

SIKA
HALF-YEAR REPORT

2023

HALF-YEAR RESULTS AT A GLANCE

Net sales up in local currencies by

+7.9%

Record first-half-year sales at CHF mn

5,345.5

Expansion of material
margin to

52.7%

Increase in EBIT margin adjusted
for acquisition-related costs to

14.0%

Operating free cash flow
increased to CHF mn

316.5

Global Business growth in
local currencies by

+16.2%

Completion of

MBCC

acquisition

New mortar and concrete
admixture plant in

INDIA

SIKA GROUP

Key figures

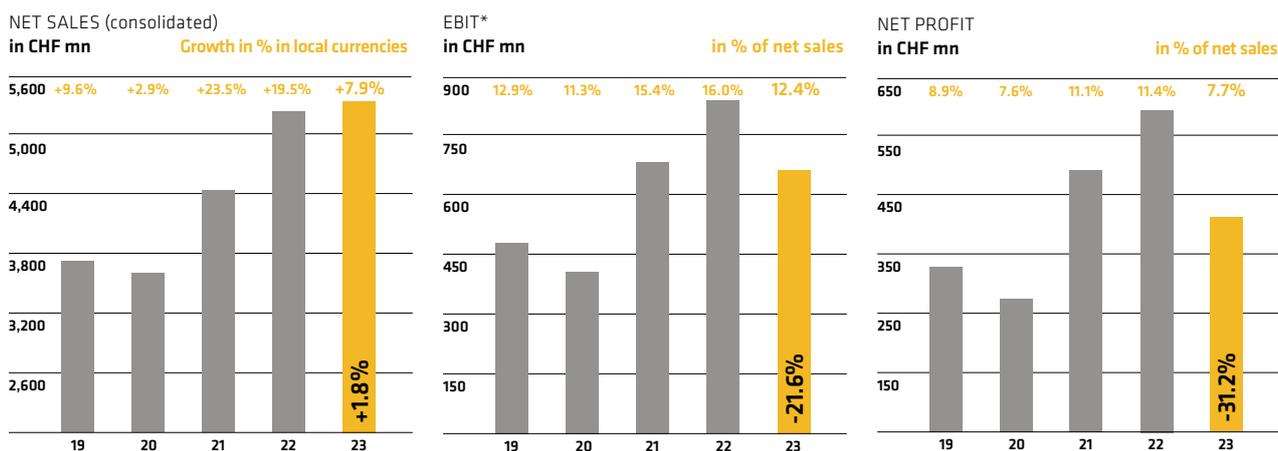
in CHF mn	1/1/2022 – 6/30/2022		1/1/2023 – 6/30/2023	
		as % of net sales		as % of net sales
Net sales	5,250.3		5,345.5	
Gross result	2,592.2	49.4	2,817.0	52.7
Operating profit before depreciation (EBITDA)	1,036.1	19.7	881.1	16.5
Operating profit (EBIT)	841.9	16.0	660.4	12.4
Net profit	598.8	11.4	411.9	7.7
Operating free cash flow	39.7	0.8	316.5	5.9
Capital expenditures	124.8	2.4	121.4	2.3
Balance sheet total ¹	11,319.2		16,413.9	
Shareholders' equity ¹	4,967.1		4,728.6	
Equity ratio in % ^{1,2}	43.9		28.8	
Return on capital employed (ROCE) in % ³	20.7		13.6	
Basic earnings per share (EPS) in CHF	3.90		2.67	
Diluted earnings per share (EPS) in CHF ⁴	3.76		2.59	
New patents	49		46	
Acquisitions	2		1	
Employees				
Number of employees ¹	27,708		33,698	

1 As of December 31, 2022 / June 30, 2023.

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).

4 Dilutive effect due to convertible bonds issued.



* Adjusted for one-time M&A-related effects in 2022 and 2023, EBIT increased by 6.9% (from CHF 701.6 million to CHF 749.9 million) and EBIT margin by 60 bps (from 13.4% to 14.0%).

INVESTOR INFORMATION

	6/30/2022	6/30/2023
Number of registered shares with a nominal value of CHF 0.01	153,153,882	154,061,808
Registered share price as of June 30 (CHF)	220.00	255.70
Market capitalization as of June 30 (CHF mn)	33,694	39,394

LETTER TO STAKEHOLDERS

Sika with sales up by 7.9% – consolidation of MBCC acquisition – profit expectations for 2023 confirmed

Dear Readers,

Sika was able to continue its profitable growth even in a challenging economic environment. The first half of 2023 was dominated by the completion of the largest acquisition in the company's history. Thanks to the takeover of MBCC Group, Sika is moving to the next strategic growth level, ideally positioning itself for the future. Next to additional annual sales of CHF 2.1 billion and many new innovations, 6,000 new employees are joining Sika. Sika and MBCC complement one another extremely well. The joint forces of the two businesses create a leading innovator in the construction chemicals market.

The environment was challenging in the first six months of 2023. High inflation rates and the substantial rise in interest rates weighed on the construction industry. Despite this backdrop, Sika managed to increase sales to CHF 5,345.5 million (+1.8%). In local currencies, this corresponds to a sales growth of 7.9%. The strong Swiss franc was responsible for a significant foreign currency impact (-6.1%).

