

SIKA
HALF-YEAR REPORT

2021

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HALF-YEAR RESULTS AT A GLANCE

**SALES GROWTH
OF 23.5%
IN LOCAL
CURRENCIES –
SALES OF
CHF 4,448.7
MILLION**

**RECORD EBIT
MARGIN AT
15.4%**

4 ACQUISITIONS

**INCREASED
OPERATING FREE
CASH FLOW
AMOUNTING TO
CHF 318.4 MILLION**

**EBIT AT
CHF 685.9
MILLION
(+67.2%)**

PORTRAIT

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 protection in the building sector and automotive industry. Sika has subsidiaries in 100 countries around the world and manufactures in over 300 factories. Its 25,000 employees generated annual sales of CHF 7.88 billion in 2020.

KEY FIGURES

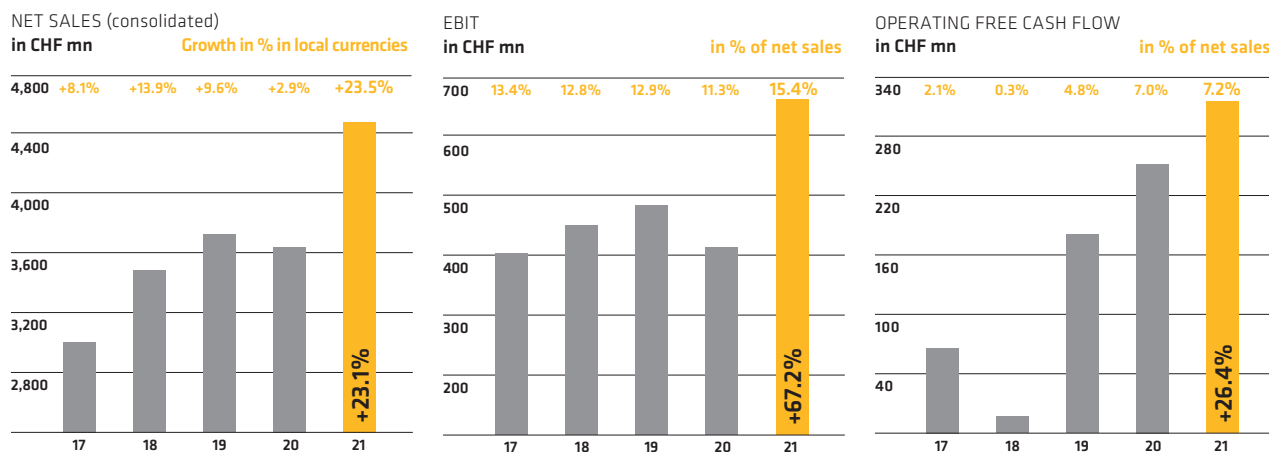
SIKA GROUP

in CHF mn	1/1/2020 – 6/30/2020	as % of net sales	1/1/2021 – 6/30/2021	as % of net sales
Net sales	3,614.6		4,448.7	
Gross result	1,973.2	54.6	2,372.8	53.3
Operating profit before depreciation (EBITDA)	593.6	16.4	867.0	19.5
Operating profit (EBIT)	410.2	11.3	685.9	15.4
Net profit	275.6	7.6	494.7	11.1
Operating free cash flow	251.8	7.0	318.4	7.2
Capital expenditures	70.6	2.0	62.5	1.4
Balance sheet total ¹	9,794.0		10,364.2	
Shareholders' equity ¹	3,288.0		3,673.8	
Equity ratio in % ^{1, 2}	33.6		35.4	
Return on capital employed (ROCE) in % ³	13.5		19.8	
Basic earnings per share (EPS) in CHF	1.94		3.49	
Diluted earnings per share (EPS) in CHF	1.76		3.12	
Number of employees ¹	24,848		25,274	

1 As of December 31, 2020 / June 30, 2021.

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

	6/30/2020	6/30/2021
Number of registered shares with a nominal value of CHF 0.01	141,781,160	141,781,160
Registered share price as of June 30 (CHF)	182.35	302.50
Market capitalization as of June 30 (CHF mn)	25,854	42,889

DEAR SHAREHOLDERS

Sika once again posted record results in the first half of 2021, despite the COVID-19 pandemic continuing to seriously impact business in all regions.

The company generated strong growth rates and continued its growth trajectory, with a new sales record of CHF 4,448.7 million. This equates to an increase of 23.5% in local currencies. Sales growth in Swiss francs amounted to 23.1%, which includes a slightly negative currency effect of -0.4%. The acquisition effect was 1.1%. Organic growth in the first half of the year amounted to 22.4%. Compared with the same period in 2019, organic growth is already at 11.3%.

INCREASED RAW MATERIAL COSTS, HIGHER OPERATING LEVERAGE, ENHANCED EBIT MARGIN

The increase in the costs of raw materials fueled by supply bottlenecks resulted in a lower material margin of 53.3% (previous year: 54.6%). Thanks to higher volume and improved efficiencies of production processes, operating leverage increased. With a margin of 19.5% (previous year: 16.4%), operating profit before depreciation and amortization (EBITDA) markedly increased.

