

SIKA HALF-YEAR REPORT 2019

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HALF-YEAR RESULTS AT A GLANCE

**SALES GROWTH
OF 9.6%
(7.6% IN CHF)
TO CHF 3,732.4
MILLION**

**GROWTH
IN ALL
REGIONS**

**3 NEW
FACTORIES**

**CONCLUSION
OF PAREX
ACQUISITION
PROVIDES BOOST
TO GROWTH**

**EBIT UP
8.3% TO
CHF 481.7
MILLION**

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 protecting in the building sector and automotive industry. Sika has subsidiaries in 101 countries around the world and manufactures in over 200 factories. Its more than 20,000 employees generated annual sales of CHF 7.09 billion in 2018.

KEY FIGURES

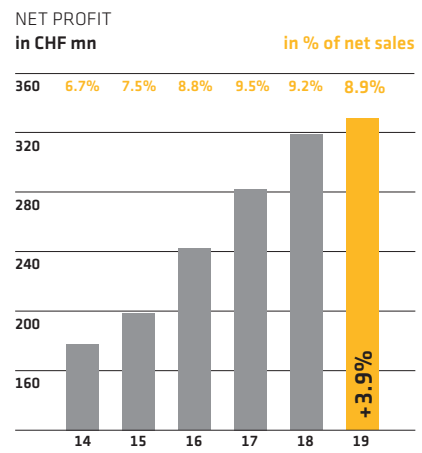
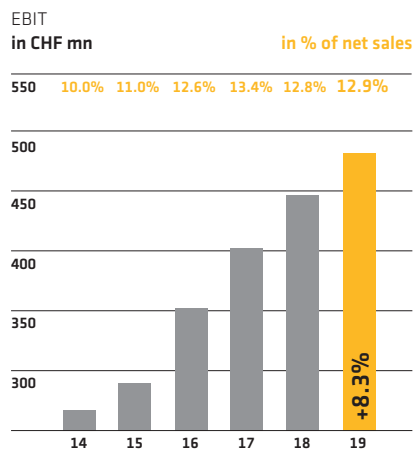
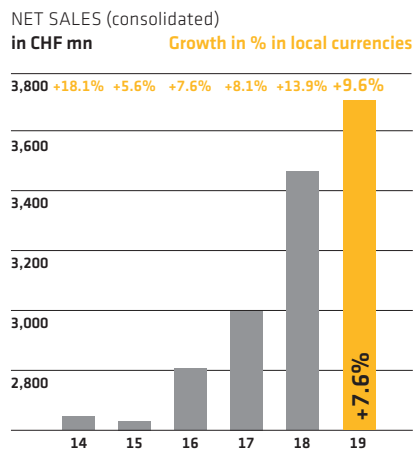
SIKA GROUP

in CHF mn	1/1/2018 – 6/30/2018	as % of net sales	1/1/2019 – 6/30/2019	as % of net sales
Net sales	3,470.1		3,732.4	
Gross result	1,861.2	53.6	2,008.9	53.8
Operating profit before depreciation (EBITDA)	544.8	15.7	623.8	16.7
Operating profit (EBIT)	444.6	12.8	481.7	12.9
Net profit	318.2	9.2	330.7	8.9
Operating free cash flow	11.5	0.3	179.7	4.8
Capital expenditures	148.7	4.3	86.0	2.3
Balance sheet total ¹	6,382.0		10,139.1	
Shareholders' equity ¹	1,675.2		2,835.4	
Equity ratio in % ^{1, 2}	26.2		28.0	
Return on capital employed (ROCE) in % ³	26.2		17.0	
Basic earnings per share (EPS) in CHF	2.12		2.31	
Diluted earnings per share (EPS) in CHF	2.11		2.11	
Number of employees ¹	20,060		24,951	

1 As of December 31, 2018/June 30, 2019.

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 bond). This includes the capital employed from the initial consolidation of Parex.



INVESTOR INFORMATION

	6/30/2018	6/30/2019
Number of registered shares with a nominal value of CHF 0.01	152,410,680	141,781,160
Registered share price as of June 30 (CHF)	137.40	166.60
Market capitalization as of June 30 (CHF mn)	20,941	23,621

DEAR SHAREHOLDERS

Sika recorded strong single-digit sales growth in the first half of the year, posting a new sales record of CHF 3,732.4 million. This equates to an increase of 9.6% in local currencies. Sales growth in CHF amounted to 7.6% (-2.0% currency effect), organic growth to 3.1%.

HIGHER GROSS RESULT – EBIT INCREASED BY 8.3%

In the first half of the year, Sika managed to increase its gross result to 53.8% (previous year: 53.6%). Despite one-off effects, operating profit (EBIT) improved by 8.3% to a new record level of CHF 481.7 million (previous year: CHF 444.6 million). Acquisition and integration costs in connection with the takeover of Parex amounted to CHF 30.8 million, whereof CHF 6.7 million were non-recurring financial expenses. In the prior-year period, one-off effects in connection with the solution to the takeover dispute with Saint-Gobain amounted to CHF 23 million.

Paul Schuler, Chief Executive Officer: "We are well-positioned in a commercially challenging environment, and achieved a strong sales growth of 9.6% in the first half of 2019. We are enjoying a significant boost to growth thanks to the Parex acquisition, and are well on track to exceed the sales mark of CHF 8 billion. Our collaboration during the integration process is working outstandingly, and we are exploiting our synergy potential in procurement, logistics, and production. Our joint distribution and cross-selling activities are already revealing the strength of our combined market presence."

GROWTH IN ALL REGIONS

The first half of the year saw Sika make the largest acquisition in its history with the takeover of Parex, a globally leading producer of facade mortar, technical mortar, tile adhesives, and waterproofing systems. The company has a particularly strong presence in distribution channels and is represented in 23 countries. The integration is proceeding successfully according to plan, and numerous projects are already being implemented.