Sales growth in local currencies

+7.9%

STRONG MATERIAL MARGIN AND OPERATING FREE CASH FLOW IMPROVEMENT

In the first half of the year, Sika expanded its material margin significantly to 52.7% (previous year: 49.4%), and thereby takes an important step on the road to a material margin recovery. Profit at EBIT level was shaped by one-time effects. In the prior-year period, Sika recorded an extraordinary book profit of CHF 168.3 million due to the divestment of its European industrial coating business. In addition, the first half of 2022 saw one-off expenses amounting to CHF 28.0 million incurred in connection with the MBCC acquisition. In the first half of 2023, Sika had costs of CHF 89.5 million relating to the acquisition and integration of MBCC. When adjusted for these effects, Sika expanded its EBIT margin significantly to 14.0% (first half of 2022: 13.4%). Excluding the one-time effects, EBIT increased to CHF 749.9 million in the first half of 2023 (first half of 2022: CHF 701.6 million). When one-time effects are included, EBIT amounted to CHF 660.4 million (first half of 2022: CHF 841.9 million).

Overall, Sika is anticipating the costs relating to the MBCC takeover to amount to approximately CHF 200 million (of which CHF 167.8 million already have been booked).

Operating free cash flow significantly increased to CHF 316.5 million (2022: CHF 39.7 million). Focused net working capital management and the normalization of the supply chains were the main contributors.

SALES GROWTH IN LOCAL CURRENCIES ACROSS ALL REGIONS

In the first half of 2023, Sika recorded growth in local currencies in all regions, despite challenging economic conditions. In addition, this half-year report incorporates two months' contribution from MBCC activities. Every region, except for Global Business, benefited from the acquisition. At Group level, the acquisition effect amounted to 7.2% in the first half of the year.

The EMEA region (Europe, Middle East, Africa) reported a sales increase in local currencies of 3.2% (previous year: 12.9%). The countries of the Middle East and Africa posted strong growth rates. A positive development was also recorded by countries such as France, Italy, and Spain. By contrast, business activity was subdued both in the DACH region (Germany, Austria, and Switzerland) and in Eastern Europe. The distribution business showed a slightly improving trend, while in the project business, volumes were down even though programs to stimulate the economy and investments in the transition of the energy sector supported Sika's business. A well-filled project pipeline of infrastructure and commercial construction projects continues to be in place for the EMEA region.

The Americas region achieved a 11.0% increase in local currency sales (previous year: 35.8%). Rising inflation, high interest rates, and an increasing shortage of skilled labor weighed on construction activity in many of the region's markets. The growth achieved by Sika in the first half of 2023 was primarily

attributable to the MBCC acquisition. In the USA, destocking in the roofing sector negatively impacted business development. Overall, the sentiment in the USA was positively influenced by infrastructure projects initiated under government-supported infrastructure programs as well as planned projects under the Inflation Reduction Act. In addition, increasing funds are being invested in reshoring, which involves bringing industrial know-how back to the United States from Asia and building new manufacturing plants. Latin America contributed to the increase in sales by recording moderate growth. While countries such as Mexico and Argentina benefited from a positive market dynamic in the construction industry, Chile and Peru have slowed down.

At the start of July, Sika reported the takeover of Thiessen Team USA, a manufacturer of shotcrete and grouting products for the US mining sector. The acquired company supplies mines in the Western region of the USA, which among other excavates critical minerals for the growing electro-mobility industry. The takeover will create significant cross-selling potential and strengthen Sika's expansion in the US mining sector.

Net sales first-half-year in CHF mn

5,345.5

Sales in local currencies in the Asia/Pacific region increased by 10.1% (previous year: 17.0%). The first quarter of the year in China was heavily impacted by the surge in COVID cases. However, the situation improved significantly in the second quarter, allowing Sika to record double-digit growth, primarily in the distribution business. Sales in Japan stagnated, whereas India recorded double-digit growth. Southeast Asia started the year modestly, with stronger growth in Indonesia and Thailand.

In the first half of the year, Sika opened a new factory in Kharagpur in Eastern India, hence expanding its production capacity in this high-growth market. This factory will produce mortar products, concrete admixtures, and shotcrete accelerators for customers in the West Bengal region, an area populated by over 100 million inhabitants.

In the Global Business segment, Sika achieved growth in local currencies of 16.2% (previous year: 13.2%). The automotive business grew faster than the market. Growth was driven by solid demand for new vehicles, especially electric cars, combined with supply chain normalization. The business not related to automotive in this segment was impacted by lower build rates. Sika continues to further develop and expand its range of solutions for batteries, as for example thermal conductive adhesives for the new generation of battery electric vehicles. A record of new nominations was set for Sika's automotive business in the first six months of the year. The newly gained platforms will generate sales in two to three years and ensure a continued strong performance of this business. Sustainable, long-term growth stimuli are expected to primarily come from electromobility and alternative drive concepts.

OUTLOOK FOR THE YEAR 2023

For the current fiscal year, Sika is convinced that it will successfully continue its strategy built on sustainable and profitable growth even in a challenging economic environment. With its innovative technologies, Sika is the partner of choice for many customers in the construction and industrial sectors. These sectors are being heavily shaped by the megatrend of sustainability, coupled with the rise of automation, digitization, and easy-to-apply products.

For the full 2023 fiscal year, Sika is expecting a sales increase in local currencies of above 15%, after factoring in the acquisition effect of the MBCC takeover (previously: 6 - 8% in local currencies excluding MBCC), and confirms an anticipated over-proportional rise in EBIT, excluding the influence of the MBCC takeover.