Operating profit (EBIT) amounted to CHF 685.9 million (previous year: CHF 410.2 million), an increase of 67.2% on the previous year. Alongside operating leverage, EBIT was positively impacted by efficiency-enhancing measures as well as additional synergies from acquisitions. The focus on liquidity and cash management resulted in a record high operating free cash flow of CHF 318.4 million (+26.4%).

DOUBLE-DIGIT GROWTH IN ALL REGIONS

The COVID-19 pandemic is still very much present in all regions. In Africa, Asia, and Latin America in particular, economic output continues to be impacted by low vaccination rates. In addition, there has been a deterioration in the availability of raw materials. Thanks to its leading market position, strong procurement organization, and rapid, targeted implementation of measures, Sika was able to capture market share in all regions and achieve record results.

In the first half of 2021, the EMEA region recorded a sales increase in local currencies of 24.1% (previous year: 3.2%). As in 2020, growth in the distribution and renovation business was stronger than in the other business segments. The private

residential sector in particular turned in a highly dynamic performance. Nearly all countries in the region achieved double-digit growth rates. The countries of southern Europe, along with Italy, France, the UK, and Africa, benefited from a boost in growth. In general, purchases of Sika product solutions via e-commerce platforms witnessed an above-average increase.

The Americas region recorded growth in local currencies of 19.5% (previous year: 2.6%), finding its way back to clear, double-digit growth in the first half of 2021. Canada, Colombia, Brazil, Peru, and Chile saw a strong development. In the United States, the business gained momentum after initially experiencing a more muted pace. The main growth drivers were larger-scale maintenance projects and newbuild projects in the area of distribution and data centers. In the Americas region, the strategic focus of business activities on big cities and urban centers paid off, as did the concentration on major infrastructure projects and the successful cross-selling.

Sales in local currencies in the Asia/Pacific region increased by 26.0% (previous year: 21.8%). China in particular enjoyed strong momentum with double-digit organic growth rates. The number of sales outlets was further expanded to 120,000, making a substantial contribution to the strong growth with a focused shop-in-shop strategy for additional, selected products. Business activity in countries such as India and Australia developed at a dynamic pace, and Sika saw a return to double-digit growth rates in the countries of Southeast Asia, despite the substantial impact of coronavirus. The situation proved to be more difficult in Japan. In a bid to keep infection rates low in the run-up to the Olympic Games, the government stepped up lockdown measures and shut down construction activities over the first half of the year.

In the Global Business segment, Sika achieved growth in local currencies of 27.6% (previous year: -23.1%). In the first half of 2021, the automotive industry experienced major bottlenecks in the electronic parts supply chain, and it was only toward the mid-point of the period under review that production rates for new vehicles recorded an uptrend in all regions. In particular, the transition from traditional drive systems to electromobility has picked up momentum during the pandemic, underpinned by various local support programs. Growth of 10% is forecast for the automotive sector for full-year 2021. Sika anticipates long-term growth stimuli from the megatrends evident in modern automotive construction – electromobility and lightweight construction.

SUCCESSFUL GROWTH STRATEGY – INFORMATION ON ANNUAL TARGETS

Despite the COVID-19 pandemic and its repercussions for operating results, Sika is confirming its 2023 strategic targets. The company is still clearly aligned for 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% a year in local currencies up to 2023.

From 2021, the company is aiming to increase its EBIT margin to 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 the 2021 fiscal year, Sika is expecting sales growth in local currencies of 13%–17% (previously: double-digit sales growth in local currencies) as well as an over-proportional EBIT increase. The EBIT margin will reach 15% for the first time, despite a challenging raw material price development.

Sincerely,



DR. PAUL HÄLG
Chairman of the Board



THOMAS HASLER
Chief Executive Officer

DOUBLE-DIGIT GROWTH IN ALL REGIONS

Sika generated record figures in all regions during the first half of 2021 despite the coronavirus pandemic continuing to seriously impact business, especially in the emerging markets.

REGION EMEA

2021 is expected to see broad economic recovery in Europe with forecasts predicting economic growth of around 4.5%. The primary sources of stimulus for the overall economy, including the construction industry, are the pickup in international trading activities, public subsidies, and the ratification of national investment programs. Growth of 3.8% is predicted for the construction sector in 2021.

Within the Sika Group, the distribution business in the EMEA region provided a strong source of growth during the first half of 2021. Furthermore, renovation activities in the private residential sector turned in a highly dynamic performance. Sika's sales in this segment increased significantly during the period under review.

The company also gained various new customers in its project business. For example, Sika provided high-performance solutions for rail and tunnel construction projects in Norway and Croatia. It also supplied structural glazing adhesives for the Bernabéu Stadium in Madrid, while its industry solutions were used in the expansion of Munich Airport.

In the period under review, Sika acquired Kreps LLC, a leading manufacturer of mortar products in Russia, thereby further expanding both its existing product portfolio and its geographical presence.