The EMEA region (Europe, Middle East, Africa) reported a sales increase in local currency of 7.7% (previous year: 13.6%) in the first half of the year. This region recorded strong growth with double-digit growth rates in Africa and high single-digit growth in Eastern Europe. Growth in many major European markets developed moderately, due to the lower number of working days in the second quarter.

In Belarus, Sika acquired Belineco, a specialist manufacturer of polyurethane foam systems, thereby expanding its know-how in the development and production of PU foams. Production capacity was expanded in Senegal, Egypt, and Qatar, with new factories opened for the production of concrete admixtures and mortar.

The Americas region recorded a strong sales increase of 11.4% (previous year: 13.6%). Growth has been accelerating in North America in spite of the ongoing shortage of specialist labor in the construction sector. Latin America recorded high growth with above-average business development in Brazil, Colombia, and Peru. In Mexico, the repercussions of the change in government were tangible in the implementation of infrastructure projects.

In Canada, the acquisition of the King Packaged Materials Company in the reporting period brought a leading manufacturer of concrete repair systems into the Group.

Growth in the Asia/Pacific region amounted to 15.6% (previous year: 5.0%). Here the highest growth rates were recorded by India and China. In order to mitigate the economic impact of the trade tariff conflict with the United States, the Chinese government increased its expenditure on infrastructure projects.

The Global Business segment recorded a growth rate of 4.9% (previous year: 28.5%). In the Automotive area, Sika generated further growth in the first half of the year, despite a strong decline in the global car production figures. In particular, the company is benefiting from the megatrends evident in modern automotive construction, which are dominated by electromobility and lightweight construction. New, lighter platforms and multi-material designs are opening up new avenues of growth potential for Sika.

OUTLOOK: SALES TARGET OF CHF 8 BILLION AND DOUBLE-DIGIT EBIT GROWTH FOR 2019

For the 2019 financial year, Sika is expecting an increase in sales to more than CHF 8 billion along with double-digit EBIT growth. The implementation of the Group's growth strategy will continue in 2019 with the opening of between seven and nine new factories, and the establishment of further growth platforms in the form of acquisitions. Details of the new Strategy 2023 will be presented at the Sika Capital Markets Day on October 3, 2019.

Sincerely,



DR. PAUL HÄLG
Chairman of the Board



PAUL SCHULER
Chief Executive Officer

ON TRACK FOR RECORD RESULTS

Sika achieved strong growth figures for the first half of 2019, with sales increasing by 9.6% in local currencies to CHF 3,732.4 million (+7.6% in CHF). All regions contributed to growth.

Sika has established a first-class growth platform with the acquisition of Parex, which was completed in the first half of the year. The acquisition represents a strategic step towards a sustainable strengthening of the market position and is the largest in Sika's history.

REGION EMEA

Construction markets in the Eurozone countries remained at a solid level in the first half of 2019, against a continued backdrop of low interest rates. The construction economy benefited particularly from investment in both infrastructure and residential construction.

In the first half of 2019, Sika generated a sales increase in local currencies of 7.7% in the EMEA (Europe, Middle East, Africa) region (previous year: 13.6%). Particularly impressive growth in construction activity was recorded in the growth markets of Africa (double-digit growth rates) and Eastern Europe (high single-digit growth). Growth in the major European markets – Germany, France, the United Kingdom, Italy, and Spain – developed moderately. All Sika's target markets recorded good growth rates and market shares were gained in many areas.

In Belarus, Sika acquired Belineco, a specialist manufacturer of polyurethane foam systems, thereby expanding its know-how in the development and production of PU foams. Production capacity was expanded in Senegal, Egypt, and Qatar, with new factories opened for concrete admixtures and mortar.

REGION AMERICAS

Despite the ongoing trade dispute with China, the market environment in the United States is positive with GDP growth of just under 3%. The construction markets in North America developed well in the first half of 2019. There were high levels of investment in renovation and refurbishment projects, as well as in commercial newbuild projects. Spending on infrastructure projects remained at a low level. The markets in Latin America were confronted by persistently high rates of inflation and currency fluctuations. In countries such as Mexico and Brazil, the political environment was characterized by a change in government and associated uncertainties.

The Americas region recorded strong sales growth of 11.4% in the first half of 2019 (previous year: 13.6%). Investment in the country's rapidly growing metropolitan areas was the driving force behind high single-digit growth in the United States. An acceleration in building activity was evident in North America in the second quarter in particular. However, bottlenecks were apparent in the implementation of construction projects due to the persistent shortage of specialist labor and higher wage costs in the construction sector.

Latin America recorded high growth. In Mexico, the repercussions of the change in government were noticeable in the implementation of infrastructure projects. The development of business was above-average in Brazil, Colombia, and Peru.

In Canada, the acquisition of the King Packaged Materials Company in the reporting period brought a leading manufacturer of concrete repair systems into the Group. King holds a leading position in various technologies in the area of tunneling and mining, which are now being rolled out throughout the region.

REGION ASIA/PACIFIC

The economies of Asia and the Pacific region are emerging as the long-term engine of the global economy, and in the majority of countries in this region the construction economy is being stimulated by large infrastructure projects against a continued backdrop of low interest rates. In China in particular, the construction sector is performing at a robust level thanks to the corresponding support measures from the government, despite a general slowdown in the economy and the ongoing trade conflict with the US. In other countries of the region, economic and fiscal policy measures are also being implemented. These will likewise feed through into the construction economy in the medium term.