Sincerely,



DR. PAUL HÄLG
Chair of the Board



THOMAS HASLER
CEO

REGIONS

Sales growth in local currencies across all regions – next strategic growth level through the MBCC takeover

The market conditions were challenging in the first six months of 2023. High inflation rates and the substantial rise in interest rates weighed on the construction industry. Despite this backdrop, Sika managed to generate an increase in sales and expand its business further. The first half year was dominated by the completion of the largest acquisition in the company's history. The takeover of MBCC Group was finalized at the beginning of May. Thanks to this acquisition, Sika is moving to the next strategic growth level, ideally positioning itself for the future.

Region EMEA

In the first half of 2023, the growth for EMEA's gross domestic product was at a moderate 1.9%. The trend in economic output was weak in the Nordic markets, while some of the Southern European countries recorded stronger growth. Europe's construction markets in the individual countries also saw a mixed picture. For the full year 2023, construction volumes in the EMEA region are expected to shrink by 1.5%.

Region EMEA sales growth in local currencies

+3.2%

The construction industry in the Middle East and Africa are expected to maintain a consistently strong growth trajectory. Detailed forecasts for 2023 suggest a growth of 3.9% in the Middle East and 2.5% in Africa. Sika's business in EMEA benefited from the positive growth momentum of the construction industries in the Middle East and Africa with strong growth rates in sales in both regions.

In the first half year, Sika supplied several significant construction projects with its high-performance technologies in the whole EMEA region, for example, several major tunnel projects for transport infrastructure in France, Switzerland, and Saudi Arabia.

Region Americas

The macroeconomic environment in the Americas region was characterized by steep inflation rates, sharply rising interest rates, and an increasing shortage of skilled labor in the construction industry, resulting in challenging parameters for the region's individual markets. The US economy maintains a modest growth trajectory with an estimated 1.2% GDP growth for the current fiscal year. However, the construction market is forecasted to decline by 2.5%.

Region Americas sales growth in local currencies

+11.0%

Despite a difficult market environment in the USA, where multiple construction projects have been delayed, the tender activity for major infrastructure projects remains robust. Destocking in the roofing sector negatively impacted business development. Latin America contributed to the sales by recording moderate growth. While countries such as Mexico and Argentina benefited from a positive market dynamic in the construction industry, Chile and Peru have slowed down.

In early July, Sika announced the takeover of Thiessen Team USA, a manufacturer of shotcrete and grouting products for the US mining sector. This newly acquired company supplies mining companies in the west of the USA, which among others, supplies the growing electro-mobility industry with critical minerals. This takeover will give rise to significant cross-selling potential and strengthen Sika's expansion in the US mining sector.

Region Asia/Pacific

The growth momentum in region Asia/Pacific remains strong with a predicted GDP increase of almost 5% and an expansion in construction spendings of 2.4%. The economic outlook in the region has seen an uptick primarily owing to China's reopening and the easing of COVID restrictions. However, towards the end of the second quarter China's economy once again lost momentum, marked by a drop in exports. Nevertheless, the outlook for annual economic growth in China remains intact, with the official growth estimate of 5.7% having been reiterated.

Region Asia/Pacific sales growth in local currencies

+10.1%

In Southeast Asia, the economic outlook brightened following China's reopening. The countries of this area have experienced a positive trend in trade, production, and tourism over the past few months. Furthermore, India and Bangladesh were particularly dynamic. The GDP growth forecast for India has been raised to 5.7% for the current year.

In the first half of the year, Sika commenced operations at a new factory in Kharagpur in eastern India, thereby increasing production capacity in this high-growth market. The factory will produce mortar products, concrete admixtures, and shotcrete accelerators for customers in the West Bengal region, which is home to more than 100 million inhabitants.

Global Business segment

The automotive market benefited from strong momentum and robust growth rates in the first half of 2023. In the reporting period, the volume of newly manufactured vehicles stood at 43.3 million, 11.2% higher than in the first half of 2022. In North America, the production volume of new vehicles increased by 12.2%, with a strong focus on e-models.

