SIKA HALF-YEAR REPORT 2018

WWW.SIKA.COM

BUILDING TRUST

HALF-YEAR RESULTS AT A GLANCE

SALES GROWTH OF 13.9% (15.9% IN CHF) TO CHF 3,470.1 MILLION

GROWTH IN ALL REGIONS

3 NEW FACTORIES

END OF TAKEOVER DISPUTE BETWEEN SIKA AND SAINT-GOBAIN

NET PROFIT UP 11.4% TO CHF 318.2 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 18,000 employees generated annual sales of CHF 6.25 billion in 2017.

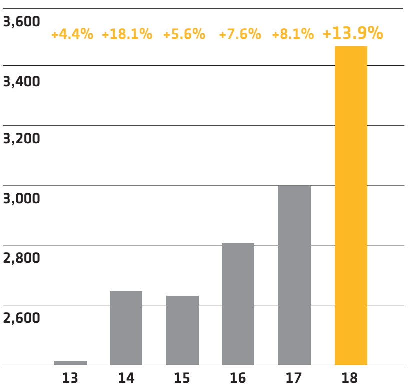
KEY FIGURES

SIKA GROUP

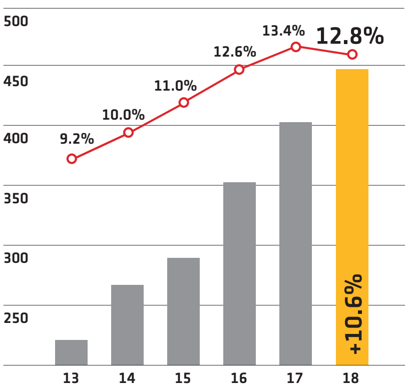
in CHF mn	1/1/2017 – 6/30/2017	as % of net sales	1/1/2018 – 6/30/2018	as % of net sales
Net sales	2,994.9		3,470.1	
Gross result	1,651.4	55.1	1,861.2	53.6
Operating profit before depreciation (EBITDA)	488.2	16.3	544.8	15.7
Operating profit (EBIT)	402.1	13.4	444.6	12.8
Net profit	285.7	9.5	318.2	9.2
Operating free cash flow	63.0	2.1	11.5	0.3
Capital expenditures	66.3	2.2	148.7	4.3
Balance sheet total [1]	5,794.7		6,317.5	
Shareholders' equity [1]	3,411.1		1,386.3	
Equity ratio in % [1, 2]	58.9		21.9	
Return on capital employed (ROCE) in % [3]	28.0		26.2	
Undiluted earnings per share (EPS) in CHF	1.86		2.12	
Diluted earnings per share (EPS) in CHF	1.86		2.11	
Number of employees [1]	18,484		19,697	

1 As of December 31, 2017/June 30, 2018.
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).

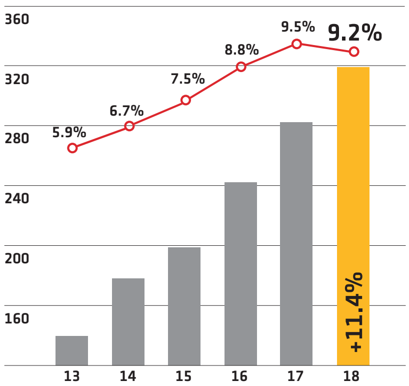
NET SALES (CONSOLIDATED)
in CHF mn



EBIT
in CHF mn



NET PROFIT
in CHF mn



INVESTOR INFORMATION	6/30/2017	6/30/2018
Number of bearer shares with a nominal value of CHF 0.60 [1]	**2,151,199**	**n.a.**
of which entitled to dividend and to vote	2,149,880	n.a.
Number of registered shares with a nominal value of CHF 0.10 (entitled to dividend and to vote) [1]	**2,333,874**	**n.a.**
Number of registered shares with a nominal value of CHF 0.01 [1]	**n.a.**	**152,410,680**
of which entitled to dividend and to vote	n.a.	141,724,237
Bearer/registered share price as of June 30 (CHF)	102.67 [2]	137.40
Market capitalization as of June 30 (CHF mn)	15,647 [3]	20,941

1 On June 11, 2018, Sika decided to introduce single-class registered shares with a par value of CHF 0.01 each.
2 Due to the share split, the bearer share price as of June 30, 2017, was adjusted for comparability. Our calculation took this into account with 1/60 of the bearer share price as of June 30, 2017.
3 Since 2003, registered shares with a nominal value of CHF 0.10 have been delisted from the Swiss stock exchange. Our calculation included the registered shares with 1/6 of the bearer share price on June 30, 2017.

DEAR SHAREHOLDERS

After a historic three-and-a-half year takeover battle between Sika and Saint-Gobain, an agreement was reached in May 2018. The signing of the agreement ends the disputes of all parties involved and marks the beginning of a new chapter in the Sika success story.

In the first half of the year Sika recorded strong double-digit sales growth, posting a new sales record of CHF 3,470.1 million. This equates to an increase of 13.9% in local currencies. A positive currency effect (2.0%) led to sales growth in Swiss francs of 15.9%. Growth in the second quarter amounted to as much as 16.3% (19.3% in CHF).