Growth in the Asia/Pacific region amounted to 15.6% (previous year: 5.0%). The highest growth rates were recorded by India and China. The region generally and above all China are already benefiting from Parex and the combined sales activities. Moreover, Sika is also represented in China on large-scale projects such as the Beijing New International Airport, which will be the largest airport in the world once all expansion work is complete.

REGIONS

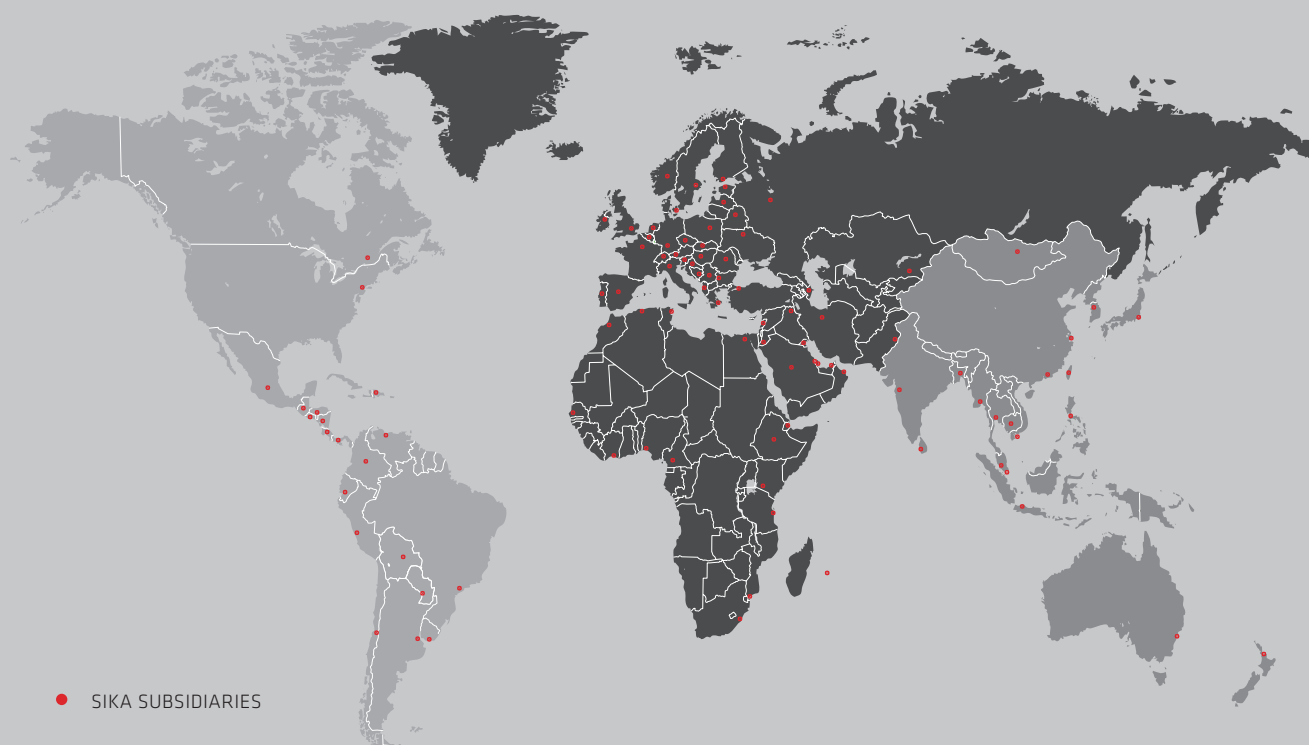
GLOBAL BUSINESS

In the first half of 2019, the number of new vehicles sold slumped by 6.7% compared to the first half of 2018. In the large sales markets of Europe, the United States, and China, automotive sales continue to decline sharply, albeit to differing extents. This is attributable to, among other things, economic uncertainties as well as ever more rigorous emission regulations and test processes. Measures to stimulate the automotive economy have not yet had any significant effect, particularly in China. The important trends in the automotive sector remain new drive concepts involving electromobility or hybrid technologies, and lightweight construction. These were as well technology drivers in 2018. Virtually all automotive manufacturers are investing heavily in the development of electric vehicles,

and will be bringing a large number of new platforms and models to market over the next few years.

The Global Business segment recorded a growth rate of 4.9% (previous year: 28.5%). Sika generated further growth in the automotive area in the first half of 2019, despite a significant decline in the production figures of automotive manufacturers all around the world. The megatrends evident in modern automotive construction, which are dominated by electromobility and lightweight construction, are opening up avenues of growth potential for Sika through the demand for new, lighter platforms and multi-material designs.

WORLDWIDE MARKET PRESENCE



THE REGIONS IN BRIEF

	EMEA	Americas	Asia/Pacific	Global Business
Net sales in CHF mn (previous year)	1,617.0 (1,558.1)	995.7 (889.2)	641.8 (559.1)	477.9 (463.7)
Growth in local currencies	7.7%	11.4%	15.6%	4.9%
Currency impact	-3.9%	0.6%	-0.8%	-1.8%
Acquisition effect	4.2%	7.1%	12.9%	5.2%