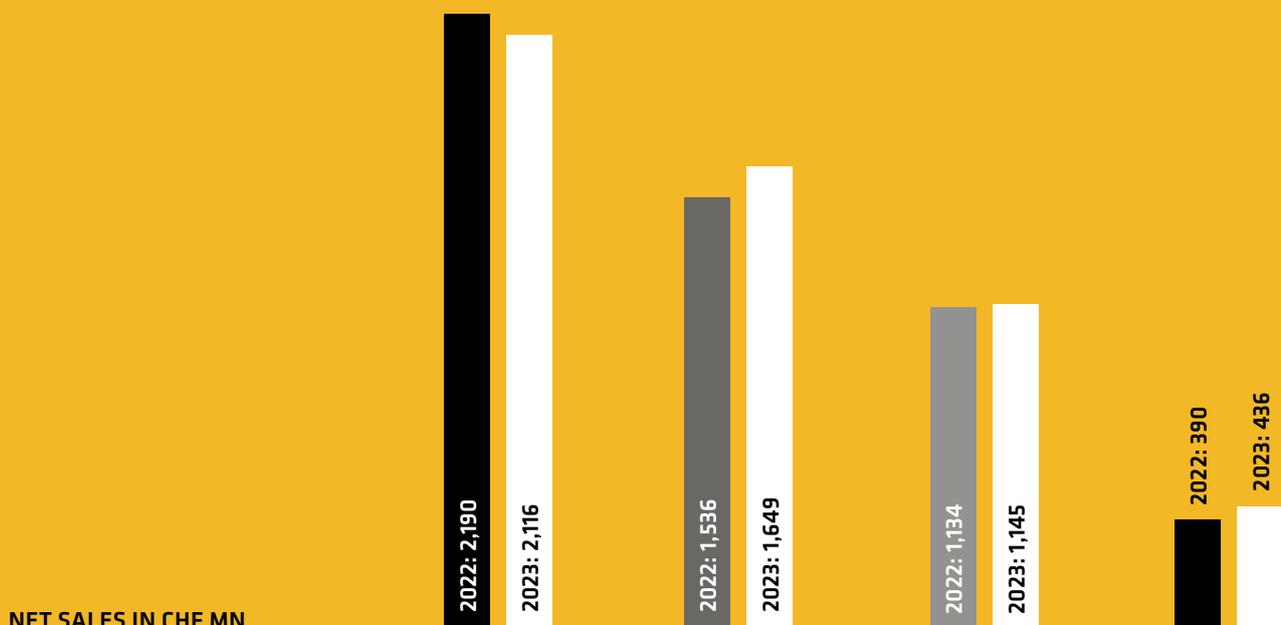
The Chinese automotive market grew by 7.1% in the first half of the year with strong growth rates in electric vehicles. India's automotive market likewise grew in the first half of the year. Electro-mobility is being promoted in local urban transport networks. For example, the Indian government is planning to acquire more than 50,000 electric buses by 2030.

Global Business sales growth in local currencies

+16.2%

Sika was able to generate above-average growth in all markets and further expand its customer base in the e-mobility business thanks to long-term supply agreements. Production figures for vehicles with combustion engines were at a higher level, too. Sika is well positioned for the transition to e-mobility, providing innovative solutions for battery sealing and bonding, gap fillers, and fire protection.

THE REGIONS IN BRIEF



NET SALES IN CHF MN

	EMEA	AMERICAS	ASIA/PACIFIC	GLOBAL BUSINESS
Growth in local currencies	3.2%	11.0%	10.1%	16.2%
Currency impact	-6.6%	-3.6%	-9.2%	-4.3%
Acquisitions effect	7.4%	10.4%	5.1%	0.0%
Organic growth	-4.2%	0.6%	5.0%	16.2%
Employees	14,359	8,191	8,232	2,165

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT from January 1 to June 30

in CHF mn	Notes	%	2022	%	2023	Change in %
Net sales	1, 2	100.0	5,250.3	100.0	5,345.5	1.8
Material expenses	3	-50.6	-2,658.1	-47.3	-2,528.5	
Gross result		49.4	2,592.2	52.7	2,817.0	8.7
Personnel expenses	4	-16.8	-882.4	-17.8	-952.9	
Other operating expenses	5	-12.9	-673.7	-18.4	-983.0	
Operating profit before depreciation		19.7	1,036.1	16.5	881.1	-15.0
Depreciation and amortization expenses		-3.7	-194.2	-4.0	-216.6	
Impairment	5	0.0	0.0	-0.1	-4.1	
Operating profit	2	16.0	841.9	12.4	660.4	-21.6
Interest income		0.1	6.9	0.4	20.5	
Interest expenses	6	-0.6	-31.9	-1.2	-63.2	
Other financial income		0.1	4.2	0.1	3.6	
Other financial expenses	6	-0.4	-22.8	-1.1	-55.4	
Income from associated companies		0.0	-0.1	0.0	0.2	
Profit before taxes		15.2	798.2	10.6	566.1	-29.1
Income taxes		-3.8	-199.4	-2.9	-154.2	
Net profit		11.4	598.8	7.7	411.9	-31.2
Profit attributable to Sika shareholders		11.4	598.8	7.7	411.1	
Profit attributable to non-controlling interests		0.0	0.0	0.0	0.8	
Basic earnings per share (in CHF) ¹			3.90		2.67	-31.5
Diluted earnings per share (in CHF)			3.76		2.59	-31.1

1 2022 basic earnings per share is restated to CHF 3.90 compared to CHF 3.95 (difference CHF 0.05 per share). The effect of the 3.75%-mandatory convertible bond was not correctly considered.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	1/1/2022 – 6/30/2022		1/1/2023 – 6/30/2023		Change in %
	%		%		
Net profit	11.4	598.8	7.7	411.9	-31.2
Actuarial gains (+)/losses (-) on employee benefit obligation	0.6	32.6	0.0	-0.1	
Income tax effect	-0.1	-5.3	0.0	0.1	
Items that will not be reclassified to profit or loss	0.5	27.3	0.0	0.0	
Exchange differences taken to equity	0.7	34.2	-4.6	-247.4	
Items that may be reclassified subsequently to profit or loss	0.7	34.2	-4.6	-247.4	
Other comprehensive income	1.2	61.5	-4.6	-247.4	
Comprehensive income	12.6	660.3	3.1	164.5	-75.1
Attributable to Sika shareholders	12.6	660.0	3.1	163.6	
Attributable to non-controlling interests	0.0	0.3	0.0	0.9	

CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2022	6/30/2023
Cash and cash equivalents	7	1,873.3	827.3
Accounts receivable	8	1,719.6	2,440.5
Inventories	9	1,212.8	1,470.6
Prepaid expenses and accrued income		190.1	219.8
Other assets		25.5	35.4
Current assets		5,021.3	4,993.6
Property, plant, and equipment	10	1,822.3	2,363.4
Intangible assets	11	4,229.1	8,743.3
Investments in associated companies		9.5	16.4
Deferred tax assets		144.8	195.0
Other assets		92.2	102.2
Non-current assets		6,297.9	11,420.3
ASSETS		11,319.2	16,413.9
Accounts payable	12	1,016.6	1,318.4
Accrued expenses and deferred income		489.0	647.1
Financial liabilities	13	303.0	1,856.7
Income tax liabilities		205.9	358.0
Provisions	14	26.9	41.8
Current liabilities		2,041.4	4,222.0
Financial liabilities	13	3,634.2	6,372.6
Provisions	14	78.0	207.2
Deferred tax liabilities		322.5	505.4
Employee benefit obligation		239.9	341.1
Other liabilities		36.1	37.0
Non-current liabilities		4,310.7	7,463.3
LIABILITIES		6,352.1	11,685.3
Capital stock		1.5	1.5
Treasury shares		-15.1	-6.2
Reserves		4,979.8	4,681.9
Equity attributable to Sika shareholders		4,966.2	4,677.2
Non-controlling interests		0.9	51.4
SHAREHOLDERS' EQUITY		4,967.1	4,728.6
LIABILITIES AND SHAREHOLDERS' EQUITY		11,319.2	16,413.9

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
January 1, 2022	1.4	437.4	-10.7	-995.2	4,960.9	4,393.8	2.1	4,395.9
Profit for the period					598.8	598.8	-	598.8
Other comprehensive income				33.9	27.3	61.2	0.3	61.5
Comprehensive income	-	-	-	33.9	626.1	660.0	0.3	660.3
Transactions with treasury shares ¹			3.5		-15.1	-11.6		-11.6
Share-based payments					6.6	6.6		6.6
Conversion of convertible bonds ²	0.1	1,441.4			-1,318.8	122.7		122.7
Dividends ³					-445.8	-445.8		-445.8
Inflation adjustment ⁴					20.7	20.7		20.7
Buyout of existing non-controlling interests ⁵					-5.1	-5.1	-1.3	-6.4
June 30, 2022	1.5	1,878.8	-7.2	-961.3	3,829.5	4,741.3	1.1	4,742.4
January 1, 2023	1.5	1,878.8	-15.1	-1,232.7	4,333.7	4,966.2	0.9	4,967.1
Profit for the period					411.1	411.1	0.8	411.9
Other comprehensive income				-247.5	0.0	-247.5	0.1	-247.4
Comprehensive income	-	-	-	-247.5	411.1	163.6	0.9	164.5
Transactions with treasury shares ¹			8.9		-8.0	0.9		0.9
Share-based payments					5.8	5.8		5.8
Conversion of convertible bonds ²	-	61.4			-1.4	60.0		60.0
Dividends ⁶					-492.3	-492.3		-492.3
Inflation adjustment ⁴					41.2	41.2		41.2
Non-controlling interests from MBCC acquisition						-	75.4	75.4
Buyout of existing non-controlling interests ⁷					-68.2	-68.2	-25.8	-94.0
June 30, 2023	1.5	1,940.2	-6.2	-1,480.2	4,221.9	4,677.2	51.4	4,728.6

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

2 Details to convertible bonds see note 13.

3 Dividend per share: CHF 2.90.

4 Hyperinflation accounting concerns the subsidiaries in Argentina and Turkey (prior year period only Argentina).

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

6 Dividend per share: CHF 3.20.

7 Complete buyout of non-controlling interest in MBS Egypt (SAE) and MBS Construction Chemicals Trading Egypt (SAE).

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	1/1/2022 – 6/30/2022	1/1/2023 – 6/30/2023
Operating activities			
Profit before taxes		798.2	566.1
Depreciation, amortization, and impairment expenses		194.2	220.7
Increase (+)/decrease (-) in provisions/ employee benefit obligations and assets		-1.6	-0.3
Increase (-)/decrease (+) net working capital and accruals		-523.3	-259.4
Non-liquidity-related financial expenses (+)/income (-) as well as cash flow from hedging transactions		12.5	53.6
Profit on divestment of the European industrial coating business		-168.3	0.0
Other adjustments		11.2	39.3
Income taxes paid		-159.6	-186.2
Cash flow from operating activities		163.3	433.8
Investing activities			
Property, plant, and equipment: capital expenditures		-117.7	-110.5
Property, plant, and equipment: disposals		1.2	4.1
Intangible assets: capital expenditures		-7.1	-10.9
Proceeds from divestment of the European industrial coating business		204.0	0.0
Acquisitions less cash and cash equivalents		-136.3	-3,141.7
Acquisition of associated companies		0.0	-7.4
Acquisitions (-)/disposals (+) of financial assets		1.0	2.4
Cash flow from investing activities		-54.9	-3,264.0
Financing activities			
Increase in financial liabilities		21.5	1,424.9
Repayment of financial liabilities		-46.1	-1,821.4
Issue of bonds	13	0.0	2,856.5
Repayment liability component of mandatory convertible bond (interest)	13	-48.8	0.0
Repayment of lease liabilities		-48.7	-52.2
Purchase of treasury shares		-38.0	-19.9
Sale of treasury shares		25.2	19.2
Dividend payment to shareholders of Sika AG		-445.8	-492.3
Buyout of existing non-controlling interests		-6.4	-94.0
Cash flow from financing activities		-587.1	1,820.8
Exchange differences on cash and cash equivalents		-2.8	-36.6
Net change in cash and cash equivalents		-481.5	-1,046.0
Cash and cash equivalents at the beginning of the period	7	1,175.0	1,873.3
Cash and cash equivalents at the end of the period	7	693.5	827.3
Cash flow from operating activities contains:			
Dividends from associated companies		0.0	0.3
Interest received		5.8	20.7
Interest paid		-21.5	-26.7