REGION AMERICAS

In the Americas region, the COVID-19 situation had a varying impact on business during the first half of 2021. The United States largely returned to normal thanks to a widespread vaccination rollout, while lockdowns persisted in some parts of Canada. Due to low vaccination rates, the COVID-19 situation is not yet under control in Latin America.

Nevertheless, the market environment for Sika remains positive throughout the region since construction sites remain operational. The primary growth drivers are state-funded investment and infrastructure programs, the mining boom caused by international raw material shortages, and the huge increase in e-commerce and the distribution

business. By leveraging these opportunities, Sika was able to systematically expand its business in these areas during the first six months of 2021. In the Americas region, Sika's strategic focus on big cities continues to pay off, as does the successful cross-selling of solutions from all Target Markets in the project business.

In the period under review, Sika acquired the flooring adhesives business segment of DriTac, a US-based company with a strong market position in the area of wood floor bonding. Furthermore, BR Massa, a leading manufacturer of mortar products in Brazil, was brought into the Sika Group. Thanks to this acquisition, Sika will improve its position in one of the leading economic regions of Brazil as well as expand its production capacity.

REGION ASIA/PACIFIC

China, the biggest economy in Asia, has returned to an upwards trajectory with growth of around 13% in the first six months of the current financial year. The situation in Japan was more challenging, as the government stepped up lockdown measures and shut down construction activities during the first half of 2021 in a bid to keep infection rates low in the run-up to the Olympic Games.

In the Pacific region, the Australian economy picked up to achieve moderate growth of 1.1%. Despite pandemic pressures and a low vaccination rate, the construction sector in Southeast Asia grew by just under 8%.

In China, Sika primarily benefited from major investments in infrastructure expansion, including the 5G mobile phone standard, data centers, and transport links. Moreover, the number of sales outlets stocking Sika's products and solutions in China was further expanded to 120,000. Sika's business in Australia also performed dynamically, benefiting considerably from – inter alia – the marketing of the company's mining solutions and the expansion of the concrete admixture and concrete reinforcing fiber business. The national subsidiaries in Southeast Asia returned to double-digit sales growth of just under 13% despite high numbers of coronavirus cases. The biggest growth area was the distribution business.

REGIONS

During the period under review, Sika acquired Hamatite, the adhesives division of Yokohama Rubber Co., Ltd. Hamatite is a market leader in Japan, offering adhesives and sealants for the automotive and construction industries. The acquisition significantly improves Sika's position in the Japanese market, giving it more comprehensive access to all major Japanese automotive manufacturers and a broader range of sealants and adhesives for the Japanese construction sector.