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30

in CHF mn	Notes	%	2018	%	2019	Change in %
Net sales	1, 2	100.0	3,470.1	100.0	3,732.4	7.6
Material expenses	3	-46.4	-1,608.9	-46.2	-1,723.5	
Gross result		53.6	1,861.2	53.8	2,008.9	7.9
Personnel expenses	4	-19.4	-675.0	-19.6	-730.3	
Other operating expenses	5	-18.5	-641.4	-17.5	-654.8	
Operating profit before depreciation		15.7	544.8	16.7	623.8	14.5
Depreciation and amortization expenses		-2.9	-100.2	-3.8	-142.1	
Operating profit	2	12.8	444.6	12.9	481.7	8.3
Interest income		0.1	1.2	0.0	1.1	
Interest expenses	6	-0.3	-10.5	-0.7	-27.1	
Other financial income		0.1	3.4	0.1	3.8	
Other financial expenses	6	-0.5	-16.4	-0.6	-21.9	
Income from associated companies		0.0	0.4	0.0	0.4	
Profit before taxes		12.2	422.7	11.7	438.0	3.6
Income taxes		-3.0	-104.5	-2.8	-107.3	
Net profit		9.2	318.2	8.9	330.7	3.9
Profit attributable to Sika shareholders		9.1	316.2	8.8	327.5	
Profit attributable to non-controlling interests		0.1	2.0	0.1	3.2	
Undiluted earnings per share (in CHF)			2.12		2.31	9.0
Diluted earnings per share (in CHF) ¹			2.11		2.11	0.0

1 Dilutive effect due to convertible bonds issued (for details on the convertible bonds see note 13).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	%	1/1/2018 – 6/30/2018	%	1/1/2019 – 6/30/2019	Change in %
Net profit	9.2	318.2	8.9	330.7	3.9
Actuarial gains (+)/losses (–) on employee benefit obligation	0.1	5.8	0.5	21.3	
Income tax effect	0.0	-1.0	-0.1	-3.7	
Items that will not be reclassified to profit or loss	0.1	4.8	0.4	17.6	
Exchange differences taken to equity	-0.6	-21.7	-1.3	-49.1	
Items that may be reclassified subsequently to profit or loss	-0.6	-21.7	-1.3	-49.1	
Other comprehensive income	-0.5	-16.9	-0.9	-31.5	
Comprehensive income	8.7	301.3	8.0	299.2	-0.7
Attributable to Sika shareholders	8.6	298.9	7.9	296.4	
Attributable to non-controlling interests	0.1	2.4	0.1	2.8	

CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2018	6/30/2019
Cash and cash equivalents	7	914.0	627.8
Accounts receivable	8	1,322.7	1,720.4
Inventories	9	800.7	959.5
Prepaid expenses and accrued income		112.0	138.4
Other assets		27.1	86.0
Current assets		3,176.5	3,532.1
Property, plant, and equipment	10	1,214.2	1,821.6
Intangible assets	11	1,693.9	4,456.9
Investments in associated companies		6.2	5.9
Deferred tax assets		223.0	248.4
Other assets		68.2	74.2
Non-current assets		3,205.5	6,607.0
ASSETS		6,382.0	10,139.1
Accounts payable	12	733.8	947.7
Accrued expenses and deferred income		265.5	371.5
Financial liabilities	13	237.5	741.4
Income tax liabilities		147.9	180.9
Provisions	14	22.1	26.3
Current liabilities		1,406.8	2,267.8
Financial liabilities	13	2,795.0	4,099.7
Provisions	14	48.1	77.4
Deferred tax liabilities		154.0	551.4
Employee benefit obligation		268.7	273.5
Other liabilities		34.2	33.9
Non-current liabilities		3,300.0	5,035.9
LIABILITIES		4,706.8	7,303.7
Capital stock		1.4	1.4
Treasury shares		-11.1	-2.0
Reserves		1,655.4	2,796.4
Equity attributable to Sika shareholders		1,645.7	2,795.8
Non-controlling interests		29.5	39.6
SHAREHOLDERS' EQUITY		1,675.2	2,835.4
LIABILITIES AND SHAREHOLDERS' EQUITY		6,382.0	10,139.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital stock	Capital surplus	Treasury shares	Currency trans- lation differ- ences	Retained earnings	Total Sika share- holders' equity	Non- control- ling interests	Total equity
in CHF mn								
January 1, 2018	1.5	203.1	-6.6	-537.4	3,724.1	3,384.7	26.4	3,411.1
Profit for the period					316.2	316.2	2.0	318.2
Other comprehensive income				-22.1	4.8	-17.3	0.4	-16.9
Comprehensive income	-	-	-	-22.1	321.0	298.9	2.4	301.3
Transactions with treasury shares ¹			-2,084.1		-11.1	-2,095.2		-2,095.2
Share-based payments					10.5	10.5		10.5
Issue of convertible bond ²					40.7	40.7		40.7
Dividends ³					-281.8	-281.8	-1.2	-283.0
Inflation adjustment ⁴					0.9	0.9		0.9
June 30, 2018	1.5	203.1	-2,090.7	-559.5	3,804.3	1,358.7	27.6	1,386.3
January 1, 2019	1.4	203.1	-11.1	-614.2	2,066.5	1,645.7	29.5	1,675.2
Impact of initial application of IFRS 16 Leases ⁵					-7.9	-7.9		-7.9
January 1, 2019 (adjusted)	1.4	203.1	-11.1	-614.2	2,058.6	1,637.8	29.5	1,667.3
Profit for the period					327.5	327.5	3.2	330.7
Other comprehensive income				-48.7	17.6	-31.1	-0.4	-31.5
Comprehensive income	-	-	-	-48.7	345.1	296.4	2.8	299.2
Transactions with treasury shares ¹			9.1		-8.4	0.7		0.7
Share-based payments					6.2	6.2		6.2
Issue of convertible bond ²					1,137.5	1,137.5		1,137.5
Dividends ⁶					-290.6	-290.6	-2.6	-293.2
Inflation adjustment ⁴					7.8	7.8		7.8
Purchase of non-controlling interests						-	9.9	9.9
June 30, 2019	1.4	203.1	-2.0	-662.9	3,256.2	2,795.8	39.6	2,835.4

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

2 For details on the convertible bond see note 13.

3 Dividend per share: CHF 1.85.

4 Hyperinflation accounting concerns the subsidiary in Venezuela and Argentina.

5 Including deferred taxes of CHF 0.9 mn. For details on the initial application of IFRS 16 see principles of consolidation and valuation on page 12.