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

The unaudited **Interim Consolidated Financial Statements** for the first half of 2023 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, 2022.

The financial statements of Sika 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, 2023, 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, 2023. They have had no significant effect on the Consolidated Financial Statements of the Group:

- Amendments to IAS 1 – Disclosure of accounting policies
- Amendments to IAS 8 – Definition of accounting estimates
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

Sika has adopted the amendments to IAS 12 'Income Taxes' relating to 'International Tax Reform – Pillar Two Model Rules' issued by the International Accounting Standards Board (IASB) in May 2023. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Acquisitions 2022

In 2022, Sika acquired the two companies Sable Marco Inc., Canada, as well as United Gilsonite Laboratories, USA. By the end of 2022, their purchase prices and allocations (PPAs) were still subject to uncertainties. Both PPAs were left unchanged and are now final.

Acquisitions 2023

In 2023, Sika acquired the following company:

Company	Type of transaction	Stake in %	Closing date
MBCC Group	Share deal	100.0	02/05/23

ACQUISITIONS

On May 2, 2023, Sika acquired MBCC Group, a leading global supplier of construction chemicals. With this highly complementary transaction, Sika strengthens its footprint across all regions, reinforces its range of products and services across the entire construction life cycle and drives the sustainable transformation of the construction industry further and faster. Pro-forma sales of the combined entity amount to more than CHF 12 billion and the number of employees has increased by 6,200 to 33,698.

Prior to the closure of the transaction, MBCC Group's chemical admixtures business in the UK, the USA, Canada, Europe, Australia, and New Zealand was sold to the private equity firm Cinven. In compliance with the regulatory anti-trust requirements Sika did not obtain control of these assets at any point in time during the close of the MBCC transaction and Sika did not obtain control over the sales proceeds paid by Cinven to the former owner. Consequently, these assets and the sales proceeds do not form part of the net assets acquired by Sika and are not part of Sika's consideration transferred to acquire MBCC Group.

Sika acquired all remaining business of MBCC Group, consisting of business in over 60 countries and 95 production facilities.

Since the purchase, MBCC has contributed sales of CHF 385.8 million. The profit share was insignificant. Accounts receivable had a gross value of CHF 530.6 million and were recognized at fair value of CHF 481.6 million.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	MBCC Group
Cash and cash equivalents	94.9
Accounts receivable	481.6
Inventories	289.5
Prepaid expenses and accrued income	28.6
Property, plant, and equipment	550.1
Intangible assets	1,316.1
Deferred tax assets	27.2
Other assets	18.9
Total assets	2,806.9
Accounts payable	280.9
Financial liabilities	1,882.6
Accrued expenses and deferred income	136.6
Income tax liabilities	129.2
Provisions	144.1
Employee benefit obligation	99.2
Deferred tax liabilities	234.8
Total liabilities	2,907.4
Net assets	-100.5
Non-controlling interests	-75.4
Goodwill	3,412.5
Total purchase price	3,236.6
Cash in acquired assets	-94.9
Net cash outflow	3,141.7

If the acquisitions had occurred on January 1, 2023, consolidated pro-forma net sales would have been CHF 6,010.2 million (+CHF 664.7 million). The additional profit share would have been insignificant. The amounts have been calculated using the MBCC results and adjusting them for differences in the accounting policies and the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible assets had applied from January 1, 2023.

Since the purchase price and the purchase allocation 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 264.0 million is tax-deductible.

The directly attributable transaction cost of the acquisition amounted to CHF 89.5 million and were charged to other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income statement from January 1 to June 30, 2023 (January 1 to June 30, 2022).
Balance sheet data as of June 30, 2023 (December 31, 2022).

1. Net sales CHF 5,345.5 mn (CHF 5,250.3 mn)

Sales of goods account for nearly all net sales. Year-on-year net sales in local currency increased by 7.9%. Taking into account the currency effect of -6.1%, sales in Swiss francs increased by 1.8%. 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 globally active MBCC Group has been allocated to the EMEA, Americas and Asia/Pacific geographical segments according to the respective sales activities of the companies.