FURTHER INCREASE IN NET PROFIT

A combination of continued volume growth with disproportionately low cost developments and price adjustments had the effect of partially compensating for higher raw material costs and exceptional expenses incurred in connection with the integration of acquired companies. One-off effects in connection with the resolution of the takeover battle with Saint-Gobain (payment of the Board of Directors for the years 2015 to 2018, as well as one-off transaction-related costs) amounted to some CHF 23 million, and impacted negatively on EBIT. Operating profit (EBIT) nonetheless improved by 10.6% (+ CHF 42.5 million) to CHF 444.6 million (previous year: CHF 402.1 million). Without the one-off costs the increase in EBIT would have been disproportionately high at more than 16%. Net profit rose by 11.4% (+ CHF 32.5 million) to CHF 318.2 million (previous year: CHF 285.7 million.).

Paul Schuler, Chief Executive Officer: "With a significant sales increase of 15.9% in CHF and growth in net profit of 11.4%, we can look back on a very successful first half of 2018, in which we benefited from the potential of global construction markets through further initiatives. We posted double-digit growth rates in the Middle East, Africa, Eastern Europe, North America, Argentina, and in the automotive business, and have grown much faster than the market in many countries. Given the positive development of business in the first half of 2018, the establishment of a further national subsidiary, and the commissioning of three new factories, we are continuing to implement our 2020 strategic targets in a consistent way, and will exceed the CHF 7 billion sales mark in 2018 for the first time ever."

GROWTH IN ALL REGIONS

In the EMEA region (Europe, Middle East, Africa) sales increased by 13.6% in local currencies (previous year: 7.4%). The major EU countries with the core markets of Spain and the UK exhibited high single-digit growth. Double-digit growth rates were recorded in the Middle East, Africa, and Eastern Europe.

With the takeover of Index Construction Systems and Products, Sika acquired a leading manufacturer of roofing and waterproofing systems headquartered close to Verona, Italy. By acquiring Index, Sika will extend its product range and further strengthen its position in the Italian market. Production capacity was increased in both Senegal and Saudi Arabia through the commissioning of new factories for concrete admixtures.

The newly established Americas region recorded growth of 13.6% (previous year: 11.7%). The US was able to post double-digit growth thanks to strong demand in key target markets. After a long, harsh winter, Canada is back on a growth trajectory. Mexico and Argentina once again enjoyed above-average growth. The basis for further growth in Central America was laid with the establishment of a new national subsidiary in Honduras.

Growth in the Asia/Pacific region amounted to 5.0% (previous year: 4.2%). The highest growth rates were recorded by India and China. In Vietnam, a state-of-the-art facility for mortar production has come on stream in the Bac Ninh plant alongside the existing production of concrete admixtures. This will enable Sika to continue to grow in this country's booming construction market.

The new Global Business segment recorded a growth rate of 28.5% (previous year: 9.2%), with 20.7% attributable to the acquisition of Faist ChemTec. This new segment includes the globally managed automotive business as well as the two acquisitions Axson Technologies and Faist ChemTec – which are both established providers of components and solutions for the automotive area and other applications, and are likewise centrally managed.

OUTLOOK: SALES TARGET OF CHF 7 BILLION IN 2018

The strong first half of the year supports the target for the full 2018 year – namely an increase in sales of more than 10% to reach CHF 7 billion for the first time. Volatile, rising raw material prices continue to pose a challenge. For the year as a whole, EBIT and net profit should increase at a slightly higher rate than sales. The growth strategy will be continued in 2018 with the opening of eight new factories and the founding of more national subsidiaries. Furthermore, additional acquisitions will be targeted in the heavily fragmented construction chemicals market.

Sincerely,

DR. PAUL HÄLG
Chairman of the Board

PAUL SCHULER
Chief Executive Officer

Q2 WITH VERY STRONG GROWTH OF 16.3%

Sales in the first half-year rose by 13.9% (15.9% in CHF) to CHF 3,470.1 million. The implementation of the successful growth strategy, which involves investment in all regions, is delivering strong results. All regions contributed to this impressive growth.

EMEA
The eurozone economy is stable, and forecasts are positive. The economic environment remains robust, despite the euro's recovery against other currencies. Of the large EU countries, France, the United Kingdom, and Spain are exhibiting the strongest economic growth. Germany has reported moderate growth, while in Russia the phase of stabilization continues. The construction sector in Europe posted solid growth in the first half of 2018. Sika grew strongly in the major countries of the EU with the core markets of Spain and the United Kingdom. Double-digit growth rates were recorded in the Middle East, Africa, and Eastern Europe.

At the beginning of 2018 Sika acquired Index, a leading manufacturer of roofing and waterproofing systems headquartered close to Verona, Italy. By acquiring Index, Sika will extend its product range and further strengthen its position in the Italian market. Production capacity was increased in both Senegal and Saudi Arabia through the commissioning of new factories for concrete admixtures.

AMERICAS
The North American economy is performing strongly, and forecasts anticipate an ongoing willingness to invest on the part of the private sector. In Latin America, by contrast, only modest economic development is expected in the majority of countries. The construction market in North America continued to develop positively in the first half of 2018. In the metropolitan areas of the United States in particular, construction activity has remained at a robust level, with further major building projects being initiated.

Sika is growing faster than the construction market in North America, primarily in the target markets of Roofing, Waterproofing, and Refurbishment, and once again significantly increased business volume in the first half of 2018. Drivers of this positive business development include the expansion of the supply chain in recent years, successful cross-selling and specification selling, and the focusing of business activities on the major urban centers. After a long, harsh winter, Canada is back on a growth trajectory. Solid sales growth rates were also recorded in Latin America, with Mexico, Argentina, and Ecuador continuing to grow at above-average rates. The basis for further growth in Central America was laid with the establishment of a new national subsidiary in Honduras.

