising its prices and taking advantage of the potential in a high-growth market. Incoming orders were very high, while the threat of supply bottlenecks was resolved via the global purchasing organization and a corresponding allocation of raw materials and packaging materials from other markets.

In order to position itself for further dynamic growth, Sika is investing in the expansion of its production capacity. Specifically, production is being expanded close to dense large cities and metropolitan areas. In addition to increasing production capacity, transport routes are becoming shorter and more efficient. This not only cuts costs but also helps reduce CO<sub>2</sub> emissions.

The acquisitions of Sable Marco in Canada and UGL in the USA provide Sika with two companies which sell high-performance products via established distribution channels. In addition, a new mortar production plant was commissioned in Bolivia, and a facility for concrete admixtures was opened near Washington D.C. in the USA.

**Region Americas**  
sales growth in local currencies

+35.8%

## Region Asia/Pacific

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With fiscal policy measures including infrastructure spending and public housing construction programs, China intends to promote its real estate and construction sectors, which were particularly hard hit by the Covid-19 related lockdowns in the first half of 2022. Among other measures, a five-year development plan for the country's construction industry was unveiled earlier this year, with the aim of promoting environmentally friendly, smart, and safe construction and working conditions. Moreover, the government plans to build 6.5 million rental units with industrialized production and assembly processes for which Sika offers a broad product portfolio. Government-subsidized construction programs are also underway in surrounding regions, such as Australia and numerous Southeast Asian countries.

India's economy and construction sector showed solid growth rates, from which Sika also benefited.

## Region Asia/Pacific sales growth in local currencies

+17.0%

## Global Business Segment

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In the first half of the current financial year, the automotive market faced persistent supply and production bottlenecks. In most regions, automotive suppliers are unable to meet demand for new vehicles.

The number of new vehicles produced worldwide fell by 3.5% year-on-year. In Europe, the decline was over 11% year-on-year, followed by South America with minus 6.6% and Asia, which decreased by 6.3%. By contrast, the North American vehicle market grew by 4.8%. In the important Chinese automotive market, demand declined by 5.6% due to pandemic-related lockdowns and supply bottlenecks. However, growth is expected in China in the second half of this year thanks to significant government investment programs and tax incentives. Globally, around 80 million new vehicles are set to be produced this year. This would be a small increase compared to the previous year.