“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	2022			2023		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	2,190.5	128.8	2,319.3	2,115.7	131.4	2,247.1
Americas	1,535.7	2.5	1,538.2	1,649.2	1.8	1,651.0
Asia/Pacific	1,134.4	12.4	1,146.8	1,144.6	12.1	1,156.7
Global business	389.7	7.5	397.2	436.0	6.9	442.9
Eliminations	-	-151.2	-151.2	-	-152.2	-152.2
Net sales	5,250.3	-	5,250.3	5,345.5	-	5,345.5
Products for construction industry	4,320.7			4,421.5		
Products for industrial manufacturing	929.6			924.0		

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, cementitious mortars, 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	1/1/2022 – 6/30/2022	1/1/2023 – 6/30/2023	Change compared to prior period (+/- in %)		
			In Swiss francs	In local currencies	Currency impact
EMEA	2,190.5	2,115.7	-3.4	3.2	-6.6
Americas	1,535.7	1,649.2	7.4	11.0	-3.6
Asia/Pacific	1,134.4	1,144.6	0.9	10.1	-9.2
Global business	389.7	436.0	11.9	16.2	-4.3
Net sales	5,250.3	5,345.5	1.8	7.9	-6.1
Products for construction industry	4,320.7	4,421.5	2.3	8.6	-6.3
Products for industrial manufacturing	929.6	924.0	-0.6	5.0	-5.6

OPERATING PROFIT

in CHF mn	1/1/2022 – 6/30/2022	1/1/2023 – 6/30/2023	Change compared to prior period	
			(+/-)	(+/- in %)
EMEA ¹	494.4	315.4	-179.0	-36.2
Americas	266.5	294.1	27.6	10.4
Asia/Pacific	143.1	165.9	22.8	15.9
Global business	11.4	52.2	40.8	357.9
Other segments and activities ^{2,3}	-73.5	-167.2	-93.7	n.a.
Operating profit	841.9	660.4	-181.5	-21.6

1 Included in 2022 is a profit of CHF 148.2 million from the divestment of the European industrial coatings business.

2 Included in 2022 is a profit of CHF 20.1 million from the divestment of the European industrial coatings business.

3 Including MBCC-related acquisition costs of CHF 89.5 million (CHF 28.0 million).

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	1/1/2022 – 6/30/2022	1/1/2023 – 6/30/2023
Operating profit	841.9	660.4
Interest income	6.9	20.5
Interest expenses	-31.9	-63.2
Other financial income	4.2	3.6
Other financial expenses	-22.8	-55.4
Income from associated companies	-0.1	0.2
Profit before taxes	798.2	566.1
Income taxes	-199.4	-154.2
Net profit	598.8	411.9

3. Material expenses CHF 2,528.5 mn (CHF 2,658.1 mn)

On the back of decreasing raw-material and transportation costs and due to disciplined sales price management, Sika achieved an improvement of the gross result of 3.3 percentage points.

4. Personnel expenses CHF 952.9 mn (CHF 882.4 mn)

Personnel expenses increased in relation to net sales from 16.8% to 17.8%.

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 2023 amounted to CHF 14.2 million (CHF 8.4 million). If employees have the opportunity to subscribe to shares of Sika AG, this portion is 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 983.0 mn (CHF 673.7 mn)

Other operating expenses increased in relation to net sales from 12.9% to 18.5%. Included in other operating expenses are costs in the amount of CHF 89.5 million (CHF 28.0 million) related to the acquisition of MBCC Group. In the prior year this position included the profit before tax from the divestment of the European industrial coating business in the amount of CHF 168.3 million. Excluding the extraordinary effects, the increase would amount to 1.2 percentage points in relation to net sales.

The production plant in Singapore was destroyed by a fire, for which an impairment charge of CHF 4.1 million was recognized. The corresponding insurance reimbursement is considered in this position as well as the indemnity for the business interruption.

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 118.6 mn (CHF 54.7 mn)

Interest expenses of CHF 63.2 million (CHF 31.9 million) consist mainly of interest expenses for outstanding bond issues as well as interests on lease liabilities. Other financial expenses of CHF 55.4 million (CHF 22.8 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 827.3 mn (CHF 1,873.3 mn)

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 2,440.5 mn (CHF 1,719.6 mn)

Accounts receivable have increased due to the acquisition of MBCC Group. In addition, they are higher at mid-year than at the end of 2022 as a result of seasonal influences.

9. Inventories CHF 1,470.6 mn (CHF 1,212.8 mn)

The acquisition of MBCC Group has led to an increase in inventories. Additionally, inventories are higher at mid-year than at the end of 2022 due to seasonal distribution of sales. Lower raw material prices, which led to lower inventory values, partially offset this effect.

10. Property, plant, and equipment CHF 2,363.4 mn (CHF 1,822.3 mn)

in CHF mn	12/31/2022	6/30/2023
Own property, plant, and equipment	1,488.7	1,953.4
Right-of-use assets	333.6	410.0
Property, plant, and equipment	1,822.3	2,363.4

11. Intangible assets CHF 8,743.3 mn (CHF 4,229.1 mn)

The acquisition of MBCC Group resulted in an increase in goodwill of CHF 3,412.5 million. In addition, trademarks, customer relationships, and technologies of CHF 1,316.1 million were capitalized and are being amortized over their useful lives.

12. Accounts payable CHF 1,318.4 mn (CHF 1,016.6 mn)

Accounts payable are higher at mid-year than at the end of 2022 as a result of the acquisition of MBCC Group as well as seasonal influences. Accounts payable do not bear interest and will usually become due within 30 to 60 days.