ASIA/PACIFIC
Most countries in the Asia/Pacific region exhibited positive economic growth in the reporting period. The most dynamic development was seen in India and parts of Southeast Asia. There was evidence of a slowdown in growth in the Pacific region.

The construction industry in China picked up further in the first half of 2018, enabling Sika to post high single-digit growth rates. Business development in the Concrete and Flooring target markets was especially encouraging. After several years of a difficult market environment, business development in Japan was once again balanced. Sika is expecting to benefit from growth stimuli from investments in sporting venues and infrastructure projects for the 2020 Olympic Games. Business developed very dynamically in India, Indonesia, Cambodia, and Myanmar. Here the construction industry is benefiting above all from additional stimuli from the trend toward urbanization and the associated infrastructure projects.

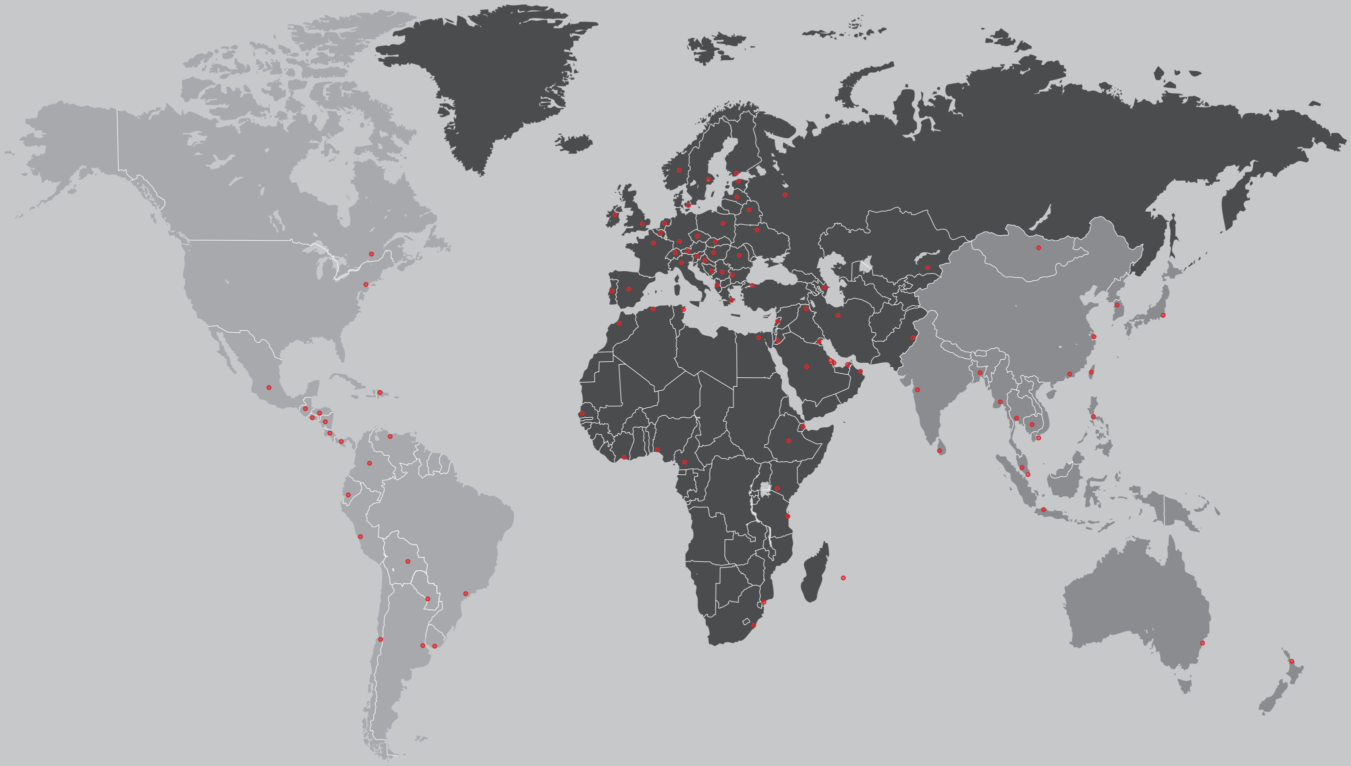
In Vietnam, a state-of-the-art facility for mortar production has come on stream in the Bac Ninh plant alongside the existing production of concrete admixtures. This will enable Sika to continue to grow in this country's booming construction market.

GLOBAL BUSINESS
The new Global Business segment recorded a growth rate of 28.5% (previous year: 9.2%), of which 20.7% is attributable to the acquisition of Faist ChemTec. This new segment includes the globally managed automotive business as well as the two acquisitions Axson Technologies and Faist ChemTec – which are both established providers of components and solutions for the automotive area and other applications, and are likewise centrally managed. Thanks to megatrends such as increased safety, lightweight design, reduced emissions, and e-mobility, Sika – with its comprehensive product portfolio of adhesives and sealants, as well as acoustic and reinforcement systems – has managed to further increase the proportion of Sika solutions contained in each car sold.

Results in the individual regions are shown in note 13.