6 Dividend per share: CHF 2.05.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	1/1/2018-6/30/2018	1/1/2019-6/30/2019
Operating activities			
Profit before taxes		422.7	438.0
Depreciation and amortization expenses		100.2	142.1
Increase (+)/decrease (-) in provisions/employee benefit assets and obligations		3.3	3.5
Increase (-)/decrease (+) in net working capital and accruals		-267.1	-181.3
Non-liquidity-related financial expenses (+)/income (-) as well as cash flow from hedging transactions		17.1	11.9
Other adjustments		18.9	14.8
Income taxes paid		-135.5	-165.4
Cash flow from operating activities		159.6	263.6
Investing activities			
Property, plant, and equipment: capital expenditures		-146.1	-82.2
Property, plant, and equipment: disposals		0.6	2.1
Intangible assets: capital expenditures		-2.6	-3.8
Acquisitions less cash and cash equivalents		-406.7	-1,726.6
Acquisitions (-)/disposals (+) of financial assets		-2.6	4.3
Cash flow from investing activities		-557.4	-1,806.2
Financing activities			
Increase in financial liabilities		2,106.2	180.7
Repayment of financial liabilities		-1,718.0	-994.4
Issue of bonds	13	300.6	1,121.8
Issue of convertible bonds	13	1,630.6	1,280.1
Repayment of lease liabilities	13	0.0	-35.8
Acquisitions of treasury shares		-2,114.7	-40.3
Disposals of treasury shares		19.9	41.4
Dividend payment to shareholders of Sika AG		-281.8	-290.6
Dividend payments to non-controlling interests		0.0	-2.6
Cash flow from financing activities		-57.2	1,260.3
Exchange differences on cash and cash equivalents		-3.4	-3.9
Net change in cash and cash equivalents		-458.4	-286.2
Cash and cash equivalents at the beginning of the period	7	1,037.9	914.0
Cash and cash equivalents at the end of the period	7	579.5	627.8
Cash flow from operating activities contains:			
Dividends from associated companies		0.6	0.5
Interest received		1.4	1.1
Interest paid		-2.7	-8.5

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

The unaudited, **Interim Consolidated Financial Statements** for the first half of 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

These 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, 2018.

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, 2019, were taken into account. 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, 2019. They have had, except for IFRS 16 Leases, no significant effect on the Consolidated Financial Statements of the Group:

- IFRIC 23 – Uncertainty over Income Tax Treatments

- IFRS 16 – Leases

The new leases standard substantially changed the financial statements. The differentiation between finance and operating lease arrangements which was required until now under IAS 17 has been abolished for the lessee. The standard provides a single lessee accounting model, requiring lessees to recognize liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. In addition, a right to use the underlying asset needs to be recognized and depreciated over the term of the lease agreement.

Sika applied the standard with the modified retrospective method. Under this method, the right-of-use (ROU) asset can be measured either as if IFRS 16 had been applied from the inception of the contract, but discounted using the incremental borrowing rate at January 1, 2019, or exactly equal to the amount of the lease liability. Sika has determined this valuation method on a lease-by-lease basis. The lease obligation was measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019. The comparative figures were not restated and the cumulative effects from the first-time adoption were recognized in equity under retained earnings. The lease liabilities as at January 1, 2019, can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

in CHF mn	Reconciliation
Operating lease commitments as of December 31, 2018	318.8
Weighted average incremental borrowing rate as at January 1, 2019	2.74%
Discounted operating lease commitments at January 1, 2019	265.9
less commitments from short-term and low value asset leases	-26.8
plus extension and purchase options	8.3
less other adjustments	-7.5
Lease liability as at January 1, 2019	239.9
Already recognized depreciation on right-of-use asset	-8.8
Right-of-use asset according as at January 1, 2019	231.1
Effect of initial application in equity as at January 1, 2019	-7.9

Other adjustments include the separate recognition of non-lease components for motor vehicle leases.

In the consolidated income statement for 2019, the adoption of IFRS 16 resulted in the following changes. Depreciation and amortization include CHF 33.6 million from the amortization of the ROU assets. Interest on lease liabilities of CHF 5.0 million is included in interest expenses. Other operating expenses were reduced accordingly.

Since January 1, 2019, the consolidated cash flow statement includes CHF 35.8 million in repayments of lease liabilities in the cash flow from financing activities. The cash flow from operating activities was reduced accordingly.

The following new accounting policies have been applied from the date of initial application of IFRS 16:

After the inception of a contract, Sika assesses whether the contract is or contains a lease. Sika recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of twelve month or less, low value asset leases of CHF 5'000 or less and variable lease payments, which are expensed in the income statement over the lease term. For the asset class "motor vehicles" the non-leasing components (e.g. services included in the lease payments) are accounted for separately and are expensed in the income statement. For all other asset classes Sika does not account for the non-lease components separately.

At commencement date of the lease, the lease liability, measured at the present value of the lease payments to be made over the lease term, is recognized. The lease payments include fixed payments, variable payments that depend on an index or rate, extension options and exercise price of a purchase options reasonably certain to be exercised as well as payments of penalties for terminating a lease. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments.

At commencement date of the lease, the ROU asset comprises the initial lease liability and initial direct costs. ROU assets are depreciated on a straight-line basis over the lease term. If Sika is reasonable certain to obtain ownership of the leased asset at the end of the lease term the recognized ROU assets are depreciated on a straight-line basis over their estimated useful life.