13. Financial liabilities CHF 8,229.3 mn (CHF 3,937.2 mn)

in CHF mn	12/31/2022			6/30/2023		
	Current	Non-current	Total	Current	Non-current	Total
Derivatives	9.1	0.4	9.5	21.0	-	21.0
Bank loans	11.1	0.0	11.1	1,427.0	0.2	1,427.2
Lease liabilities	78.1	256.1	334.2	104.6	316.7	421.3
Straight bonds	199.9	2,099.9	2,299.8	299.9	4,833.5	5,133.4
Convertible bond	0.0	1,249.7	1,249.7	0.0	1,192.4	1,192.4
Other financial liabilities	4.8	28.1	32.9	4.2	29.8	34.0
Total	303.0	3,634.2	3,937.2	1,856.7	6,372.6	8,229.3

The fair value of straight bonds amounts to CHF 5,151.1 million (CHF 1,752.0 million), that of the convertible bond to CHF 1,206.0 million (CHF 1,581.5 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, 2027, with the option of a one-year extension.
- Bridge credit facility of EUR 750.0 million. The term ends on November 10, 2023, with the option of a six-month extension.

As of June 30, 2023, a total amount of CHF 1,411.6 of these credit facilities was drawn in CHF, EUR, and USD.

OUTSTANDING BONDS

in CHF mn						12/31/2022	6/30/2023
Issuer	Bond	Nominal	Coupon	Term	Book value	Book value	
Sika AG, Baar, Switzerland	Straight bond	CHF 200.0	1.875%	2013-11/14/2023	199.9	200.0	
	Straight bond	CHF 100.0	1.600%	2022-05/28/2024	99.9	99.9	
	Straight bond	CHF 200.0	2.125%	2023-10/11/2024	0.0	199.8	
	Straight bond	CHF 250.0	0.625%	2018-07/12/2024	250.2	250.1	
	Straight bond	CHF 200.0	1.900%	2022-11/28/2025	199.6	199.4	
	Straight bond	CHF 140.0	0.600%	2018-03/27/2026	140.0	140.0	
	Straight bond	CHF 200.0	2.250%	2023-04/13/2026	0.0	200.2	
	Straight bond	CHF 130.0	1.125%	2018-07/12/2028	130.6	130.5	
	Straight bond	CHF 300.0	2.350%	2022-11/28/2028	299.4	299.5	
	Straight bond	CHF 250.0	2.250%	2023-04/13/2029	0.0	249.5	
Sika Capital B.V., Utrecht, Netherlands	Floating-rate bond	EUR 500.0	3.465% ¹	2023-11/01/2024	0.0	487.9	
	Straight bond	EUR 1,000.0	3.750%	2023-11/03/2026	0.0	974.3	
	Straight bond	EUR 500.0	0.875%	2019-04/29/2027	490.6	487.8	
	Straight bond	EUR 750.0	3.750%	2023-05/03/2030	0.0	727.6	
	Straight bond	EUR 500.0	1.500%	2019-04/29/2031	489.6	486.9	
Total					2,299.8	5,133.4	

¹ Three-month Euribor plus 20 basis points, reoffered quarterly. Indicated is the rate valid as at June 30, 2023.

CONVERTIBLE BOND

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 2023, the conversion price per share is CHF 187.43. 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 61.4 million (in prior year CHF 141.7 million) were converted.

RECONCILIATION LIABILITY COMPONENT 0.15%-CONVERTIBLE BOND 2018 - 2025

in CHF mn	1/1/2022 - 12/31/2022	1/1/2023 - 6/30/2023
Opening balance	1,381.9	1,249.7
Interest expense (amortized cost)	7.2	3.4
Conversion of bond into registered shares	-139.4	-60.7
Ending balance	1,249.7	1,192.4
Open par value	1,267.3	1,205.9

14. Provisions CHF 249.0 mn (CHF 104.9 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. The increase is mostly related to the acquisition of MBCC Group, related to tax contingencies and warranty provisions. For provisions of CHF 41.8 million (CHF 26.9 million) an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

Other information

SIGNIFICANT SHAREHOLDERS

At June 30, 2023, based on information supplied to the Group, there are five 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. (5) WCM Investment Management, who held 3.0% of all voting rights via WCM Focused International Growth Fund LP.

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.

EVENTS AFTER THE BALANCE SHEET DATE

On July 6, 2023, Sika has acquired Thiessen Team USA, a US manufacturer of shotcrete and grouting products for the mining industry in the USA. The company serves the Western US mining industry which produces essential minerals for the growing electric vehicle industry among many other critical minerals. The acquisition will open up significant cross-selling potential and will support Sika's expansion in the US mining market. The exact amount and distribution of the assets are not yet known. In 2022, the acquired company generated sales of CHF 13.6 million.

FINANCIAL CALENDAR

RESULTS FIRST NINE MONTHS 2023

Friday, October 20, 2023

NET SALES 2023

Wednesday, January 10, 2024

**MEDIA CONFERENCE / ANALYST PRESENTATION
ON FULL-YEAR RESULTS 2023**

Friday, February 16, 2024

56TH ANNUAL GENERAL MEETING

Tuesday, March 26, 2024

NET SALES FIRST QUARTER 2024

Tuesday, April 16, 2024

HALF-YEAR REPORT 2024

Tuesday, July 30, 2024

Sika is a specialty chemicals company with a globally 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 103 countries, manufactures in over 400 factories, and develops innovative technologies for customers around the world that facilitate the sustainable transformation of the construction and transportation industries. With more than 33,000 employees, the company generated annual sales of CHF 10.5 billion in 2022.

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.