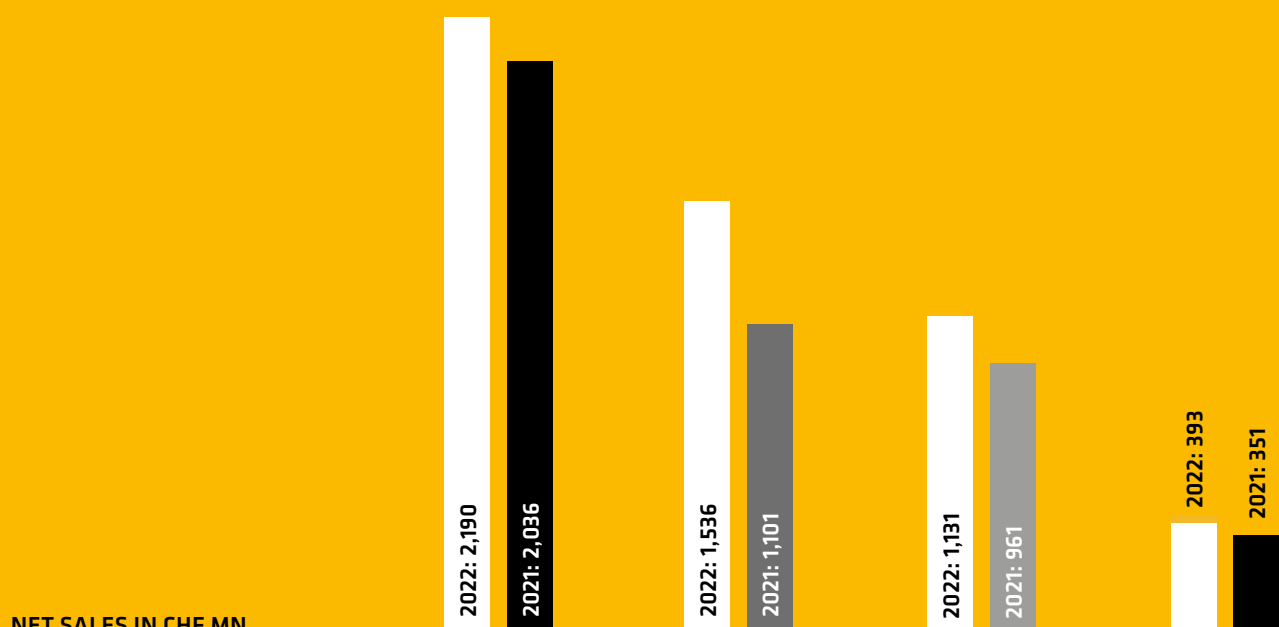
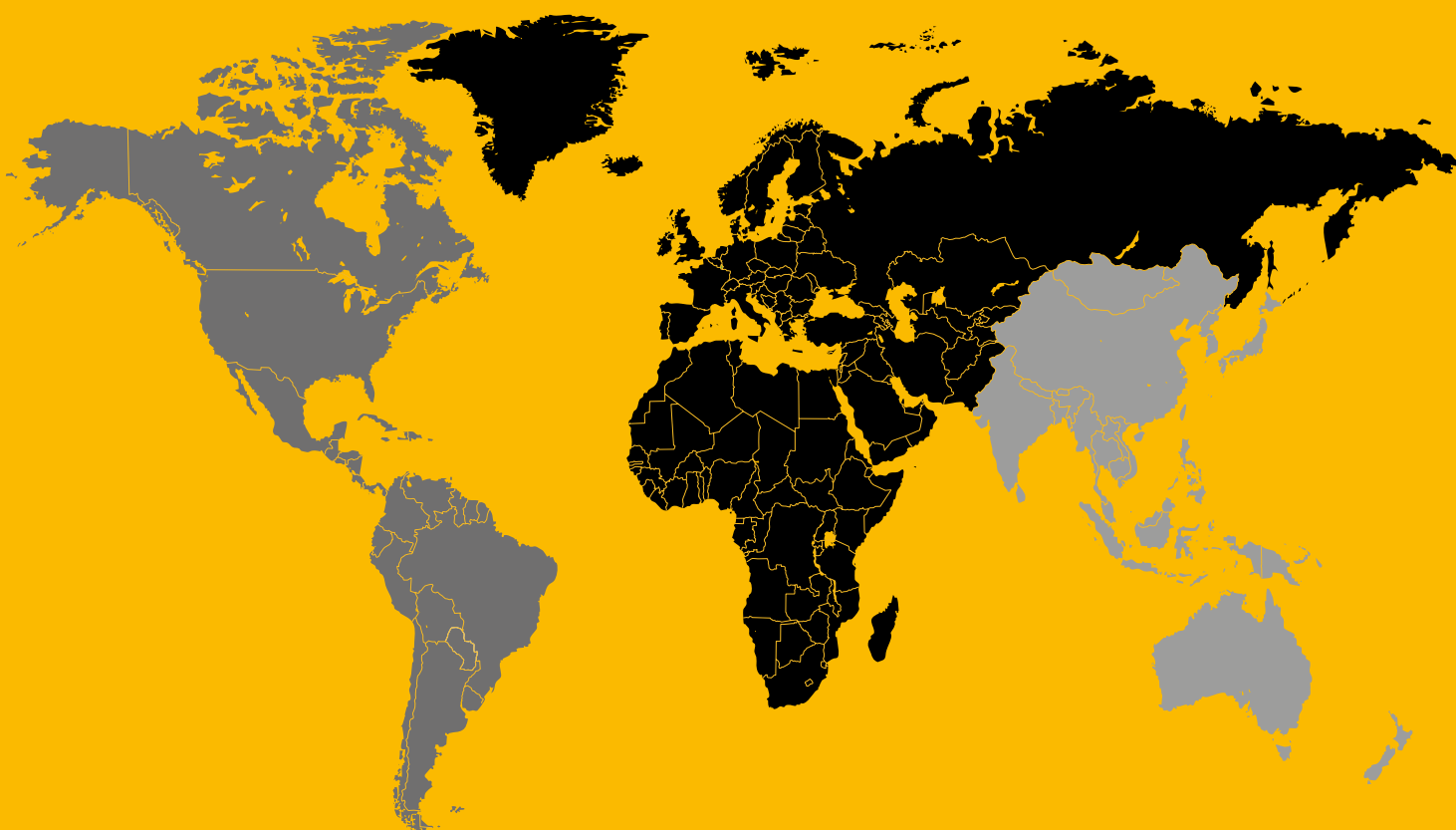
In the Global Business segment, Sika outperformed the market in the first half of 2022 and expects this trend to continue in the current financial year. Business has been especially strong among companies providing electric vehicle technology. Sika was able to generate new business and increase the share of its components that are installed into a new vehicle.

Sika's business is still being driven by the strategic realignment of the automotive industry: electromobility and alternative drive concepts play a key role and are on the rise thanks to state-funded investment programs. Sika's comprehensive portfolio, which includes high-performance adhesives for light-weight construction and solutions for heat management in modern electric battery systems, enables the construction of modern vehicles and makes electric vehicles lighter, more environmentally friendly, and safer.

## Global Business sales growth in local currencies

+13.2%

# THE REGIONS IN BRIEF



NET SALES IN CHF MN

	EMEA	AMERICAS	ASIA/PACIFIC	GLOBAL BUSINESS
<b>Growth in local currencies</b>	<b>12.9%</b>	<b>35.8%</b>	<b>17.0%</b>	<b>13.2%</b>
Currency impact	-5.3%	3.7%	0.7%	-1.2%
Acquisitions effect	-0.5%	8.4%	7.8%	5.7%
Organic growth	13.4%	27.4%	9.2%	7.5%
Employees	11,163	6,324	7,077	2,158



# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT from January 1 to June 30

