

SHAREHOLDER LETTER NINE MONTHS 2021

2021

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SHAREHOLDER LETTER

SIKA ON TRACK TO SET RECORDS AFTER FIRST NINE MONTHS – STRONG GROWTH IN SALES AND EBIT

- Sales up by 18.1% in local currencies, sales of CHF 6,862.7 million (+18.2% in CHF)
- Operating profit (EBIT) at CHF 1,054.0 million (+32.2%), EBIT margin at 15.4%
- 7 acquisitions realized to date: Kreps (Russia), DriTac (USA), BR Massa (Brazil), Hamatite (Japan), American Hydrotech (USA), Bexel (Mexico), and Landun (China)
- Outlook for 2021 confirmed
 - Expected growth in local currencies: 13–17%
 - Over-proportional increase in EBIT, EBIT margin to reach 15% for the first time
- Confirmation of 2023 strategic targets for sustainable, profitable growth

Despite the persistently strong impact of the coronavirus pandemic and the associated bottlenecks in the procurement of raw materials, Sika was able to continue on its consistent growth trajectory – closing the first nine months of 2021 with record results. Sales rose sharply to a record figure of CHF 6,862.7 million, corresponding to growth of 18.1% in local currencies. The currency effect was 0.1%. The acquisition effect after nine months was 1.3%, resulting in an organic growth in the reporting period of 16.8%. Compared with the same period in 2019, organic growth was at 10.2%.

RISE IN RAW MATERIAL COSTS, HIGH OPERATING LEVERAGE, INCREASED EBIT MARGIN

The sharp rise in raw material costs led to a lower gross margin of 52.6% in the first nine months (previous year: 54.6%). Economies of scale were realized thanks to higher volume, an increase in prices, and targeted efficiency gains in production workflows. The operating profit margin increased significantly to 15.4% (previous year: 13.7%) with operating profit (EBIT) rising to a new record of CHF 1,054.0 million (previous year: CHF 797.1 million) – up 32.2% compared to the previous year's period. In addition to economies of scale, EBIT was positively impacted by productivity-enhancing measures and synergies related to acquisitions. Net profit increased to CHF 765.1 million (previous year: CHF 561.5 million).

DOUBLE-DIGIT GROWTH IN ALL REGIONS

The coronavirus pandemic continues to have a strong impact on business performance in all regions. Renewed lockdowns in parts of Asia are affecting global supply chains. Thanks to its strong market position and innovative products, Sika was able to increase its market share in all regions.

The **EMEA region** (Europe, Middle East, Africa) reported a sales increase in local currencies of 17.6% for the first nine months (previous year: 3.8%). As in the previous year, growth in the distribution and renovation business outstripped growth in the other business segments. The private residential sector in particular, posted a highly dynamic performance. Almost all countries in the region achieved double-digit growth rates. Eastern Europe, including Russia, Romania, Serbia, and the Czech Republic benefited from a surge in growth – as well as the United Kingdom and countries in Africa. In general, purchases of Sika product solutions via e-commerce platforms saw an above-average increase.

The **Americas region** recorded growth in local currencies of 19.3% (previous year: 0.9%). Despite a challenging supply chain situation,

the region returned to clear double-digit growth. Mexico, Colombia, Brazil, Peru, and Chile performed very strongly, while business in the United States gained momentum. Growth drivers were large-scale maintenance and new-build projects in the area of distribution and data centers. In the Americas region the strategic focus of business activities on big cities and urban centers paid off, as did the concentration on major infrastructure projects and successful cross-selling.

Sales in local currencies in the **Asia/Pacific region** increased by 20.7% (previous year: 13.9%). China in particular enjoyed a strong continuous momentum, with double-digit organic growth rates due to large number of infrastructure projects and strong sales in the distribution business. India continues its dynamic performance, while South-East Asian countries, above all Vietnam, Malaysia, and Thailand, are suffering from renewed lockdowns. The trend in Japan remains challenging. Its closed borders policy is increasingly affecting the construction industry, and new projects are being postponed.

In the **Global Business segment** Sika achieved growth in local currencies of 9.9% (previous year: -16.1%). In the first nine months of the year, the automotive industry suffered from major bottlenecks in the electronic-component supply chain. Whereas at the beginning of the year car manufacturers were still expecting the volumes of new cars built to substantially recover compared to the previous year, these declined sharply in the third quarter due to the limited availability of semiconductor components. Given these circumstances, the automotive industry is expecting zero growth by the end of the year. Sika anticipates sustained growth stimuli from the megatrends evident in modern automotive production: electromobility and lightweight construction. Notably, the transition from traditional drive systems to electromobility picked up momentum during the pandemic, thanks to various support programs in a number of countries.