REGIONS

WORLDWIDE MARKET PRESENCE



● SIKA SUBSIDIARIES

THE REGIONS IN BRIEF

	EMEA	Americas	Asia/Pacific	Global Business
Net sales in CHF mn (previous year)	1,558.1 (1,302.0)	889.2 (812.4)	559.1 (529.2)	463.7 (351.3)
Growth in local currencies	**13.6%**	**13.6%**	**5.0%**	**28.5%**
Currency impact	6.1%	-4.1%	0.7%	3.5%
Acquisition effect	7.5%	5.1%	0.0%	20.7%

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2017	6/30/2018
Cash and cash equivalents	1	1,037.9	579.5
Accounts receivable	2	1,188.8	1,475.2
Inventories	3	729.5	849.4
Prepaid expenses and accrued income		116.2	114.3
Other assets		12.7	12.8
Current assets		**3,085.1**	**3,031.2**
Property, plant, and equipment		1,065.2	1,203.1
Intangible assets	4	1,316.0	1,746.9
Investments in associated companies		6.2	6.1
Deferred tax assets		228.1	230.4
Other assets		94.1	99.8
Non-current assets		**2,709.6**	**3,286.3**
ASSETS		**5,794.7**	**6,317.5**
Accounts payable	5	730.9	817.7
Accrued expenses and deferred income		253.4	277.0
Financial liabilities	6	201.2	722.4
Income tax liabilities		147.0	140.9
Provisions	7	20.0	22.0
Current liabilities		**1,352.5**	**1,980.0**
Financial liabilities	6	553.3	2,439.9
Provisions	7	56.4	54.6
Deferred tax liabilities		129.3	158.8
Employee benefit obligation		260.0	264.6
Other liabilities		32.1	33.3
Non-current liabilities		**1,031.1**	**2,951.2**
LIABILITIES		**2,383.6**	**4,931.2**
Capital stock		1.5	1.5
Treasury shares		-6.6	-2,090.7
Reserves		3,389.8	3,447.9
Equity attributable to Sika shareholders		**3,384.7**	**1,358.7**
Non-controlling interests		26.4	27.6
SHAREHOLDERS' EQUITY	8	**3,411.1**	**1,386.3**
LIABILITIES AND SHAREHOLDERS' EQUITY		**5,794.7**	**6,317.5**

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30

in CHF mn	Notes	%	2017	%	2018	Change in %
Net sales	9, 13	**100.0**	**2,994.9**	**100.0**	**3,470.1**	**15.9**
Material expenses	10	-44.9	-1,343.5	-46.4	-1,608.9	
Gross result		**55.1**	**1,651.4**	**53.6**	**1,861.2**	**12.7**
Personnel expenses	11	-20.3	-608.7	-19.4	-675.0	
Other operating expenses	12	-18.5	-554.5	-18.5	-641.4	
Operating profit before depreciation		**16.3**	**488.2**	**15.7**	**544.8**	**11.6**
Depreciation and amortization expenses		-2.9	-86.1	-2.9	-100.2	
Operating profit	13	**13.4**	**402.1**	**12.8**	**444.6**	**10.6**
Interest income		0.0	0.8	0.1	1.2	
Interest expenses		-0.3	-8.8	-0.3	-10.5	
Other financial income		0.1	3.2	0.1	3.4	
Other financial expenses		-0.3	-11.8	-0.5	-16.4	
Income from associated companies		0.0	0.3	0.0	0.4	
Profit before taxes		**12.9**	**385.8**	**12.2**	**422.7**	**9.6**
Income taxes		-3.4	-100.1	-3.0	-104.5	
Net profit		**9.5**	**285.7**	**9.2**	**318.2**	**11.4**
Profit attributable to Sika shareholders		9.4	283.1	9.1	316.2	
Profit attributable to non-controlling interests		0.1	2.6	0.1	2.0	
Undiluted earnings per share (in CHF)[1]			1.86		2.12	14.0
Diluted earnings per share (in CHF)[1,2]			1.86		2.11	13.4

1 Due to the share split, the earnings per share as of June 30, 2017, were adjusted for comparability. Our calculation took this into account with 1/60 of the earnings per share as of June 30, 2017.

2 Dilutive effect due to convertible bonds issued (see note 6).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	%	1/1/2017 – 6/30/2017	%	1/1/2018 – 6/30/2018	Change in %
Net profit	**9.5**	**285.7**	**9.2**	**318.2**	**11.4**
Actuarial gains (+)/losses (-) on employee benefit obligation	1.3	39.2	0.1	5.8	
Income tax effect	-0.2	-7.3	0.0	-1.0	
Items that will not be reclassified to profit or loss	**1.1**	**31.9**	**0.1**	**4.8**	
Exchange differences taken to equity	-1.6	-47.6	-0.6	-21.7	
Items that may be reclassified subsequently to profit or loss	**-1.6**	**-47.6**	**-0.6**	**-21.7**	
Other comprehensive income	**-0.5**	**-15.7**	**-0.5**	**-16.9**	
Comprehensive income	**9.0**	**270.0**	**8.7**	**301.3**	**11.6**
Attributable to Sika shareholders	9.0	268.7	8.6	298.9	
Attributable to non-controlling interests	0.0	1.3	0.1	2.4	

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, 2017	**1.5**	**203.1**	**-11.0**	**-543.7**	**3,274.4**	**2,924.3**	**23.4**	**2,947.7**
Profit for the period					283.1	283.1	2.6	285.7
Other comprehensive income				-46.3	31.9	-14.4	-1.3	-15.7
Comprehensive income	**–**	**–**	**–**	**-46.3**	**315.0**	**268.7**	**1.3**	**270.0**
Transactions with treasury shares [1]			3.8		-9.2	-5.4		-5.4
Share-based payments					5.4	5.4		5.4
Dividends [3]					-243.7	-243.7	-2.6	-246.3
Inflation adjustment [2]					1.5	1.5		1.5
June 30, 2017	**1.5**	**203.1**	**-7.2**	**-590.0**	**3,343.4**	**2,950.8**	**22.1**	**2,972.9**
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
Dividends [4]					-281.8	-281.8	-1.2	-283.0
Issue of convertible bond [5]					40.7	40.7		40.7
Inflation adjustment [2]					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**