in CHF mn	Notes	%	2021	%	2022	Change in %
<b>Net sales</b>	1, 2	<b>100.0</b>	<b>4,448.7</b>	<b>100.0</b>	<b>5,250.3</b>	<b>18.0</b>
Material expenses	3	-46.7	-2,075.9	-50.6	-2,658.1	
<b>Gross result</b>		<b>53.3</b>	<b>2,372.8</b>	<b>49.4</b>	<b>2,592.2</b>	<b>9.2</b>
Personnel expenses	4	-18.3	-813.3	-16.8	-882.4	
Other operating expenses	5	-15.5	-692.5	-12.9	-673.7	
<b>Operating profit before depreciation</b>		<b>19.5</b>	<b>867.0</b>	<b>19.7</b>	<b>1,036.1</b>	<b>19.5</b>
Depreciation and amortization expenses		-4.1	-181.1	-3.7	-194.2	
<b>Operating profit</b>	2	<b>15.4</b>	<b>685.9</b>	<b>16.0</b>	<b>841.9</b>	<b>22.7</b>
Interest income		0.1	6.1	0.1	6.9	
Interest expenses	6	-0.6	-27.2	-0.6	-31.9	
Other financial income		0.1	3.1	0.1	4.2	
Other financial expenses	6	-0.2	-7.5	-0.4	-22.8	
Income from associated companies		0.0	0.0	0.0	-0.1	
<b>Profit before taxes</b>		<b>14.8</b>	<b>660.4</b>	<b>15.2</b>	<b>798.2</b>	<b>20.9</b>
Income taxes		-3.7	-165.7	-3.8	-199.4	
<b>Net profit</b>		<b>11.1</b>	<b>494.7</b>	<b>11.4</b>	<b>598.8</b>	<b>21.0</b>
Profit attributable to Sika shareholders		11.1	494.4	11.4	598.8	
Profit attributable to non-controlling interests		0.0	0.3	0.0	0.0	
Undiluted earnings per share (in CHF)			3.49		3.95	13.2
Diluted earnings per share (in CHF)			3.12		3.76	20.5

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	1/1/2021– 6/30/2021		1/1/2022– 6/30/2022		Change in %
	%		%		
<b>Net profit</b>	<b>11.1</b>	<b>494.7</b>	<b>11.4</b>	<b>598.8</b>	<b>21.0</b>
Actuarial gains (+) / losses (-) on employee benefit obligation	1.6	72.9	0.6	32.6	
Income tax effect	-0.3	-14.6	-0.1	-5.3	
<b>Items that will not be reclassified to profit or loss</b>	<b>1.3</b>	<b>58.3</b>	<b>0.5</b>	<b>27.3</b>	<b>-53.2</b>
Exchange differences taken to equity	4.0	177.8	0.7	34.2	
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>4.0</b>	<b>177.8</b>	<b>0.7</b>	<b>34.2</b>	<b>-80.8</b>
<b>Other comprehensive income</b>	<b>5.3</b>	<b>236.1</b>	<b>1.2</b>	<b>61.5</b>	<b>-74.0</b>
<b>Comprehensive income</b>	<b>16.4</b>	<b>730.8</b>	<b>12.6</b>	<b>660.3</b>	<b>-9.6</b>
Attributable to Sika shareholders	16.4	730.4	12.6	660.0	
Attributable to non-controlling interests	0.0	0.4	0.0	0.3	

## CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2021	6/30/2022
Cash and cash equivalents	7	1,175.0	693.5
Accounts receivable	8	1,576.8	1,997.6
Inventories	9	1,158.3	1,395.3
Prepaid expenses and accrued income		190.4	195.1
Other assets		31.3	61.7
Assets classified as held for sale	10	33.7	8.5
<b>Current assets</b>		<b>4,165.5</b>	<b>4,351.7</b>
Property, plant, and equipment	11	1,776.6	1,829.7
Intangible assets	12	4,379.9	4,424.1
Investments in associated companies		9.2	9.4
Deferred tax assets		142.1	157.6
Other assets		233.5	258.9
<b>Non-current assets</b>		<b>6,541.3</b>	<b>6,679.7</b>
<b>ASSETS</b>		<b>10,706.8</b>	<b>11,031.4</b>
Accounts payable	13	1,033.2	1,220.1
Accrued expenses and deferred income		519.9	497.4
Financial liabilities	14	343.1	284.9
Income tax liabilities		170.3	211.8
Provisions	15	26.0	27.4
Liabilities classified as held for sale	10	3.7	0.9
<b>Current liabilities</b>		<b>2,096.2</b>	<b>2,242.5</b>
Financial liabilities	14	3,393.9	3,240.8
Provisions	15	95.6	93.3
Deferred tax liabilities		365.9	369.0
Employee benefit obligation		322.9	305.8
Other liabilities		36.4	37.6
<b>Non-current liabilities</b>		<b>4,214.7</b>	<b>4,046.5</b>
<b>LIABILITIES</b>		<b>6,310.9</b>	<b>6,289.0</b>
Capital stock		1.4	1.5
Treasury shares		-10.7	-7.2
Reserves		4,403.1	4,747.0
<b>Equity attributable to Sika shareholders</b>		<b>4,393.8</b>	<b>4,741.3</b>
Non-controlling interests		2.1	1.1
<b>SHAREHOLDERS' EQUITY</b>		<b>4,395.9</b>	<b>4,742.4</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>10,706.8</b>	<b>11,031.4</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF mn	Capital stock	Capital surplus	Treasury shares	Currency translation differences	Retained earnings	Total Sika shareholders' equity	Non-controlling interests	Total equity
<b>January 1, 2021</b>	<b>1.4</b>	<b>203.1</b>	<b>-5.2</b>	<b>-1,047.7</b>	<b>4,134.2</b>	<b>3,285.8</b>	<b>2.2</b>	<b>3,288.0</b>
Profit for the period					494.4	494.4	0.3	494.7
Other comprehensive income				177.8	58.2	236.0	0.1	236.1
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>177.8</b>	<b>552.6</b>	<b>730.4</b>	<b>0.4</b>	<b>730.8</b>
Transactions with treasury shares <sup>1</sup>			4.2		-14.4	-10.2		-10.2
Share-based payments					4.7	4.7		4.7
Dividends <sup>2</sup>					-354.5	-354.5		-354.5
Inflation adjustment <sup>3</sup>					15.2	15.2		15.2
Buyout of existing non-controlling interests <sup>4</sup>					-0.1	-0.1	-0.1	-0.2
<b>June 30, 2021</b>	<b>1.4</b>	<b>203.1</b>	<b>-1.0</b>	<b>-869.9</b>	<b>4,337.7</b>	<b>3,671.3</b>	<b>2.5</b>	<b>3,673.8</b>
<b>January 1, 2022</b>	<b>1.4</b>	<b>437.4</b>	<b>-10.7</b>	<b>-995.2</b>	<b>4,960.9</b>	<b>4,393.8</b>	<b>2.1</b>	<b>4,395.9</b>
Profit for the period					598.8	598.8	-	598.8
Other comprehensive income				33.9	27.3	61.2	0.3	61.5
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33.9</b>	<b>626.1</b>	<b>660.0</b>	<b>0.3</b>	<b>660.3</b>
Transactions with treasury shares <sup>1</sup>			3.5		-15.1	-11.6		-11.6
Share-based payments					6.6	6.6		6.6
Conversion of convertible bonds <sup>5</sup>	0.1	1,441.4			-1,318.8	122.7		122.7
Dividends <sup>6</sup>					-445.8	-445.8		-445.8
Inflation adjustment <sup>3</sup>					20.7	20.7		20.7
Buyout of existing non-controlling interests <sup>7</sup>					-5.1	-5.1	-1.3	-6.4
<b>June 30, 2022</b>	<b>1.5</b>	<b>1,878.8</b>	<b>-7.2</b>	<b>-961.3</b>	<b>3,829.5</b>	<b>4,741.3</b>	<b>1.1</b>	<b>4,742.4</b>