SUCCESSFUL GROWTH STRATEGY – CONFIRMATION OF OUTLOOK 2021

Sika confirms its strategic targets 2023. The organization will continue to be aligned for sustainable, long-term success, and profitable growth. By targeting six strategic pillars – market penetration, innovation, operational efficiency, acquisitions, strong corporate values, and sustainability –, Sika is seeking to grow by 6%–8% a year in local currencies until 2023. As of 2021, the company is aiming for a higher EBIT margin of 15%–18%. Projects in the areas of

operations, logistics, procurement, and product formulation should result in an annual improvement in operating costs equivalent to 0.5% of sales. Sika's overriding sustainability goal is to reduce CO₂ emissions per ton sold by 12% until 2023. In addition, the company aims to make all product innovations even more sustainable while at the same time increasing product performance.

For the 2021 fiscal year, Sika continues to expect sales growth in local currencies of 13%-17% as well as an over-proportional EBIT increase. The EBIT margin will reach 15% for the first time, despite a challenging raw material price development and supply chain restrictions.

CONSOLIDATED INCOME STATEMENT IN THE FIRST NINE MONTHS 2021

in CHF mn	%	1.1.2020 - 30.9.2020	%	1.1.2021 - 30.9.2021	Change in %
Net sales	100.0	5,805.5	100.0	6,862.7	18.2
Material expenses	-45.4	-2,635.8	-47.4	-3,253.9	23.5
Gross result	54.6	3,169.7	52.6	3,608.8	13.9
Personnel expenses	-19.4	-1,130.4	-17.8	-1,222.5	8.1
Other operating expenses	-16.7	-967.9	-15.5	-1,058.8	9.4
Operating profit before depreciation	18.5	1,071.4	19.3	1,327.5	23.9
Depreciation and amortization expenses	-4.8	-274.3	-3.9	-273.5	-0.3
Impairment	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	13.7	797.1	15.4	1,054.0	32.2
Interest income	0.1	4.2	0.1	8.8	
Interest expenses	-0.7	-42.3	-0.6	-40.6	
Other financial income	0.1	4.6	0.1	5.0	
Other financial expenses	-0.4	-21.4	-0.2	-12.9	
Income from associated companies	0.0	0.7	0.0	0.3	
Profit before taxes	12.8	742.9	14.8	1,014.6	36.6
Income taxes	-3.1	-181.4	-3.7	-249.5	
Net profit	9.7	561.5	11.1	765.1	36.3
Profit attributable to Sika shareholders	9.7	560.7	11.1	764.5	
Profit attributable to non-controlling interests	0.0	0.8	0.0	0.5	

NET SALES BY REGION

in CHF mn	1.1.2020 - 30.9.2020	1.1.2021 - 30.9.2021	Year-on-year change (+/- in %)				
			In CHF	In local currencies ¹	Currency effect	Acquisition effect ²	Organic growth ³
By region							
EMEA	2,613.7	3,097.8	18.5	17.6	0.9	1.6	16.0
Americas	1,513.4	1,773.8	17.2	19.3	-2.1	2.3	17.0
Asia/Pacific	1,224.0	1,493.3	22.0	20.7	1.3	0.0	20.7
Global Business	454.4	497.8	9.6	9.9	-0.3	0.0	9.9
Net sales	5,805.5	6,862.7	18.2	18.1	0.1	1.3	16.8
Products for the construction industry	4,769.4	5,653.5	18.5	18.4	0.1	1.6	16.8
Products for industrial manufacturing	1,036.1	1,209.2	16.7	16.7	0.0	0.0	16.7

1 Growth in local currencies including acquisitions.

2 Sales contribution by acquired companies without considering the growth after business combination. Sales growth of the acquired businesses since initial consolidation is included in organic growth.

3 Growth adjusted for acquisition and currency impact. Sales growth of the acquired businesses since initial consolidation is included in organic growth.

FINANCIAL CALENDAR

Net sales 2021	Tuesday, January 11, 2022
Media conference/analyst presentation 2021 results	Friday, February 18, 2022
Net sales first quarter 2022	Tuesday, April 12, 2022
54th Annual General Meeting	Tuesday, April 12, 2022
Half-Year Report 2022	Friday, July 22, 2022
Results first nine months 2022	Thursday, October 20, 2022

SIKA AG CORPORATE PROFILE

Sika is a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and motor vehicle industry. Sika has subsidiaries in 100 countries around the world and manufactures in over 300 factories. Its 25,000 employees generated annual sales of CHF 7.88 billion in 2020.

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