1 Including income tax of CHF 0.2 mn (CHF 0.4 mn).
2 Hyperinflation accounting concerns the subsidiary in Venezuela.
3 Dividend per bearer share: CHF 96.00, dividend per registered share: CHF 16.00.
4 Dividend per bearer share: CHF 111.00, dividend per registered share: CHF 18.50.
5 For details on the convertible bond see note 6.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	1/1/2017–6/30/2017	1/1/2018–6/30/2018
Operating activities			
Profit before taxes		385.8	422.7
Depreciation and amortization expenses		86.1	100.2
Increase (+)/decrease (–) in provisions/employee benefit assets and obligations		4.0	3.3
Increase (–)/decrease (+) in net working capital and accruals		-224.8	-267.1
Non-liquidity-related financial expenses (+)/income (–) as well as cash flow from hedging transactions		4.4	17.1
Other adjustments		12.1	18.9
Income taxes paid		-142.3	-135.5
Cash flow from operating activities		**125.3**	**159.6**
Investing activities			
Property, plant, and equipment: capital expenditures		-65.3	-146.1
Property, plant, and equipment: disposals		4.0	0.6
Intangible assets: capital expenditures		-1.0	-2.6
Acquisitions less cash and cash equivalents		-129.2	-406.7
Acquisitions (–)/disposals (+) of financial assets		-1.3	-2.6
Cash flow from investing activities		**-192.8**	**-557.4**
Financing activities			
Increase in financial liabilities		3.1	2,106.2
Repayment of financial liabilities		-14.9	-1,718.0
Issue of bonds	6	0.0	300.6
Issue of convertible bonds	6	0.0	1,630.6
Acquisitions of treasury shares		-18.3	-2,114.7
Disposals of treasury shares		12.5	19.9
Dividend payment to shareholders of Sika AG		-243.7	-281.8
Dividends related to non-controlling interests		-2.6	0.0
Cash flow from financing activities		**-263.9**	**-57.2**
Exchange differences on cash and cash equivalents		**-4.5**	**-3.4**
Net change in cash and cash equivalents		**-335.9**	**-458.4**
Cash and cash equivalents at the beginning of the period	1	1,155.0	1,037.9
Cash and cash equivalents at the end of the period	1	819.1	579.5
Cash flow from operating activities contains:			
Dividends from associated companies		0.5	0.6
Interest received		0.8	1.4
Interest paid		-1.8	-2.7

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

The unaudited, **Interim Consolidated Financial Statements** for the first half of 2018 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, 2017.

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, 2018, 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, 2018. They have had no significant effect on the Consolidated Financial Statements of the Group:

- IFRS 9 – Financial instruments
  The new standard replaces the provisions of IAS 39 that relate to the recognition, classification, and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets, and hedge accounting. The new provisions did not result in reclassifications in Sika's classification of financial instruments, but the valuation methodology for financial assets has been adjusted. From January 1, 2018, Sika assesses the expected losses on financial assets incorporating forward-looking information. Sika applies the simplified approach to accounts receivable. The valuation allowance is recognized upon initial recognition and at each subsequent reporting periods for the expected credit losses over the entire lifetime. The probability of default is based on empirical values, supplemented with currently observable data. The application of this revised impairment policy did not lead to a material change in the allowance. Accordingly, there is no adjustment to the previous year's figures or the opening balances due to the first-time application.
- IFRS 15 – Revenue from contracts with customers
  Entities need to apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Sika's customer contracts primarily include the delivery of goods with no separate performance obligations. The first-time application of IFRS 15 did not result in any adjustment of the previous year's figures or the opening balances.
- Amendments to IFRS 2 – Share based payments' classification and measurement of share-based payment transactions
- Amendments to IAS 7, IFRS 9 and IAS 39 – Hedge accounting
- IFRIC 22 – Foreign currency transactions and advance consideration
- Annual improvements (2014 – 2016 Cycle) – Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology

ACQUISITIONS 2018

In 2018 Sika acquired the following companies:

Company	Type of transaction	Stake in %	Closing date
Index S.p.A. Construction Systems and Products, Italy	Share deal	75.0	1/15/2018
Faist ChemTec Group, Germany, Spain, Poland, Turkey, USA, Mexico, China	Share deal	100.0	2/16/2018

On January 15, 2018, Sika acquired a 75% majority stake in Index S.p.A. Construction Systems and Products, Italy, a leading manufacturer of roofing and waterproofing systems. By acquiring Index, Sika extends its products range and significantly strengthens its position in the Italian market. Its product portfolio consists of technologically advanced bituminous membranes for roofing and waterproofing, products for thermal and acoustic insulation, as well as waterproofing and repair mortars.

A put-and-call agreement has been concluded with the seller for the remaining 25% shares in the company. The owner of the minority interests can exercise his put option from April 2018. Sika can exercise the call option from the beginning of 2019. Therefore, Sika considers the outstanding minority interests to have already been acquired and will consolidate the stake to 100%.