ROU assets are recognized in the balance sheet under property, plant, and equipment. Lease liabilities are recognized under financial liabilities (current and non-current).

ACQUISITIONS 2019

In 2019 Sika acquired the following companies:

Company	Type of transaction	Stake in %	Closing date
part GmbH, Germany	Share deal	100.0	1/1/2019
Belineco LLC, Belarus	Share deal	100.0	4/30/2019
King Packaged Materials Company, Canada and USA	Share deal	100.0	5/1/2019
Parex group, worldwide	Share deal	100.0	5/23/2019
Arcon Membrane Srl, Romania	Share deal	100.0	6/27/2019

PAREX GROUP

On May 23, 2019, Sika acquired the Parex group. Parex is a leading mortar manufacturer, including facade mortars, tile adhesives, waterproofing, and technical mortars. Parex has a particularly strong presence in the distribution channels, combining recognized brands with R&D expertise and technical excellence. The eight key markets of Parex are China, USA, France, Argentina, Brazil, Singapore, UK and Australia.

Since the purchase, Parex has contributed sales of CHF 152.3 million and net profit of CHF 3.6 million. If the acquisition had occurred on January 1, 2019, consolidated pro-forma net sales would have been CHF 4,238.8 million (+ CHF 506.4 millions). Consolidated net profit would have been CHF 355.9 million (+ CHF 25.2 million). The amounts have been calculated using the Parex 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, 2019.

Accounts receivable of Parex had a gross value of CHF 238.7 million and were adjusted since CHF 16.6 million were classified as non-recoverable.

OTHER ACQUISITIONS

Sika acquired Belineco LLC, Belarus, on April 30, 2019, a Belorussian manufacturer of polyurethane foam systems. With the acquisition Sika will further expand its know-how in the production and development of polyurethane foams and will gain better access to the trade distribution channels in Eastern Europe.

On May 1, 2019, Sika acquired King Packaged Materials Company, a large independent Canadian manufacturer of dry shotcrete and mortars for concrete repair. With the acquisition Sika will further expand its geographical footprint in Canada and improve its growth potential in the home improvement, construction, mining and tunneling markets. The product portfolio includes shotcrete solutions, grouts, and repair and masonry mortars.

End of June, Sika acquired Arcon Membrane Srl, a leading manufacturer of waterproofing systems for buildings and roofs in Romania. With this acquisition Sika strengthens its position in the Romanian market and significantly expands its product range to meet the increasing demand for complete solutions for roof and structural waterproofing.

Furthermore, on January 1, 2019, Sika acquired the remaining 50% of part GmbH from its joint venture partner and fully consolidated it for the first time as of January 1, 2019.

The other acquisitions have contributed sales of CHF 20.2 million and net profit of CHF 2.3 million. If the acquisitions had taken place on January 1, 2019, consolidated pro-forma net sales would have been CHF 3,764.6 million (+ CHF 32.2 millions). Consolidated net profit would have been CHF 331.7 million (+ CHF 1.0 million). Accounts receivable of the other acquisitions had a gross value of CHF 15.6 million and were adjusted since CHF 0.4 million were classified as non-recoverable.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn

	Parex group	Other acquisitions ¹
Cash and cash equivalents	129.8	5.0
Accounts receivable	222.1	15.2
Inventories	109.8	12.3
Prepaid expenses and accrued income	16.0	1.5
Property, plant, and equipment	241.0	42.1
Right-of-use leased assets	96.4	0.0
Intangible assets	849.0	26.1
Deferred tax assets	10.0	0.1
Other assets	10.1	0.2
Total assets	1,684.2	102.5
Financial liabilities	1,083.9	5.1
Accounts payable	165.2	12.8
Accrued expenses and deferred income	88.2	2.9
Income taxes payables	73.6	0.1
Provisions	53.4	0.7
Employee benefit obligation	15.4	0.0
Deferred tax liabilities	386.7	7.6
Other liabilities	0.1	0.0
Total liabilities	1,866.5	29.2
Net assets	-182.3	73.3
Non-controlling interests	-9.8	0.0
Acquired net assets	-192.1	73.3
Goodwill	1,900.3	84.3
Fair value of initial investment	0.0	-0.2
Total purchase price	1,708.2	157.4
Cash in acquired assets	-129.8	-5.0
Payments still due (per June 30, 2019)	0.0	-4.2
Net cash outflow	1,578.4	148.2

1 King Packaged Materials, Belineco, Arcon and part; individually not material.

Since the purchase prices and the purchase price allocations for both acquisitions still entail some uncertainty, all positions with the exception of "Cash and cash equivalents" are provisional. Market access and combined distribution channels and supplementary product portfolios justify the goodwill posted. Goodwill is not tax deductible.

The directly attributable transaction costs of the acquisitions amounted to CHF 19.0 million and were charged to other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income statement from January 1 to June 30, 2019 (January 1 to June 30, 2018).

Balance sheet data as of June 30, 2019 (December 31, 2018).

1. NET SALES CHF 3,732.4 MN (CHF 3,470.1 MN)

Sales of goods account for nearly all net sales. Year-on-year net sales increased by 7.6%, in local currencies by 9.6%, including a growth from acquisitions of 6.5%. 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 6.

The acquired companies were allocated as follows: Belineco LLC, Belarus, Arcon Membrane Srl, Romania, as well as part GmbH, Germany, to segment EMEA, King Packaged Materials Company, Canada and USA, to segment Americas, and the Parex group companies were allocated according to the geographical location of their subsidiaries to the segments EMEA, Americas and Asia/Pacific.