1 Including income tax of CHF 0.2 mn (CHF 0.1 mn).

2 Dividend per share: CHF 2.50.

3 Hyperinflation accounting concerns the subsidiaries in Argentina.

4 Increase in shareholdings in Modern Waterproofing Company S.A.E., Egypt.

5 Details to convertible bonds see note 14.

6 Dividend per share: CHF 2.90.

7 Complete buyout of non-controlling interest in Mortero Spa, Algeria.

## CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	1/1/2021 – 6/30/2021	1/1/2022 – 6/30/2022
<b>Operating activities</b>			
Profit before taxes		660.4	798.2
Depreciation and amortization expenses		181.1	194.2
Increase (+) / decrease (-) in provisions/ employee benefit obligations and assets		1.6	-1.6
Increase (-) / decrease (+) net working capital and accruals		-309.3	-523.3
Non-liquidity-related financial expenses (+) / income (-) as well as cash flow from hedging transactions		4.9	12.5
Profit on divestment of the European industrial coating business	10	0.0	-168.3
Other adjustments		8.7	11.2
Income taxes paid		-171.6	-159.6
<b>Cash flow from operating activities</b>		<b>375.8</b>	<b>163.3</b>
<b>Investing activities</b>			
Property, plant, and equipment: capital expenditures		-58.2	-117.7
Property, plant, and equipment: disposals		5.1	1.2
Intangible assets: capital expenditures		-4.3	-7.1
Proceeds from divestment of the European industrial coating business	10	0.0	204.0
Acquisitions less cash and cash equivalents		-29.2	-136.3
Acquisition of associated companies		-7.8	0.0
Acquisitions (-) / disposals (+) of financial assets		-1.3	1.0
<b>Cash flow from investing activities</b>		<b>-95.7</b>	<b>-54.9</b>
<b>Financing activities</b>			
Increase in financial liabilities		5.7	21.5
Repayment of financial liabilities		-18.8	-46.1
Repayment liability component of mandatory convertible bond (interest)	14	-48.8	-48.8
Repayment of lease liabilities		-49.4	-48.7
Purchase of treasury shares		-33.2	-38.0
Sale of treasury shares		22.0	25.2
Dividend payment to shareholders of Sika AG		-354.5	-445.8
Buyout of existing non-controlling interests		-0.2	-6.4
<b>Cash flow from financing activities</b>		<b>-477.2</b>	<b>-587.1</b>
<b>Exchange differences on cash and cash equivalents</b>		<b>9.5</b>	<b>-2.8</b>
<b>Net change in cash and cash equivalents</b>		<b>-187.6</b>	<b>-481.5</b>
Cash and cash equivalents at the beginning of the period	7	1,318.7	1,175.0
Cash and cash equivalents at the end of the period	7	1,131.1	693.5
<b>Cash flow from operating activities contains:</b>			
Dividends from associated companies		1.2	0.0
Interest received		4.6	5.8
Interest paid		-18.1	-21.5

# APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

## PRINCIPLES OF CONSOLIDATION AND VALUATION

The unaudited **Interim Consolidated Financial Statements** for the first half of 2022 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed interim financial statements do not include all information and disclosures that would be required in the annual financial statements and should therefore be read in conjunction with Sika's annual Consolidated Financial Statements for the year ended December 31, 2021.

The financial statements of the Sika Group are prepared in conformity with the provisions of the International Accounting Standards Board (IASB). All standards (IAS/IFRS) and interpretations (IFRIC/SIC) applicable as of June 30, 2022, were considered. The financial statements are prepared according to the going-concern principle. The consolidated financial statements have been prepared under the historical cost principle except for financial assets and liabilities (including derivative instruments) at fair value through profit and loss and the defined benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets.

The accounting standards applied conform to those standards that were valid in the previous year. Exceptions are the following revised and new standards, which Sika applied since January 1, 2022. They have had no significant effect on the Consolidated Financial Statements of the Group:

- Amendments to IFRS 3 - Reference to the conceptual framework
- Amendments to IAS 16 - Proceeds before intended use
- Amendments to IAS 37 - Onerous contracts - Costs of fulfilling a contract
- Annual improvements (2018 - 2020 cycle) - Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology

## Acquisitions 2021

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In 2021, Sika acquired various companies or parts of companies. The purchase prices and their allocation (PPAs) were still subject to uncertainties.