Since the purchase, Index has contributed sales of CHF 57.8 million and net profit of CHF 3.2 million. If the acquisition had taken place on the first day of the business year, its additional contribution to consolidated net sales and the additional profit share would have been immaterial. Accounts receivable of Index had a gross value of CHF 44.4 million and were adjusted since CHF 3.6 million were classified as non-recoverable.

In February 2018 Sika further acquired Faist ChemTec Group, a leading manufacturer of high-performance engineered, structure-borne acoustic solutions for the automotive industry. Faist ChemTec has strong technology and process know-how in modified bituminous and rubber-based extruded products for the structure-borne noise management in the automotive industry. Sika's strength in airborne noise treatment and reinforcing parts is complemented by these acquired technologies. In addition, Sika will gain knowledge in acoustics technology for the white goods market and the construction industry.

Faist ChemTec has contributed sales of CHF 72.6 million and net profit of CHF 2.2 million. If the acquisition had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 25.6 million. Consolidated net profit would have been CHF 1.9 million higher. Accounts receivable of Faist ChemTec had a gross value of CHF 28.0 million and were adjusted, since CHF 0.8 million were classified as non-recoverable.

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 2.6 million and were charged to other operating expenses.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	Index	Faist ChemTec Group
Cash and cash equivalents	57.6	12.8
Accounts receivable	40.8	27.2
Inventories	11.0	11.3
Prepaid expenses and accrued income	0.8	2.5
Property, plant, and equipment	32.2	65.3
Intangible assets	30.9	74.4
Deferred tax assets	0.0	1.1
Other assets	0.0	2.1
Total assets	**173.3**	**196.7**
Financial liabilities	0.0	79.2
Accounts payable	36.6	11.8
Accrued expenses and deferred income	0.5	20.3
Provisions	3.0	3.3
Employee benefit obligation	2.5	1.2
Deferred tax liabilities	12.1	29.5
Total liabilities	**54.7**	**145.3**
Acquired net assets	**118.6**	**51.4**
Goodwill	124.6	229.7
Total purchase price	**243.2**	**281.1**
Cash in acquired assets	-57.6	-12.8
Payments still due (per June 30, 2018)	-47.2	0.0
Net cash outflow	**138.4**	**268.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet data as of June 30, 2018 (December 31, 2017).
Income statement from January 1 to June 30, 2018 (January 1 to June 30, 2017).

1. CASH AND CASH EQUIVALENTS CHF 579.5 MN (CHF 1,037.9 MN)
The cash management of the Group includes cash pooling, in which cash and cash equivalents available within the Group are pooled. 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.

2. ACCOUNTS RECEIVABLE CHF 1,475.2 MN (CHF 1,188.8 MN)
Accounts receivables are higher at mid-year than at the end of 2017 as a result of seasonal influences and acquisition impacts.

3. INVENTORIES CHF 849.4 MN (CHF 729.5 MN)
The rise in inventories is due to seasonal distribution of sales as well as acquisition impacts.

4. INTANGIBLE ASSETS CHF 1,746.9 MN (CHF 1,316.0 MN)
The increase in intangible assets is mainly due to the acquisitions.

5. ACCOUNTS PAYABLE CHF 817.7 MN (CHF 730.9 MN)
Accounts payable are higher at mid-year than at the end of 2017 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.

6. FINANCIAL LIABILITIES CHF 3,162.3 MN (CHF 754.5 MN)

			12/31/2017			6/30/2018
in CHF mn	Current	Non-current	Total	Current	Non-current	Total
Derivatives	5.7	0.0	5.7	11.3	0.0	11.3
Bank loans	22.6	0.9	23.5	493.3	0	493.3
Bonds	150.0	549.0	699.0	150.0	2,436.9	2,586.9
Other financial liabilities	22.9	3.4	26.3	67.8	3.0	70.8
Total	**201.2**	**553.3**	**754.5**	**722.4**	**2,439.9**	**3,162.3**

The transaction with Schenker-Winkler Holding AG in May 2018 (see further information on significant shareholders) was funded with a bridge loan. The issue of bonds partially replaced the bridge financing. As of June 30, 2018, CHF 470.7 million of the bridge financing is still outstanding, which will be redeemed with the issue of additional bonds (see further information on events after the balance sheet date).

As of June 30, 2018, Sika has the following bonds outstanding:

in CHF mn	Coupon	Term	12/31/2017 Nominal	12/31/2017 Book value	6/30/2018 Nominal	6/30/2018 Book value
Straight bond	1.000%	2012 – 07/12/2018	150.0	150.0	150.0	150.0
Straight bond	1.125%	2013 – 11/14/2019	200.0	199.8	200.0	199.9
Straight bond	0.000% – 0.050%	2018 – 03/27/2020			160.0	160.5
Straight bond	1.750%	2012 – 07/12/2022	150.0	149.9	150.0	149.9
Straight bond	1.875%	2013 – 11/14/2023	200.0	199.3	200.0	199.4
Convertible bond	0.150%	2018 – 06/05/2025			1,650.0	1,587.2
Straight bond	0.600%	2018 – 03/27/2026			140.0	140.0
Total			**700.0**	**699.0**	**2,650.0**	**2,586.9**

On March 5, 2018, Sika AG placed a bond with a total amount of CHF 300.0 million through a double tranche with payment date on March 27, 2018:

- CHF 140.0 million bond 2018–2026 with a fixed coupon of 0.60% p.a. The bond was issued at 100.351%.
- CHF 160.0 million bond 2018–2020 with a floating interest rate based on 3-month LIBOR. The bond was issued at 100.602%. There is a minimum interest rate of 0.00%, and a maximum interest rate of 0.05%.