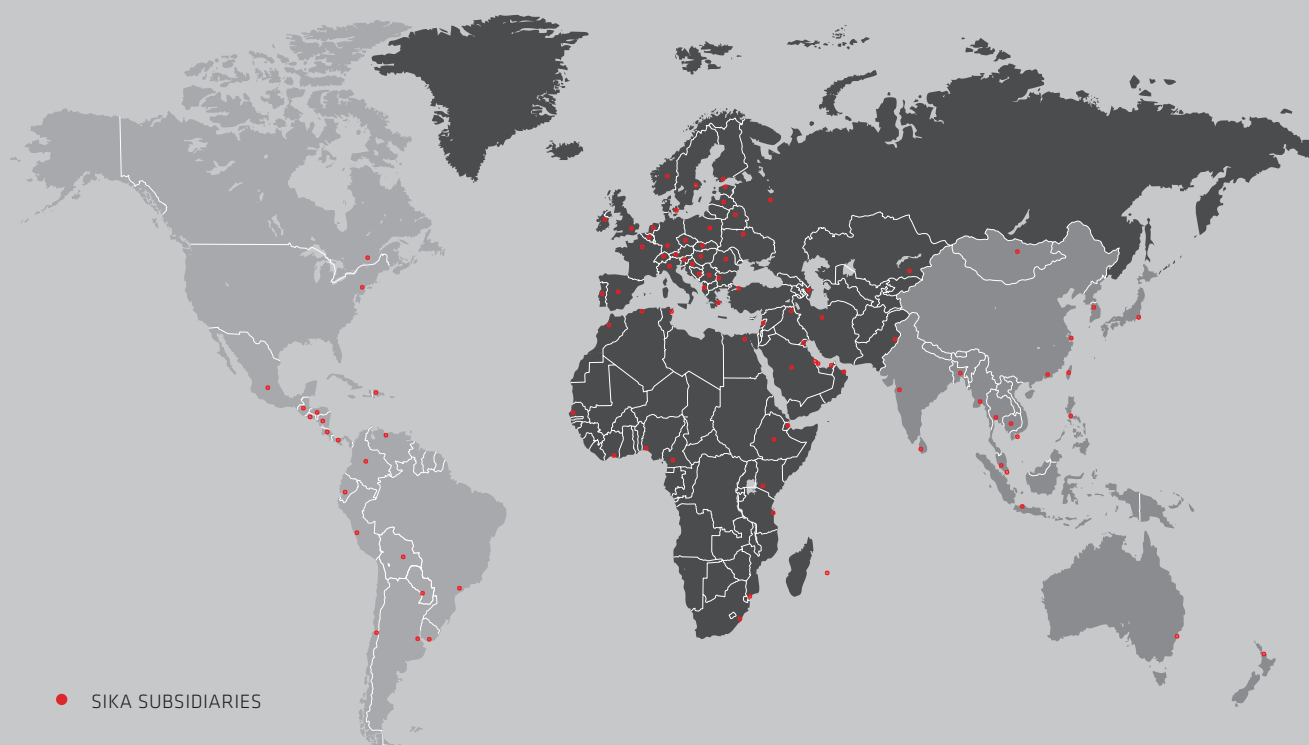
GLOBAL BUSINESS SEGMENT

After last year's market slump, production rates in the automotive markets in all regions are significantly higher at the mid-point of the current financial year despite a persistent shortage of electronic components. The number of vehicles produced in North America in the first half of 2021 rose by around one third year-on-year; the equivalent figures for China and

Europe were 25% and 28% respectively. Despite this significant growth, sales figures will not yet match 2019 levels. Overall, growth of 10% is forecast for the automotive sector in 2021.

During the first half of 2021, Sika benefited from positive growth stimuli in the automotive business. It is particularly noticeable that the transition from traditional drive systems to electromobility has picked up momentum during the pandemic thanks to various local support programs and the wide range of electric vehicles now available on the market. Sika is developing innovative products for various applications in electric vehicles for its customers, including, for example, adhesive and fire protection solutions for modern battery systems. Sika anticipates long-term growth stimuli from the megatrends evident in modern automotive construction – electromobility and light-weight construction.

WORLDWIDE MARKET PRESENCE



THE REGIONS IN BRIEF

	EMEA	Americas	Asia/Pacific	Global Business
Net sales in CHF mn (previous year)	2,036.4 (1,626.6)	1,100.5 (950.5)	960.8 (759.9)	351.0 (277.6)
Growth in local currencies	24.1%	19.5%	26.0%	27.6%
Currency impact	1.1%	-3.7%	0.4%	-1.2%
Acquisition effect	2.2%	0.5%	0.0%	0.0%

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30

in CHF mn	Notes	%	2020	%	2021	Change in %
Net sales	1, 2	100.0	3,614.6	100.0	4,448.7	23.1
Material expenses	3	-45.4	-1,641.4	-46.7	-2,075.9	
Gross result		54.6	1,973.2	53.3	2,372.8	20.3
Personnel expenses	4	-20.7	-748.5	-18.3	-813.3	
Other operating expenses	5	-17.5	-631.1	-15.5	-692.5	
Operating profit before depreciation		16.4	593.6	19.5	867.0	46.1
Depreciation and amortization expenses		-5.1	-183.4	-4.1	-181.1	
Operating profit	2	11.3	410.2	15.4	685.9	67.2
Interest income		0.1	3.3	0.1	6.1	
Interest expenses	6	-0.7	-28.3	-0.6	-27.2	
Other financial income		0.1	3.5	0.1	3.1	
Other financial expenses	6	-0.5	-18.0	-0.2	-7.5	
Income from associated companies		0.0	0.5	0.0	0.0	
Profit before taxes		10.3	371.2	14.8	660.4	77.9
Income taxes		-2.7	-95.6	-3.7	-165.7	
Net profit		7.6	275.6	11.1	494.7	79.5
Profit attributable to Sika shareholders		7.6	275.1	11.1	494.4	
Profit attributable to non-controlling interests		0.0	0.5	0.0	0.3	
Undiluted earnings per share (in CHF)			1.94		3.49	79.9
Diluted earnings per share (in CHF)			1.76		3.12	77.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	%	1/1/2020 - 6/30/2020	%	1/1/2021 - 6/30/2021	Change in %
Net profit	7.6	275.6	11.1	494.7	79.5
Actuarial gains (+)/losses (-) on employee benefit obligation	-0.5	-17.2	1.6	72.9	
Income tax effect	0.1	2.9	-0.3	-14.6	
Items that will not be reclassified to profit or loss	-0.4	-14.3	1.3	58.3	n.a.
Exchange differences taken to equity	-4.8	-174.6	4.0	177.8	
Items that may be reclassified subsequently to profit or loss	-4.8	-174.6	4.0	177.8	n.a.
Other comprehensive income	-5.2	-188.9	5.3	236.1	n.a.
Comprehensive income	2.4	86.7	16.4	730.8	742.9
Attributable to Sika shareholders	2.4	86.4	16.4	730.4	
Attributable to non-controlling interests	0.0	0.3	0.0	0.4	

CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2020	6/30/2021
Cash and cash equivalents	7	1,318.7	1,131.1
Accounts receivable	8	1,361.8	1,728.2
Inventories	9	814.0	1,034.1
Prepaid expenses and accrued income		120.7	154.6
Other assets		19.4	19.6
Current assets		3,634.6	4,067.6
Property, plant, and equipment	10	1,702.6	1,729.9
Intangible assets	11	4,172.3	4,313.9
Investments in associated companies		2.5	8.9
Deferred tax assets		194.7	145.5
Other assets		87.3	98.4
Non-current assets		6,159.4	6,296.6
ASSETS		9,794.0	10,364.2
Accounts payable	12	846.3	1,051.9
Accrued expenses and deferred income		454.0	512.9
Financial liabilities	13	334.7	345.2
Income tax liabilities		163.3	164.9
Provisions	14	26.8	27.2
Current liabilities		1,825.1	2,102.1
Financial liabilities	13	3,851.9	3,834.2
Provisions	14	98.3	98.3
Deferred tax liabilities		379.9	356.1
Employee benefit obligation		319.5	267.3
Other liabilities		31.3	32.4
Non-current liabilities		4,680.9	4,588.3
LIABILITIES		6,506.0	6,690.4
Capital stock		1.4	1.4
Treasury shares		-5.2	-1.0
Reserves		3,289.6	3,670.9
Equity attributable to Sika shareholders		3,285.8	3,671.3
Non-controlling interests		2.2	2.5
SHAREHOLDERS' EQUITY		3,288.0	3,673.8
LIABILITIES AND SHAREHOLDERS' EQUITY		9,794.0	10,364.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital stock	Capital surplus	Treasury shares	Currency translation differences	Retained earnings	Total Sika shareholders' equity	Non-controlling interests	Total equity
in CHF mn								
January 1, 2020	1.4	203.1	-7.3	-747.8	3,674.7	3,124.1	37.1	3,161.2
Profit for the period					275.1	275.1	0.5	275.6
Other comprehensive income				-174.4	-14.3	-188.7	-0.2	-188.9
Comprehensive income	-	-	-	-174.4	260.8	86.4	0.3	86.7
Transactions with treasury shares ¹			-0.1		-9.1	-9.2		-9.2
Share-based payments					5.4	5.4		5.4
Dividends ²					-326.0	-326.0		-326.0
Inflation adjustment ³					7.9	7.9		7.9
Non-controlling interests from acquisitions ⁴						-	0.1	0.1
Buyout of existing non-controlling interests ⁵					-46.5	-46.5	-31.3	-77.8
June 30, 2020	1.4	203.1	-7.4	-922.2	3,567.2	2,842.1	6.2	2,848.3
January 1, 2021	1.4	203.1	-5.2	-1,047.7	4,134.2	3,285.8	2.2	3,288.0
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
Comprehensive income	-	-	-	177.8	552.6	730.4	0.4	730.8
Transactions with treasury shares ¹			4.2		-14.4	-10.2		-10.2
Share-based payments					4.7	4.7		4.7
Dividends ⁶					-354.5	-354.5		-354.5
Inflation adjustment ³					15.2	15.2		15.2
Buyout of existing non-controlling interests ⁷					-0.1	-0.1	-0.1	-0.2
June 30, 2021	1.4	203.1	-1.0	-869.9	4,337.7	3,671.3	2.5	3,673.8

1 Including income tax of CHF 0.1 mn (CHF 0.0 mn).

2 Dividend per share: CHF 2.30.

3 Hyperinflation accounting concerns the subsidiaries in Argentina.

4 Non-controlling interests from the acquisition of Modern Waterproofing Company S.A.E., Egypt.

5 Complete buyout of Sika Arabia Holding Company WLL, Bahrain, including the Arabian subsidiaries.

6 Dividend per share: CHF 2.50.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	1/1/2020 – 6/30/2020	1/1/2021 – 6/30/2021
Operating activities			
Profit before taxes		371.2	660.4
Depreciation and amortization expenses		183.4	181.1
Increase (+)/decrease (-) provisions/employee benefit assets and obligations		11.6	1.6
Increase (-)/decrease (+) net working capital and accruals		-171.5	-309.3
Non-liquidity-related financial expenses (+)/income (-) as well as cash flow from hedging transactions		67.4	4.9
Other adjustments		2.1	8.7
Income taxes paid		-142.8	-171.6
Cash flow from operating activities		321.4	375.8
Investing activities			
Property, plant, and equipment: capital expenditures		-64.7	-58.2
Property, plant, and equipment: disposals		1.0	5.1
Intangible assets: capital expenditures		-5.9	-4.3
Acquisitions less cash and cash equivalents		-133.2	-29.2
Acquisition of associated companies		0.0	-7.8
Disposal of associated companies		2.9	0.0
Acquisitions (-)/disposals (+) of financial assets		0.6	-1.3
Cash flow from investing activities		-199.3	-95.7
Financing activities			
Increase in financial liabilities		251.7	5.7
Repayment of financial liabilities		-124.4	-18.8
Repayment of a bond	13	-160.0	0.0
Repayment liability component of mandatory convertible bond (interest)	13	-48.8	-48.8
Repayment of lease liabilities	13	-48.1	-49.4
Acquisitions of treasury shares		-76.4	-33.2
Disposals of treasury shares		66.0	22.0
Dividend payment to shareholders of Sika AG		-326.0	-354.5
Purchase of non-controlling interests		-77.8	-0.2
Cash flow from financing activities		-543.8	-477.2
Exchange differences on cash and cash equivalents		-15.8	9.5
Net change in cash and cash equivalents		-437.5	-187.6
Cash and cash equivalents at the beginning of the period	7	995.1	1,318.7
Cash and cash equivalents at the end of the period	7	557.6	1,131.1
Cash flow from operating activities contains:			
Dividends from associated companies		0.5	1.2
Interest received		3.4	4.6
Interest paid		-18.0	-18.1

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

The unaudited **Interim Consolidated Financial Statements** for the first half of 2021 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed interim financial statements do not include all information and disclosures as 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, 2020.