For the Hamatite Group (Japan, China, USA and Thailand) as well as for Hydrotech (USA and Canada) the purchase prices have now been finalized (increase of CHF 6.9 million). This, together with other immaterial adjustments in the purchase price allocation, also led to adjustments in the balance sheet as of December 31, 2021. For the other acquisitions, the PPAs were left unchanged.

## Acquisitions 2022

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In 2022, Sika acquired the following companies:

Company	Type of transaction	Stake in %	Closing date
Sable Marco Inc., Canada	Share deal	100.0	3/1/2022
United Gilsonite Laboratories (UGL), USA	Share deal	100.0	5/18/2022

### ACQUISITIONS

On March 1, 2022, Sika acquired Sable Marco Inc., a manufacturer of cementitious products, mortars, polymeric sand, and other bagged materials in Canada. Sable Marco has built up a strong presence in the distribution channel and an excellent relationship with major national and regional building material stores and DIY retail chains. Sable Marco operates one plant in the area of Québec City offering logistic and strategic benefits for Sika Canada. Synergies will be generated by exploring cross-selling potential for Sika's Target Markets Waterproofing and Building Finishing through additional channels, improved geographical access, as well as from the opportunities opening in the growing polymeric sand category.

On May 18, 2022, Sika acquired United Gilsonite Laboratories (UGL), a well-recognized manufacturer of products for consumer and DIY waterproofing applications in the United States. UGL is a long-standing company offering consumer and DIY liquid waterproofing products with a strong presence in the distribution channel. With headquarters and production in Scranton, Pennsylvania, and two additional production sites in Illinois and Mississippi, UGL is well situated to efficiently supply its products to customers in every region of the country. For Sika, the acquisition will increase its presence with major retailers and other building material stores by widening the offering and opening cross-selling opportunities.

Since the purchases, the acquisitions have contributed sales of CHF 19.6 million. The profit share was insignificant. Accounts receivable had a gross value of CHF 12.8 million and were recognized at fair value of CHF 12.6 million.

## ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	Acquisitions <sup>1</sup>
Cash and cash equivalents	0.9
Accounts receivable	12.6
Inventories	20.1
Prepaid expenses and accrued income	1.4
Property, plant, and equipment	17.7
Right-of-use leased assets	5.2
Intangible assets	48.0
<b>Total assets</b>	<b>105.9</b>
Financial liabilities	11.0
Accounts payable	4.3
Accrued expenses and deferred income	2.7
Income tax liabilities	0.1
Provisions	0.4
Deferred tax liabilities	4.1
<b>Total liabilities</b>	<b>22.6</b>
<b>Acquired net assets</b>	<b>83.3</b>
Goodwill	54.5
<b>Total purchase price</b>	<b>137.8</b>
Cash in acquired assets	-0.9
<b>Net cash outflow</b>	<b>136.9</b>

1 Sable Marco, Canada and UGL, USA.

If the acquisitions had occurred on January 1, 2022, consolidated pro forma net sales would have been CHF 5,274.2 million (+CHF 23.9 million). The additional profit share would have been insignificant.

Since the purchase prices and the purchase price allocations for both acquisitions still entail some uncertainty, all positions are provisional. Market access and combined distribution channels and supplementary product portfolios justify the goodwill posted. Goodwill in the amount of CHF 33.4 million is tax-deductible.

The directly attributable transaction costs of the acquisitions amounted to CHF 1.4 million and were charged to other operating expenses.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income statement from January 1 to June 30, 2022 (January 1 to June 30, 2021).  
Balance sheet data as of June 30, 2022 (December 31, 2021).

### 1. Net Sales CHF 5,250.3 mn (CHF 4,448.7 mn)

Sales of goods account for nearly all net sales. Year-on-year net sales in local currency increased by 19.5%. Taking into account the currency effect of -1.5%, sales in Swiss francs increased by 18.0%, including a growth from acquisitions of 4.0%. Details to segments can be found in note 2.

### 2. Segment Reporting

Sika conducts its worldwide activities according to geographical regions and the global segment Global Business. Heads of the segments are members of Group Management. Group Management is the highest executive body that measures the success of the operating segments and allocates resources. The key figure of profit by which the segments are directed is operating profit, which is consistent with the consolidated financial statements. Financing (including financial expenses and income) and income taxes are managed on a Group-wide basis and are not allocated to the individual segments. The composition of the segments is shown on page 8.

The acquired companies Sable Marco Inc., Canada, and United Gilsonite Laboratories (UGL), USA, were allocated to the segment Americas.

“Other segments and activities” includes expenses for the Group headquarters and income from services provided to Group companies.

#### NET SALES FROM JANUARY 1 TO JUNE 30

in CHF mn	2021			2022		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	2,036.4	115.1	2,151.5	2,190.5	128.8	2,319.3
Americas	1,100.5	2.5	1,103.0	1,535.7	2.5	1,538.2
Asia /Pacific	960.8	12.7	973.5	1,130.9	12.4	1,143.3
Global business	351.0	7.2	358.2	393.2	7.5	400.7
Eliminations	-	-137.5	-137.5	-	-151.2	-151.2
<b>Net sales</b>	<b>4,448.7</b>	<b>-</b>	<b>4,448.7</b>	<b>5,250.3</b>	<b>-</b>	<b>5,250.3</b>
Products for construction industry	3,624.3			4,320.7		
Products for industrial manufacturing	824.4			929.6		

Sika's products for the construction industry include admixtures and additives for use in concrete, cement, and mortar production, waterproofing systems, roof waterproofing, flooring solutions, sealants, adhesive tapes, assembly foams and elastic adhesives for facade construction, interior and infrastructure construction, as well as concrete protection and repair solutions.