"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	2018			2019		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	1,558.1	114.7	1,672.8	1,617.0	113.3	1,730.3
Americas	889.2	0.9	890.1	995.7	2.3	998.0
Asia/Pacific	559.1	9.9	569.0	641.8	9.1	650.9
Global business	463.7	9.2	472.9	477.9	8.3	486.2
Eliminations	-	-134.7	-134.7	-	-133.0	-133.0
Net sales	3,470.1	-	3,470.1	3,732.4	-	3,732.4
Products for construction industry	2,651.2			2,888.9		
Products for industrial manufacturing	818.9			843.5		

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 in markets such as automotive and commercial vehicle assembly, vehicle repair, ship and boat building, industrial lamination, renewable energy and facade construction.

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	1/1/2018– 6/30/2018	1/1/2019– 6/30/2019	Change compared to prior period (+/- in %)		
			In Swiss francs	In local currencies	Currency impact
EMEA	1,558.1	1,617.0	3.8	7.7	-3.9
Americas	889.2	995.7	12.0	11.4	0.6
Asia/Pacific	559.1	641.8	14.8	15.6	-0.8
Global business	463.7	477.9	3.1	4.9	-1.8
Net sales	3,470.1	3,732.4	7.6	9.6	-2.0
Products for construction industry	2,651.2	2,888.9	9.0	10.9	-1.9
Products for industrial manufacturing	818.9	843.5	3.0	5.3	-2.3

OPERATING PROFIT

in CHF mn	1/1/2018– 6/30/2018	1/1/2019– 6/30/2019	Change compared to prior period	
			(+/-)	(+/- in %)
EMEA	207.8	226.1	18.3	8.8
Americas	149.3	168.2	18.9	12.7
Asia/Pacific	89.2	101.6	12.4	13.9
Global business	69.9	65.6	-4.3	-6.2
Other segments and activities	-71.6	-79.8	-8.2	n.a.
Operating profit	444.6	481.7	37.1	8.3

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	1/1/2018– 6/30/2018	1/1/2019 – 6/30/2019
Operating profit	444.6	481.7
Interest income	1.2	1.1
Interest expenses	-10.5	-27.1
Other financial income	3.4	3.8
Other financial expenses	-16.4	-21.9
Income from associated companies	0.4	0.4
Profit before taxes	422.7	438.0
Income taxes	-104.5	-107.3
Net profit	318.2	330.7

3. MATERIAL EXPENSES CHF 1,723.5 MN (CHF 1,608.9 MN)

Material expenses decreased as a percentage of net sales by 0.2 percentage points. The stabilization of raw material costs and higher selling prices improved the gross margin, while one-off effects related to the acquisition of Parex in the amount of CHF 4.1 million had a negative impact on the gross result.

4. PERSONNEL EXPENSES CHF 730.3 MN (CHF 675.0 MN)

Personnel expenses increased in relation to sales from 19.4% to 19.6%. The cost growth is mainly attributable to the acquisitions.

Personnel expenses include a portion of salaries paid to senior managers and Group Management in the form of Sika AG stock. Related personnel expenses in the first half of 2019 amounted to CHF 15.0 million (CHF 14.0 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 654.8 MN (CHF 641.4 MN)

Other operating expenses decreased from 18.5% to 17.5% as a result of disciplined cost management. In addition, the first-time adoption of the new standard "Leases" had a positive impact of CHF 38.6 million on operating expenses (see pages 12 and 13 for details). Non-recurring effects of CHF 20.0 million related to the acquisition of Parex had a negative impact on costs. In the previous year, one-off costs of approximately CHF 23 million were included in connection with the resolution of the takeover battle with Saint-Gobain.

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

6. INTEREST EXPENSE/OTHER FINANCIAL EXPENSE CHF 49.0 MN (CHF 26.9 MN)

Year-on-year interest expenses increased due to the additional bonds (see note 13) and the negative interest on fixed-term deposits in connection with the acquisition of Parex amounting to CHF 2.1 million. In addition, interest on lease liabilities of CHF 5.0 million is included in interest expenses compared to previous year. Other financial expenses include one-time costs of CHF 4.6 million related to the acquisition of Parex.

7. CASH AND CASH EQUIVALENTS CHF 627.8 MN (CHF 914.0 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 1,720.4 MN (CHF 1,322.7 MN)

Accounts receivables are higher at mid-year than at the end of 2018 as a result of seasonal influences and acquisition impacts.

9. INVENTORIES CHF 959.5 MN (CHF 800.7 MN)

The rise in inventories is due to seasonal distribution of sales as well as acquisition impacts.

10. PROPERTY, PLANT, AND EQUIPMENT CHF 1,821.6 MN (CHF 1,214.2 MN)

Since 2019, property, plant, and equipment includes not only the Group's own property, plant, and equipment but also the right-of-use assets of leases (see page 12 and 13 for details).

in CHF mn	12/31/2018	6/30/2019
Own property, plant, and equipment	1,214.2	1,493.8
Right-of-use assets	0.0	327.8
Property, plant, and equipment	1,214.2	1,821.6

The increase in own property, plant, and equipment is mainly due to the acquisitions.

11. INTANGIBLE ASSETS CHF 4,456.9 MN (CHF 1,693.9 MN)

The increase in intangible assets is mainly due to the acquisitions. The acquisitions resulted in an increase in goodwill of CHF 1,984.6 million. In addition, trademarks, customer relationships, and technologies of CHF 875.1 million were capitalized and are being amortized over their useful lives.

12. ACCOUNTS PAYABLE CHF 947.7 MN (CHF 733.8 MN)

Accounts payable are higher at mid-year than at the end of 2018 as a result of seasonal influences and acquisition impacts. Accounts payable do not bear interest and will usually become due within 30 to 60 days.