On May 15, 2018, Sika also placed an unsecured convertible bond in the amount of CHF 1,650.0 million due in 2025 with payment date on June 5, 2018. The issue price and the redemption prices are set at 100%. 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 190.3579. This corresponds to a conversion premium of 40.0% over the share price when the bond was placed.

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	0.15% convertible bond 2018 – 2025
Liability component upon issue	1,605.4
Proportional issue costs	-18.9
Net liability component (carrying amount at balance sheet date)	**1,586.5**
Open par value	1,650.0
Carrying amount of equity component	44.6
Proportional issue costs	-0.5
Deferred taxes	-3.4
Net equity component upon issue	**40.7**

No rights were converted in the reporting period.

7. PROVISIONS CHF 76.6 MN (CHF 76.4 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 and tax cases with a probability of above 50%. For provisions of CHF 22.0 million (CHF 20.0 million) an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

8. SHAREHOLDERS' EQUITY CHF 1,386.3 MN (CHF 3,411.1 MN)
Equity accounts for 21.9 % (58.9 %) of the balance sheet total. The reduction is attributable to the transaction with Schenker-Winkler Holding AG (SWH) in May 2018 (see further information on significant shareholders). The financing of this transaction is shown in note 6.

On June 11, 2018, Sika decided to introduce a single-class registered share with a par value of CHF 0.01 each. All existing bearer shares with a par value of CHF 0.60 were converted and split and all registered shares with a par value of CHF 0.10 were split.

The Sika registered shares bought back by SWH (10,629,520 registered shares with a par value of CHF 0.01) will be cancelled by means of a capital reduction. The corresponding reduction of CHF 106,295.20 in share capital was approved at the Extraordinary General Meeting on June 11, 2018, and will be implemented in the second half of 2018.

	Bearer shares nominal value CHF 0.60	Registered shares nominal value CHF 0.10	Total[1]
12/31/2017 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107

	Registered shares nominal value CHF 0.01	Total[2]
06/30/2018 (units)	152,410,680	152,410,680
Nominal value (CHF)	1,524,107	1,524,107

1 Includes treasury shares, 1,098 bearer shares, and 270 registered shares, which do not carry voting and dividend rights.
2 Includes treasury shares, 10,686,443, which do not carry voting and dividend rights. The increase is due to the share split but mainly to the purchase of Sika registered shares from SWH.

9. NET SALES CHF 3,470.1 MN (CHF 2,994.9 MN)
Sales of goods account for nearly all net sales. In comparison with the previous year, net sales increased in local currencies by 13.9%. Taking currency effects amounting to 2.0% into consideration, sales denominated in Swiss francs increased by 15.9%, including a growth from acquisitions of 7.1%. Details to segments can be found in note 13.

10. MATERIAL EXPENSES CHF 1,608.9 MN (CHF 1,343.5 MN)
Material expenses increased as a percentage of net sales by 1.5 percentage points mainly due to higher raw material costs and acquisition effects.

11. PERSONNEL EXPENSES CHF 675.0 MN (CHF 608.7 MN)
Personnel expenses decreased in relation to sales from 20.3 % to 19.4 %, mainly due to further efficiency improvements and selective structural adjustments in some countries.

Personnel expenses include a portion of salaries paid to senior managers and Group Management in the form of Sika AG stock. The allocated shares are subject to a blocking period of four years. Related personnel expenses in the first half of 2018 amounted to CHF 14.0 million (CHF 13.3 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.

12. OTHER OPERATING EXPENSES CHF 641.4 MN (CHF 554.5 MN)
Due to disciplined cost management, other operating expenses remained constant (18.5% of net sales).

One-off effects arising in connection with the resolution of the takeover battle with Saint-Gobain (payment of the Board of Directors for the year 2015 to 2018 and transaction-related one-time costs) amounted to around 23 million and had a negative impact on costs. Without these one-off effects, the cost ratio would have improved from 18.5% to 17.8%.

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

13. SEGMENTS
Sika conducts its worldwide activities according to regions. Region heads are members of Group Management. Group Management is the highest operative execution body measuring profit and loss of the regions and thus of the operating segments and allocates resources. The key figure of profit by which the segments are directed is that of operating profit, which stands in correlation with the Consolidated Financial Statements. The financing (including financial expenditures and revenues) as well as income taxes are managed uniformly across the Group and are not assigned to the individual segments. The precise composition of the segments is shown on page 6.

Sales are assigned according to company locations. Customers derive from the building and construction industry or from the area of industrial manufacturing. Taxes and any effects of financing are allocated to "Other segments and activities". Transfer prices between segments are calculated according to generally recognized principles.

The segments were adjusted during the financial year. The former segments North America and Latin America were combined in a new segment, Americas. The aim is to achieve a more efficient supply chain and benefit from higher purchasing volumes in the economically closely intertwined segments of North America and Latin America. The global automotive business, the SikaAxson business, previously assigned to the segment EMEA, further minor structural adjustments and the newly acquired Faist ChemTec Group, are combined in the new segment "Global Business".

The acquired company Index S.p.A. Construction Systems and Products, Italy, is assigned to segment EMEA.

"Other segments and activities" includes expenses for the Group headquarters and its income from services rendered to Group companies. Research and development costs previously allocated to "Other segments and activities" are now allocated to the segments.

The previous year's figures were adjusted due to the changed segment structure.