Products for industrial manufacturing are sold to manufacturers and service providers in automotive OEM, commercial vehicles, automotive aftermarket, marine vessels, renewable energy, sandwich panels, industrial equipment, HVAC, home and commercial appliances, modular building, facades and fenestration.

## CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	1/1/2021 – 6/30/2021	1/1/2022 – 6/30/2022	Change compared to prior period (+/- in %)		
			In Swiss francs	In local currencies	Currency impact
EMEA	2,036.4	2,190.5	7.6	12.9	-5.3
Americas	1,100.5	1,535.7	39.5	35.8	3.7
Asia/Pacific	960.8	1,130.9	17.7	17.0	0.7
Global business	351.0	393.2	12.0	13.2	-1.2
<b>Net sales</b>	<b>4,448.7</b>	<b>5,250.3</b>	<b>18.0</b>	<b>19.5</b>	<b>-1.5</b>
Products for construction industry	3,624.3	4,320.7	19.2	20.6	-1.4
Products for industrial manufacturing	824.4	929.6	12.8	14.3	-1.5

## OPERATING PROFIT

in CHF mn	1/1/2021 – 6/30/2021	1/1/2022 – 6/30/2022	Change compared to prior period	
			(+/-)	(+/- in %)
EMEA	367.6	494.4	126.8	34.5
Americas	203.5	266.5	63.0	31.0
Asia/Pacific	152.3	143.1	-9.2	-6.0
Global business	38.5	11.4	-27.1	-70.4
Other segments and activities	-76.0	-73.5	2.5	n.a.
<b>Operating profit</b>	<b>685.9</b>	<b>841.9</b>	<b>156.0</b>	<b>22.7</b>

## RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	1/1/2021 – 6/30/2021	1/1/2022 – 6/30/2022
<b>Operating profit</b>	<b>685.9</b>	<b>841.9</b>
Interest income	6.1	6.9
Interest expenses	-27.2	-31.9
Other financial income	3.1	4.2
Other financial expenses	-7.5	-22.8
Income from associated companies	0.0	-0.1
<b>Profit before taxes</b>	<b>660.4</b>	<b>798.2</b>
Income taxes	-165.7	-199.4
<b>Net profit</b>	<b>494.7</b>	<b>598.8</b>

### 3. Material expenses CHF 2,658.1 mn (CHF 2,075.9 mn)

As a result of the sharp rise in raw material costs worldwide due to global supply chain issues and increased transport and energy costs, as well as the base effect due to significant selling price adjustments, the gross margin decreased by 3.9 percentage points to 49.4% (53.3%).

#### **4. Personnel expenses** CHF 882.4 mn (CHF 813.3 mn)

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Personnel expenses decreased in relation to net sales from 18.3 % to 16.8 %.

Personnel expenses include a portion of salaries paid to senior managers and Group Management in the form of Sika AG stocks. Related personnel expenses in the first half of 2022 amounted to CHF 8.4 million (CHF 18.5 million). Provided employees are entitled to the option of drawing shares of Sika AG, this portion will be recognized as liabilities as at balance sheet date. In the event that shares are drawn, this portion will be taken to equity in the subsequent year.

#### **5. Other operating expenses** CHF 673.7 mn (CHF 692.5 mn)

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Other operating expenses decreased in relation to net sales from 15.5% to 12.9%. Included in other operating expenses is the profit before tax from the divestment of the European industrial coating business in the amount of CHF 168.3 million (see note 10). Also included are costs in the amount of approximately CHF 28 million related to the planned acquisition of the MBCC Group.

Expenses for research and development are included in other operating expenses because they do not meet the recognition criteria.

#### **6. Interest expenses/other financial expenses** CHF 54.7 mn (CHF 34.7 mn)

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Interest expenses of CHF 31.9 million (CHF 27.2 million) consist mainly of interest expenses for outstanding bond issues as well as interests on lease liabilities. Other financial expenses of CHF 22.8 million (CHF 7.5 million) include foreign exchange gains and losses from the management of foreign currency, net gains and losses from hedging and revaluation of loans to Group companies denominated in foreign currencies as well as inflation adjustment effects from countries with hyperinflation.

#### **7. Cash and cash equivalents** CHF 693.5 mn (CHF 1,175.0 mn)

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The item "Cash and cash equivalents" includes cash and cash equivalents with a maturity of less than three months from the date of acquisition, bearing interest at a respectively valid rate. The change in this position can be seen in detail in the statement of cash flows.

#### **8. Accounts receivable** CHF 1,997.6 mn (CHF 1,576.8 mn)

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Accounts receivable have increased due to sales growth. In addition, they are higher at mid-year than at the end of 2021 as a result of seasonal influences.

#### **9. Inventories** CHF 1,395.3 mn (CHF 1,158.3 mn)

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The increase in inventories is due to seasonal distribution of sales. In addition, higher raw material prices and longer delivery times lead to higher inventory values.