13. FINANCIAL LIABILITIES CHF 4,841.1 MN (CHF 3,032.5 MN)

in CHF mn	12/31/2018			6/30/2019		
	Current	Non-current	Total	Current	Non-current	Total
Derivatives	2.3	0.0	2.3	33.8	–	33.8
Bank loans	13.8	0.0	13.8	192.5	3.1	195.6
Lease liabilities	0.1	0.2	0.3	79.1	256.3	335.4
Bonds	199.9	2,792.9	2,992.8	360.2	3,739.9	4,100.1
Mandatory convertible bond (liability component)	0.0	0.0	0.0	48.5	95.9	144.4
Other financial liabilities	21.4	1.9	23.3	27.3	4.5	31.8
Total	237.5	2,795.0	3,032.5	741.4	4,099.7	4,841.1

The acquisition of the Parex group was financed by the issuance of a mandatory convertible bond in the amount of CHF 1,300.0 million and two Euro bonds in the total amount of EUR 1,000.0 million.

In addition, since April 1, 2019, Sika has a revolving credit facility of CHF 750.0 million with a term of five years plus option for two further years each, which can be drawn in CHF, EUR, USD or GBP. As of June 30, 2019, Sika had utilized CHF 177.7 million of this credit limit.

As of June 30, 2019, Sika has the following bonds outstanding:

in CHF mn	Coupon	Term	12/31/2018		6/30/2019	
			Nominal	Book value	Nominal	Book value
Straight bond	1.125%	2013-11/14/2019	200.0	199.9	200.0	200.0
Straight bond	0.000%–0.050%	2018-03/27/2020	160.0	160.4	160.0	160.2
Straight bond	0.125%	2018-07/12/2021	170.0	170.1	170.0	170.1
Straight bond	1.750%	2012-07/12/2022	150.0	149.9	150.0	150.0
Straight bond	1.875%	2013-11/14/2023	200.0	199.4	200.0	199.5
Straight bond	0.625%	2018-07/12/2024	250.0	250.6	250.0	250.5
Convertible bond	0.150%	2018-06/05/2025	1,650.0	1,591.5	1,650.0	1,596.0
Straight bond	0.600%	2018-03/27/2026	140.0	140.0	140.0	140.0
Straight bond	1.125%	2018-07/12/2028	130.0	131.0	130.0	130.9
Total			3,050.0	2,992.8	3,050.0	2,997.2

Furthermore, as of June 30, 2019, Sika Capital B.V., Netherlands, (a 100% subsidiary of Sika AG) has the following Euro bonds outstanding:

in CHF mn	Coupon	Term	12/31/2018		6/30/2019	
			Nominal	Book value	Nominal	Book value
Straight bond EUR	0.875%	2019-4/29/2027	–	–	EUR 500.0	551.7
Straight bond EUR	1.500%	2019-4/29/2031	–	–	EUR 500.0	551.2
Total			EUR 0.0	0.0	EUR 1,000.0	1,102.9

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. The conversion price per share is CHF 190.09. No rights were converted in the reporting period.

On January 22, 2019, Sika also placed a mandatory convertible bond in the amount of CHF 1,300.0 million due in 2022 with payment date on January 30, 2019. The issue price was set at 100%. 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 either existing shares or new shares created from conditional capital. The bond has an initial minimum conversion price of CHF130.00 and an initial maximum conversion price of CHF 146.25 representing a premium of 12.5% above the reference share price.

The convertible bond is split into a liability and an equity component for accounting purposes. The liability component corresponds to the market value of an identical bond, but without conversion rights, and is carried at amortized cost. The equity component is calculated as the difference between the issue proceeds. The equity component is no longer revalued. The issue costs were allocated in proportion to the allocation of proceeds to the liability and equity components.

in CHF mn	3.75% mandatory convertible bond 2019-2022
Liability component upon issue at fair value	146.3
Proportional issue costs	-2.3
Net liability component upon issue	144.0
Carrying amount of equity component	1,153.6
Proportional issue costs	-17.6
Deferred taxes	1.5
Net equity component upon issue	1,137.5

No rights were converted in the reporting period.

On April 15, 2019, Sika Capital B.V., Netherlands (under guarantee of Sika AG) placed a Euro bond of EUR 1,000.0 million through a double tranche with payment date on April 29, 2019:

- EUR 500.0 million 2019–2027 with a fixed coupon of 0.875% p.a. The bond was issued at 99.716%.
- EUR 500.0 million 2018–2031 with a fixed coupon of 1.500% p.a. The bond was issued at 99.782%.

14. PROVISIONS CHF 103.7 MN (CHF 70.2 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 26.3 million (CHF 22.1 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, 2019, Sika had received notification of six significant shareholders whose voting rights exceed 3%: (1) Compagnie de Saint-Gobain, which held 10.75% of all voting rights via Schenker-Winkler Holding AG. (2) BlackRock Inc., which owned 7.7% of all voting rights. (3) 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. (4) The Capital Group Companies, who held 3.37% of all voting rights via Capital Research and Management Company. (5) Norges Bank, which held 3.08% of all voting rights. (6) Massachusetts Financial Services Company, which held 3.03% of all voting rights.

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

No events occurred between June 30, 2019, and the release of these consolidated financial statements:

FINANCIAL CALENDAR

RESULTS FIRST NINE MONTHS 2019

Thursday, October 24, 2019

NET SALES 2019

Tuesday, January 7, 2020

**MEDIA CONFERENCE / ANALYST PRESENTATION
ON FULL-YEAR RESULTS 2020**

Friday, February 21, 2020

NET SALES FIRST QUARTER 2020

Tuesday, April 21, 2020

52ND ANNUAL GENERAL MEETING

Tuesday, April 21, 2020

HALF-YEAR REPORT 2020

Thursday, July 23, 2020

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