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, 2021, 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, with the exception of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

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, 2021. They have had no significant effect on the Consolidated Financial Statements of the Group:

- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform - phase 2

ACQUISITIONS 2021

In 2021, Sika acquired the following companies or parts of companies:

Company	Type of transaction	Stake in %	Closing date
Flooring adhesives business of DriTac, USA	Asset deal	n.a.	3/25/2021
Kreps LLC, Russia	Share deal	100.0	4/14/2021
Supermassa do Brasil Ltda, Brazil	Share deal	100.0	5/17/2021

ACQUISITIONS

On March 25, 2021, Sika has acquired the flooring adhesives business of DriTac, a US-based floor covering adhesives company with an especially strong position in wood floor bonding. The acquired business strengthens Sika's growth platform for interior finishing in the USA with large potential for cross-selling of Sika's other complementary products that include moisture-mitigation materials, surface preparation and self-levelling underlayment mortars, as well as tile setting materials. The DriTac product range, which includes polyurethane, modified silicone, and water-based technologies, will further enhance Sika's system solutions for floor covering applications and give customers access to a large, full-range portfolio.

On April 14, 2021, Sika acquired Kreps LLC, a leading mortar manufacturer in Russia. Kreps offers a wide range of mortar products for interior and exterior finishing, complementing the existing portfolio and geographical footprint. Kreps operates production plants in Saint Petersburg and Yekaterinburg, two geographical areas where Sika has not previously had its own mortar manufacturing. Kreps is a well-known local brand with a strong presence in the distribution channels, providing Sika with improved access to major home centers and builders' merchants. The combination of Sika's technical know-how and direct sales approach with Kreps' developed distribution network and production base will enable Sika to expand the local supply chain and better penetrate the market.

On May 17, 2021, Sika acquired Supermassa do Brasil Ltda, a mortar manufacturer which operates under the brand BR Massa in the Brazilian market. The acquisition will enhance Sika's position in the region of Minas Gerais, one of the strongest economic regions in Brazil, and complement the production footprint. BR Massa is a well-known local brand for tile setting materials and facade mortars, with a strong presence in the distribution channel. It will provide Sika with improved access to builders' merchants and specialized dealers and lead to attractive cross-selling opportunities for Sika's products through these channels.

Since the purchases, the acquisitions have contributed sales of CHF 12.1 million. The profit share was insignificant. For accounts receivable, the gross value corresponded to the fair value.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	Acquisitions ¹
Cash and cash equivalents	0.6
Accounts receivable	3.2
Inventories	3.4
Prepaid expenses and accrued income	0.2
Property, plant, and equipment	7.3
Intangible assets	9.0
Deferred tax assets	0.3
Total assets	24.0
Financial liabilities	7.7
Accounts payable	3.2
Accrued expenses and deferred income	0.2
Income tax liabilities	0.1
Provisions	3.4
Deferred tax liabilities	0.3
Total liabilities	14.9
Acquired net assets	9.1
Goodwill	27.1
Total purchase price	36.2
Cash in acquired assets	-0.6
Payments still due (per June 30, 2021)	-6.4
Net cash outflow	29.2

1 Flooring adhesives business of DriTac, USA; Kreps LLC, Russia, and Supermassa do Brasil Ltda, Brazil.

If the acquisitions had occurred on January 1, 2021, consolidated pro forma net sales would have been CHF 4,459.2 million (+CHF 10.5 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 13.8 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, 2021 (January 1 to June 30, 2020).
Balance sheet data as of June 30, 2021 (December 31, 2020).

1. NET SALES CHF 4,448.7 MN (CHF 3,614.6 MN)

Sales of goods account for nearly all net sales. Year-on-year net sales in local currency increased by 23.5%. Taking into account the currency effect of -0.4%, sales in Swiss francs increased by 23.1%, including a growth from acquisitions of 1.1%. 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 7.

The acquired company Kreps LLC, Russia was allocated to the segment EMEA. Supermassa do Brasil Ltda, Brazil, as well as the flooring adhesives business of DriTac, 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	2020 ¹			2021		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	1,626.6	105.6	1,732.2	2,036.4	115.1	2,151.5
Americas	950.5	2.5	953.0	1,100.5	2.5	1,103.0
Asia/Pacific	759.9	8.9	768.8	960.8	12.7	973.5
Global business	277.6	6.5	284.1	351.0	7.2	358.2
Eliminations	-	-123.5	-123.5	-	-137.5	-137.5
Net sales	3,614.6	-	3,614.6	4,448.7	-	4,448.7
Products for construction industry	2,956.6			3,624.3		
Products for industrial manufacturing	658.0			824.4		

1 The Advanced Resin business has been reallocated from the Global Business segment to the geographical regions. The prior year has been restated accordingly.