## 10. Held for sale – assets CHF 8.5 mn (CHF 33.7 mn) and liabilities CHF 0.9 mn (CHF 3.7 mn)

On August 19, 2021, Sika has announced to sell its European industrial coatings business, based in Germany, to the American Sherwin-Williams Company. The headquarters and production plant are located in Vaihingen, Germany. The product range comprises anticorrosive and fire protection coatings which are mainly sold in Germany, Switzerland, Poland, and Austria. Accordingly, the corresponding assets and liabilities were presented as a disposal group held for sale. In 2021, the business segment generated sales of approximately CHF 80 million, included as part of the EMEA region).

The transaction was closed on March 31, 2022. From the sale, a gain before taxes in the amount of CHF 168.3 million results and is included in other operating expenses. Expected income tax expense in the amount of approximately CHF 47 million is accrued.

On May 6, 2022, Sika further announced to sell Aliva Equipment, a Swiss unit supplying machines for the application of shotcrete, to the Finnish Normet Group Oy. In 2021, Aliva Equipment generated sales of approximately CHF 12 million. The transaction is expected to close in the third quarter of 2022.

The disposal group is stated at its carrying amounts (including impairment losses of CHF 2.2 million for Aliva Equipment) and comprised the following assets and liabilities.

in CHF mn	12/31/2021	6/30/2022
Accounts receivable	0.0	0.7
Inventories	10.8	7.6
Property, plant, and equipment	3.5	0.0
Goodwill	19.4	0.0
<b>Assets classified as held for sale</b>	<b>33.7</b>	<b>8.3</b>
Accounts payable	0.0	0.2
Accrued expenses and deferred income	0.5	0.3
Provisions	0.0	0.1
Employee benefit obligations	3.2	0.3
<b>Liabilities classified as held for sale</b>	<b>3.7</b>	<b>0.9</b>
<b>Net</b>	<b>30.0</b>	<b>7.4</b>

## 11. Property, Plant, and Equipment CHF 1,829.7 mn (CHF 1,776.6 mn)

in CHF mn	12/31/2021	6/30/2022
Own property, plant, and equipment	1,455.4	1,504.5
Right-of-use assets	321.2	325.2
<b>Property, plant, and equipment</b>	<b>1,776.6</b>	<b>1,829.7</b>

## 12. Intangible assets CHF 4,424.1 mn (CHF 4,379.9 mn)

The increase in intangible assets is mainly due to this year's acquisitions. The acquisitions resulted in an increase in goodwill of CHF 54.5 million. In addition, trademarks, customer relationships, and technologies of CHF 48.0 million were capitalized and are being amortized over their useful lives.

### 13. Accounts payable CHF 1,220.1 mn (CHF 1,033.2 mn)

Accounts payable are higher at mid-year than at the end of 2020 as a result of seasonal influences. Accounts payable do not bear interest and will usually become due within 30 to 60 days.

### 14. Financial liabilities CHF 3,525.7 mn (CHF 3,737.0 mn)

in CHF mn	12/31/2021			6/30/2022		
	Current	Non-current	Total	Current	Non-current	Total
Derivatives	10.4	-	10.4	30.7	-	30.7
Bank loans	18.0	0.0	18.0	12.7	0.0	12.7
Lease liabilities	73.5	244.1	317.6	77.1	246.2	323.3
Straight bonds	150.0	1,748.5	1,898.5	150.0	1,711.8	1,861.8
Convertible bond	-	1,381.9	1,381.9	0.0	1,246.3	1,246.3
Mandatory convertible bond (liability component)	48.7	0.0	48.7	0.0	0.0	0.0
Other financial liabilities	42.5	19.4	61.9	14.4	36.5	50.9
<b>Total</b>	<b>343.1</b>	<b>3,393.9</b>	<b>3,737.0</b>	<b>284.9</b>	<b>3,240.8</b>	<b>3,525.7</b>

The fair value of straight bonds amounts to CHF 1,752.0 million (CHF 1,982.5 million), that of the convertible bond to CHF 1,581.5 million (CHF 2,830.1 million).

Furthermore, Sika has the following credit facilities:

- Revolving credit facility of CHF 750.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on April 1, 2026.
- Revolving credit facility of CHF 750.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on December 13, 2026, with the option of two one-year extensions.
- Bridge credit facility of EUR 5,000.0 million for the planned acquisition of MBCC. The term ends on May 10, 2023, with the option of two six-month extensions.

As of June 30, 2022, Sika did not use any of these credit facilities.

#### OUTSTANDING STRAIGHT BONDS

in CHF mn						12/31/2021	6/30/2022
Issuer	Bond	Nominal	Coupon	Term	Book value	Book value	
Sika AG, Baar, Switzerland	Straight bond	CHF 150.0	1.750%	2012 - 07/12/2022	150.0	150.0	
	Straight bond	CHF 200.0	1.875%	2013 - 11/14/2023	199.8	199.8	
	Straight bond	CHF 250.0	0.625%	2018 - 07/12/2024	250.2	250.2	
	Straight bond	CHF 140.0	0.600%	2018 - 03/27/2026	140.0	140.0	
	Straight bond	CHF 130.0	1.125%	2018 - 07/12/2028	130.7	130.6	
Sika Capital B.V., Utrecht, Netherlands	Straight bond	EUR 500.0	0.875%	2019 - 04/29/2027	514.3	496.0	
	Straight bond	EUR 500.0	1.500%	2019 - 04/29/2031	513.5	495.2	
<b>Total</b>					<b>1,898.5</b>	<b>1,861.8</b>	

## CONVERTIBLE BONDS

In May 2018, Sika placed a convertible bond in the amount of CHF 1,650.0 million due in 2025. The convertible bond has a coupon of 0.15% p.a. The shares to be delivered upon conversion will be provided by existing shares or by the issue of new shares from the conditional capital. At the end of June 2022, the conversion price per share is CHF 188.45. The convertible bond can be converted early or redeemed early in accordance with the general bond conditions. In the reporting period, bonds with a nominal value of CHF 141.7 million (in prior year CHF 241.0 million) were converted.