NET SALES FROM JANUARY 1 TO JUNE 30

			2017[1]			2018
in CHF mn	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	1,302.0	101.1	1,403.1	1,558.1	114.7	1,672.8
Americas	812.4	1.4	813.8	889.2	0.9	890.1
Asia/Pacific	529.2	6.9	536.1	559.1	9.9	569.0
Global business	351.3	6.9	358.2	463.7	9.2	472.9
Eliminations	–	-116.3	-116.3	–	-134.7	-134.7
Net sales	**2,994.9**	**–**	**2,994.9**	**3,470.1**	**–**	**3,470.1**
Products for construction industry	2,327.0			2,651.2		
Products for industrial manufacturing	667.9			818.9		

1 Restated due to amendments in segment structure.

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	1/1/2017 – 6/30/2017[1]	1/1/2018 – 6/30/2018	Change compared to prior period (+/– in %) In Swiss francs	In local currencies	Currency impact
EMEA	1,302.0	1,558.1	19.7	13.6	6.1
Americas	812.4	889.2	9.5	13.6	-4.1
Asia/Pacific	529.2	559.1	5.7	5.0	0.7
Global business	351.3	463.7	32.0	28.5	3.5
Net sales	**2,994.9**	**3,470.1**	**15.9**	**13.9**	**2.0**
Products for construction industry	2,327.0	2,651.2	13.9	12.2	1.7
Products for industrial manufacturing	667.9	818.9	22.6	19.7	2.9

1 Restated due to amendments in segment structure.

OPERATING PROFIT

in CHF mn	1/1/2017 – 6/30/2017[1]	1/1/2018 – 6/30/2018	Change compared to prior period (+/–)	(+/– in %)
EMEA	175.8	207.8	32.0	18.2
Americas	142.0	149.3	7.3	5.1
Asia/Pacific	87.3	89.2	1.9	2.2
Global business	58.0	69.9	11.9	20.5
Other segments and activities	-61.0	-71.6	-10.6	n.a.
Operating profit	**402.1**	**444.6**	**42.5**	**10.6**

1 Restated due to amendments in segment structure and allocation of research and development costs to the segments.

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	1/1/2017 – 6/30/2017	1/1/2018 – 6/30/2018
Operating profit	**402.1**	**444.6**
Interest income	0.8	1.2
Interest expenses	-8.8	-10.5
Other financial income	3.2	3.4
Other financial expenses	-11.8	-16.4
Income from associated companies	0.3	0.4
Profit before taxes	**385.8**	**422.7**
Income taxes	-100.1	-104.5
Net profit	**285.7**	**318.2**

OTHER INFORMATION

SIGNIFICANT SHAREHOLDERS

On May 10, 2018, Sika, the Burkard family and Compagnie de Saint-Gobain ("Saint-Gobain") signed agreements which terminate and resolve their disputes and legal proceedings. Under these agreements, Saint-Gobain acquired from the Burkard family all shares in Schenker-Winkler Holding AG ("SWH") and Sika acquired from SWH 1,062,952 registered shares in Sika with a par value of CHF 0.10 (which represented at that time 6.97% of the capital and 23.7% of the voting rights) for a total consideration of CHF 2.08 billion. Sika and Saint-Gobain have agreed on certain lock-up and stand-still obligations with regard to SWH's remaining stake in Sika. In case of an intended sale, SWH's shares in Sika (up to 10.75%) will first be offered to Sika. On June 11, 2018, an Extraordinary General Meeting of Sika resolved, among others, to convert all shares of Sika into a single class of registered shares with a par value of CHF 0.01 and to cancel the treasury shares acquired from SWH by way of a capital reduction. The capital reduction is not yet completed as of June 30, 2018. Upon completion of the capital reduction, Saint-Gobain (through SWH) holds 10.75% of the votes and capital interest in Sika.

As of the balance sheet date of June 30, 2018, Sika had received notification of four significant shareholders whose voting rights exceed 3%: (1) Compagnie de Saint-Gobain, which held 10.0% of all voting rights via Schenker-Winkler Holding AG. (2) BlackRock Inc., which owned 7.7% of all voting rights. (3) Sika, which owned 7.02% of all voting rights. (4) 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.

Since the introduction of the single-class registered share, the capital shares correspond to the voting rights. This led to an increase in the proportion of voting rights compared to December 31, 2017, for all previous holders of bearer shares.

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 3, 2018, Sika AG placed a bond with a total amount of CHF 550.0 million through a triple tranche to completely replace the bridge loan:

- CHF 170.0 million bond 2018 – 2021 with a fixed coupon of 0.125% p.a. The bond was issued at 100.285%.
- CHF 250.0 million bond 2018 – 2024 with a fixed coupon of 0.625% p.a. The bond was issued at 100.515%.
- CHF 130.0 million bond 2018 – 2028 with a fixed coupon of 1.125% p.a. The bond was issued at 101.112%.

FINANCIAL CALENDAR

RESULTS FIRST NINE MONTHS 2018	Thursday, October 25, 2018
NET SALES 2018	Tuesday, January 8, 2019
MEDIA CONFERENCE / ANALYST PRESENTATION ON FULL-YEAR RESULTS 2018	Friday, February 22, 2019
NET SALES FIRST QUARTER 2019	Tuesday, April 9, 2019
51ST ANNUAL GENERAL MEETING	Tuesday, April 9, 2019
HALF-YEAR REPORT 2019	Thursday, July 25, 2019

SIKA AG
Zugerstrasse 50
6341 Baar
Switzerland

Contact
Phone +41 58 436 68 00
Fax +41 58 436 68 50
www.sika.com

BUILDING TRUST