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	1/1/2020 – 6/30/2020 ¹	1/1/2021 – 6/30/2021	Change compared to prior period (+/- in %)		
			In Swiss francs	In local currencies	Currency impact
EMEA	1,626.6	2,036.4	25.2	24.1	1.1
Americas	950.5	1,100.5	15.8	19.5	-3.7
Asia/Pacific	759.9	960.8	26.4	26.0	0.4
Global business	277.6	351.0	26.4	27.6	-1.2
Net sales	3,614.6	4,448.7	23.1	23.5	-0.4
Products for construction industry	2,956.6	3,624.3	22.6	23.1	-0.5
Products for industrial manufacturing	658.0	824.4	25.3	25.9	-0.6

1 The Advanced Resin business has been reallocated from the Global Business segment to the geographical regions. The prior year has been restated accordingly.

OPERATING PROFIT

in CHF mn	1/1/2020 – 6/30/2020 ¹	1/1/2021 – 6/30/2021	Change compared to prior period	
			(+/-)	(+/- in %)
EMEA	233.6	367.6	134.0	57.4
Americas	142.4	203.5	61.1	42.9
Asia/Pacific	100.5	152.3	51.8	51.5
Global business	-0.5	38.5	39.0	n.a.
Other segments and activities	-65.8	-76.0	-10.2	n.a.
Operating profit	410.2	685.9	275.7	67.2

1 The Advanced Resin business has been reallocated from the Global Business segment to the geographical regions. The prior year has been restated accordingly.

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	1/1/2020 – 6/30/2020	1/1/2021 – 6/30/2021
Operating profit	410.2	685.9
Interest income	3.3	6.1
Interest expenses	-28.3	-27.2
Other financial income	3.5	3.1
Other financial expenses	-18.0	-7.5
Income from associated companies	0.5	0.0
Profit before taxes	371.2	660.4
Income taxes	-95.6	-165.7
Net profit	275.6	494.7

3. MATERIAL EXPENSES CHF 2,075.9 MN (CHF 1,641.4 MN)

The increased cost of raw materials due to bottlenecks resulted in a lower materials margin of 53.3% (54.6%).

4. PERSONNEL EXPENSES CHF 813.3 MN (CHF 748.5 MN)

Personnel costs decreased in relation to net sales from 20.7% to 18.3%. The negative impact of the coronavirus pandemic on Sika's sales markets led to a strongly increased ratio in the previous year.

In the previous year, personnel expenses included government support of CHF 16.0 million received worldwide in connection with the coronavirus pandemic. In the current year, no material support has been received. 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 2021 amounted to CHF 18.5 million (CHF 15.0 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 692.5 MN (CHF 631.1 MN)

Other operating expenses decreased in relation to net sales from 17.5% to 15.5%, in particular due to high volumes and efficiency improvements in production processes. The indirect effects of the pandemic in the logistics and transport sector increased the costs.

Other operating expenses included government support of CHF 3.5 million (CHF 1.9 million) received worldwide in connection with the coronavirus pandemic. 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 34.7 MN (CHF 46.3 MN)

Interest expenses of CHF 27.2 million (CHF 28.3 million) consist mainly of interest expenses for outstanding bond issues as well as interests on lease liabilities. Other financial expenses of CHF 7.5 million (CHF 18.0 million) include foreign exchange gains and losses from the management of foreign currency as well as net gains and losses from hedging and revaluation of loans to Group companies denominated in foreign currencies.

7. CASH AND CASH EQUIVALENTS CHF 1,131.1 MN (CHF 1,318.7 MN)

The item "Cash and cash equivalents" includes cash and cash equivalents with a maturity of less than three months, 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 1,728.2 MN (CHF 1,361.8 MN)

Accounts receivable have increased due to sales growth. In addition, they are higher at mid-year than at the end of 2020 as a result of seasonal influences.

9. INVENTORIES CHF 1,034.1 MN (CHF 814.0 MN)

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

10. PROPERTY, PLANT, AND EQUIPMENT CHF 1,729.9 MN (CHF 1,702.6 MN)

in CHF mn	12/31/2020	6/30/2021
Own property, plant, and equipment	1,387.3	1,405.8
Right-of-use assets	315.3	324.1
Property, plant, and equipment	1,702.6	1,729.9

11. INTANGIBLE ASSETS CHF 4,313.9 MN (CHF 4,172.3 MN)

The increase in intangible assets is mainly due to the acquisitions as well as exchange rate developments. The acquisitions resulted in an increase in goodwill of CHF 27.1 million. In addition, trademarks, customer relationships, and technologies of CHF 9.0 million were capitalized and are being amortized over their useful lives.