### RECONCILIATION LIABILITY COMPONENT 0.15%-CONVERTIBLE BOND 2018-2025

in CHF mn	1/1/2021 - 12/31/2021	1/1/2022 - 6/30/2022
<b>Opening balance</b>	<b>1,609.4</b>	<b>1,381.9</b>
Interest expense (amortized cost)	9.0	3.7
Conversion of bond into registered shares	-236.5	-139.3
<b>Ending balance</b>	<b>1,381.9</b>	<b>1,246.3</b>
Open par value	1,409.0	1,267.3

On January 22, 2019, Sika placed a mandatory convertible bond in the amount of CHF 1,300.0 million due end of January 2022. The mandatory convertible bond had a coupon of 3.75% p.a. These interest payments were classified as a liability component. Accordingly, the liability component was reduced annually by the interest payments made.

On January 31, 2022, the open mandatory convertible bonds with a nominal value of CHF 1,299.8 million were fully converted into new shares from the conditional capital of Sika AG. The conversion price per share was CHF 130.756.

## 15. Provisions CHF 120.7 mn (CHF 121.6 mn)

Provisions for guarantees reflect all known or anticipated claims in the near future. The provision amounts are determined based on 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% as well as contingent liabilities from acquisitions. For provisions of CHF 27.4 million (CHF 26.0 million) an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

## Other information

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### SIGNIFICANT SHAREHOLDERS

As at the balance sheet date of June 30, 2022, Sika had received notification of four significant shareholders whose voting rights exceed 3%: (1) BlackRock Inc., which owned 7.7% of all voting rights. (2) William H. Gates and Melinda French Gates, who held 5.3% of all voting rights via Cascade Investment L.L.C. and Bill & Melinda Gates Foundation Trust. (3) The Capital Group Companies, who held 5% of all voting rights via Capital Research and Management Company, Capital Bank and Trust Company, Capital International Limited, Capital International Inc., and Capital International Sarl. (4) Norges Bank (the Central Bank of Norway), which held 3.01% of all voting rights. There are no changes compared with December 31, 2021.

A list of changes in significant shareholdings reported to the disclosure office of SIX Swiss Exchange during the year under review can be found at <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>. There are no cross-shareholdings exceeding 3%, either in terms of capital or votes.

### IMPAIRMENT INDICATIONS

The negative impacts of the Ukraine war required a review of the business activities in the affected companies in Ukraine, Belarus, and Russia. Strictly in line with all international sanctions, Sika has significantly scaled down its business activities in Russia since the beginning of March 2022 and ceased product exports into Russia and Belarus. Sika has also suspended investments in Russia. Due to these far-reaching measures, Sika reviewed whether there could be a potential impairment of the assets capitalized. Currently there is no need for impairment. The share of the cumulative carrying amounts of the affected companies in the Group is less than 1%.

### EVENTS AFTER THE BALANCE SHEET DATE

No events to report occurred between June 30, 2022, and the release of these consolidated financial statements.

### OTHER INFORMATION

#### PLANNED ACQUISITION

On November 11, 2021, Sika has signed a definitive agreement to acquire MBCC Group, the former BASF Construction Chemicals, from an affiliate of Lone Star Funds, a global private equity firm, for a consideration of CHF 5.5 billion.

MBCC Group is a leading supplier in construction chemicals worldwide. The acquisition will complement and broaden Sika's product and solution offerings in four of five core technologies and seven of eight Sika Target Markets and will further strengthen its geographic footprint. MBCC Group, headquartered in Mannheim, Germany, is active in the field of construction systems and admixture systems. With approximately 7,500 employees MBCC Group has operations in over 60 countries and more than 130 production facilities. In 2021, the company generated net sales of CHF 2.9 billion. MBCC Group has a world-renowned product portfolio of global and local brands which enjoy a strong reputation for quality and reliability. With its broad and balanced product offering, MBCC Group participates in all phases of the construction life cycle and is a key contributor to the decarbonization of the construction industry.

The financing of the planned transaction is secured by a bridge loan facility. Sika intends to put in place a long-term funding structure comprising a combination of cash-on-hand, bank loans, and capital markets instruments. The acquisition is subject to regulatory approval. The closing of the acquisition is targeted for the end of 2022.

# FINANCIAL CALENDAR

<b>RESULTS FIRST NINE MONTHS 2022</b>	Friday, October 21, 2022
<b>NET SALES 2022</b>	Wednesday, January 11, 2023
<b>MEDIA CONFERENCE / ANALYST PRESENTATION ON FULL-YEAR RESULTS 2022</b>	Friday, February 17, 2023
<b>55<sup>TH</sup> ANNUAL GENERAL MEETING</b>	Tuesday, March 28, 2023
<b>NET SALES FIRST QUARTER 2023</b>	Tuesday, April 18, 2023
<b>HALF-YEAR REPORT 2023</b>	Friday, July 21, 2023



Sika is a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and motor vehicle industry. Sika has subsidiaries in more than 100 countries around the world and manufactures in over 300 factories. Its more than 27,000 employees generated annual sales of CHF 9.3 billion in 2021.

Sika anticipates future challenges with reliable, innovative, and long-lasting solutions. In everything it does, Sika applies above-average quality and sustainability standards. This is something employees, customers, and all other stakeholders can rely on. Building Trust Every Day.