12. ACCOUNTS PAYABLE CHF 1,051.9 MN (CHF 846.3 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.

13. FINANCIAL LIABILITIES CHF 4,179.4 MN (CHF 4,186.6 MN)

in CHF mn	12/31/2020			6/30/2021		
	Current	Non-current	Total	Current	Non-current	Total
Derivatives	9.2	-	9.2	17.5	-	17.5
Bank loans	0.6	2.0	2.6	4.7	1.9	6.6
Lease liabilities	75.9	244.7	320.6	78.1	250.8	328.9
Bonds	170.0	3,554.2	3,724.2	170.0	3,576.7	3,746.7
Mandatory convertible bond (liability component)	48.7	48.3	97.0	48.5	-	48.5
Other financial liabilities	30.3	2.7	33.0	26.4	4.8	31.2
Total	334.7	3,851.9	4,186.6	345.2	3,834.2	4,179.4

As of June 30, 2021, Sika has the following bonds outstanding:

in CHF mn						12/31/2020	6/30/2021
Issuer	Bond	Nominal	Coupon	Term	Book value	Book value	
Sika AG, Baar, Switzerland	Straight bond	CHF 170.0	0.125%	2018 - 07/12/2021	170.0	170.0	
	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	199.6	199.7	
	Straight bond	CHF 250.0	0.625%	2018 - 07/12/2024	250.4	250.3	
	Convertible bond	CHF 1,650.0	0.150%	2018 - 06/05/2025	1,609.4	1,614.0	
	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	130.8	130.7	
Sika Capital B.V., Utrecht, Netherlands	Straight bond	EUR 500.0	0.875%	2019 - 04/29/2027	537.3	546.4	
	Straight bond	EUR 500.0	1.500%	2019 - 04/29/2031	536.7	545.6	
Total					3,724.2	3,746.7	

Furthermore, Sika has a revolving credit facility of CHF 750.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on April 1, 2024 with the option of two one-year extensions. As of June 30, 2021, Sika did not utilize this credit limit.

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 made available by existing shares or by the issue of new shares from the conditional capital. At the end of June 2021, the conversion price per share is CHF 189.10. No rights were converted in the reporting period.

On January 22, 2019, Sika placed a mandatory convertible bond in the amount of CHF 1,300.0 million due in 2022. The convertible bond has a coupon of 3.75% p.a. The bond will be mandatorily converted into registered shares of Sika at maturity, subject to the early conversion rights of Sika and bondholders in accordance with the terms and conditions of the bond. The shares to be delivered upon conversion will be made available by either existing shares or by the issue of new shares from the conditional capital. At the end of June 2021, the bond has a minimum conversion price of CHF 125.17 and a maximum conversion price of CHF 140.82. No rights were converted in the reporting period.

14. PROVISIONS CHF 125.5 MN (CHF 125.1 MN)

Provisions for guarantees reflect all known or anticipated claims in the near future. 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% as well as contingent liabilities from acquisitions. For provisions of CHF 27.2 million (CHF 26.8 million) an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

OTHER INFORMATION

SIGNIFICANT SHAREHOLDERS

As of the balance sheet date of June 30, 2021, Sika had received notification of three 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 5.0% 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.

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.

As at the balance sheet date December 31, 2020, 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) Massachusetts Financial Services Company, which held 3.03% of all voting rights.

EVENTS AFTER THE BALANCE SHEET DATE

The following events to report occurred between June 30, 2021, and the release of these consolidated financial statements:

ACQUISITION. On July 20, 2021, Sika acquired American Hydrotech Inc., USA and its affiliate Hydrotech Membrane Corporation in Canada. Hydrotech is an experienced and highly regarded liquid membrane manufacturer and provider of full-system roofing and waterproofing solutions. Hydrotech is clear market leader in the green/garden roof segment in North America. The acquisition strengthens Sika's roofing and waterproofing portfolio and complements Sika's sustainability focus. The exact amount and distribution of the assets are not yet known. In 2020, the acquired company generated sales of CHF 83 million.

PLANNED ACQUISITION. End of April 2021, Sika has further agreed to acquire Hamatite, the adhesives business of The Yokohama Rubber Co., Ltd. Hamatite is a market leader in Japan, offering adhesives and sealants to the automotive and construction industries. The acquisition will significantly strengthen Sika's market position in Japan, increase market access to all major Japanese OEMs, and notably extend the product offering for sealing and bonding applications in the Japanese construction industry. The transaction is subject to clearance by antitrust authorities and is expected to be closed in the second half of the year. The exact amount and distribution of the assets are not yet known. Headquartered in Tokyo, the business generates annual sales of CHF 160 million.

FINANCIAL CALENDAR

RESULTS FIRST NINE MONTHS 2021	Friday, October 22, 2021
NET SALES 2021	Tuesday, January 11, 2022
MEDIA CONFERENCE / ANALYST PRESENTATION ON FULL-YEAR RESULTS 2021	Friday, February 18, 2022
NET SALES FIRST QUARTER 2022	Tuesday, April 12, 2022
54TH ANNUAL GENERAL MEETING	Tuesday, April 12, 2022
HALF-YEAR REPORT 2022	Friday, July 22, 2022

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