

SIKA
BUSINESS YEAR

2022

FINANCIAL REPORT

Sika profits from a solid balance sheet and a strong A- credit rating.

Net profit in CHF million

1,162.5

Operating free cash flow in CHF million

865.2

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT for the year ended December 31

in CHF mn	Notes	%	2021	%	2022	Change in %
Net sales	1, 2	100.0	9,252.3	100.0	10,491.8	13.4
Material expenses	3	-48.2	-4,461.0	-50.6	-5,312.0	
Gross result		51.8	4,791.3	49.4	5,179.8	8.1
Personnel expenses	4	-17.7	-1,635.3	-16.3	-1,710.5	
Other operating expenses	5	-15.1	-1,398.0	-14.4	-1,505.1	
Operating profit before depreciation		19.0	1,758.0	18.7	1,964.2	11.7
Depreciation and amortization expenses	2, 16, 17	-4.0	-366.6	-3.6	-384.5	
Operating profit	2	15.0	1,391.4	15.1	1,579.7	13.5
Interest income	7	0.1	11.5	0.2	19.0	
Interest expenses	6	-0.6	-56.9	-0.6	-59.4	
Other financial income	7	0.1	7.0	0.1	6.9	
Other financial expenses	6	-0.2	-17.8	-0.5	-48.4	
Income from associated companies	7	0.0	0.4	0.0	0.4	
Profit before taxes		14.4	1,335.6	14.3	1,498.2	12.2
Income taxes	8	-3.1	-287.1	-3.2	-335.7	
Net profit		11.3	1,048.5	11.1	1,162.5	10.9
Profit attributable to Sika shareholders		11.3	1,047.9	11.1	1,162.5	
Profit attributable to non-controlling interests	25	0.0	0.6	0.0	0.0	
Basic earnings per share (in CHF)	9		6.91		7.57	9.6
Diluted earnings per share (in CHF)	9		6.60		7.29	10.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended December 31

in CHF mn	Notes	%	2021	%	2022	Change in %
Net profit		11.3	1,048.5	11.1	1,162.5	10.9
Actuarial gains (+)/losses (-) on employee benefit obligation	23	1.6	146.1	-0.7	-74.7	
Income tax effect	8	-0.3	-25.6	0.1	7.3	
Items that will not be reclassified to profit or loss		1.3	120.5	-0.6	-67.4	
Exchange differences taken to equity		0.6	52.5	-2.3	-237.2	
Income tax effect	8	0.0	0.0	0.0	2.2	
Items that may be reclassified subsequently to profit or loss		0.6	52.5	-2.2	-235.0	
Other comprehensive income		1.9	173.0	-2.9	-302.4	
Comprehensive income		13.2	1,221.5	8.2	860.1	-29.6
Attributable to Sika shareholders		13.2	1,220.9	8.2	859.8	
Attributable to non-controlling interests	25	0.0	0.6	0.0	0.3	

CONSOLIDATED BALANCE SHEET as at December 31

in CHF mn	Notes	2021	2022
Cash and cash equivalents	10, 27	1,175.0	1,873.3
Accounts receivable	11, 27	1,576.8	1,719.6
Inventories	12	1,158.3	1,212.8
Prepaid expenses and accrued income	13	190.4	190.1
Other assets	14, 27	31.3	25.5
Assets classified as held for sale	15	33.7	0.0
Current assets		4,165.5	5,021.3
Property, plant, and equipment	16	1,776.6	1,822.3
Intangible assets	17	4,379.9	4,229.1
Investments in associated companies	18	9.2	9.5
Deferred tax assets	8	142.1	144.8
Other assets	14, 27	233.5	92.2
Non-current assets		6,541.3	6,297.9
ASSETS		10,706.8	11,319.2
Accounts payable	19, 27	1,033.2	1,016.6
Accrued expenses and deferred income	20	519.9	489.0
Financial liabilities	21, 27	343.1	303.0
Income tax liabilities		170.3	205.9
Provisions	22	26.0	26.9
Liabilities classified as held for sale	15	3.7	0.0
Current liabilities		2,096.2	2,041.4
Financial liabilities	21, 27	3,393.9	3,634.2
Provisions	22	95.6	78.0
Deferred tax liabilities	8	365.9	322.5
Employee benefit obligations	23	322.9	239.9
Other liabilities	24	36.4	36.1
Non-current liabilities		4,214.7	4,310.7
LIABILITIES		6,310.9	6,352.1
Capital stock	25	1.4	1.5
Treasury shares	25	-10.7	-15.1
Reserves	25	4,403.1	4,979.8
Equity attributable to Sika shareholders	25	4,393.8	4,966.2
Non-controlling interests	25	2.1	0.9
SHAREHOLDERS' EQUITY	25	4,395.9	4,967.1
LIABILITIES AND SHAREHOLDERS' EQUITY		10,706.8	11,319.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF mn	Capital stock	Capital surplus	Treasury shares	Currency translation differences	Retained earnings	Equity attributable to Sika shareholders	Non-controlling interests	Total equity
January 1, 2021	1.4	203.1	-5.2	-1,047.7	4,134.2	3,285.8	2.2	3,288.0
Net profit					1,047.9	1,047.9	0.6	1,048.5
Other comprehensive income				52.5	120.5	173.0		173.0
Comprehensive income	0.0	0.0	0.0	52.5	1,168.4	1,220.9	0.6	1,221.5
Transactions with treasury shares ¹			-9.2		-15.4	-24.6		-24.6
Share-based payments					9.1	9.1		9.1
Conversion of convertible bonds		234.3	3.7		-4.3	233.7		233.7
Dividends ²					-354.5	-354.5	-0.6	-355.1
Buyout of existing non-controlling interests ³					-0.1	-0.1	-0.1	-0.2
Inflation adjustment ⁴					23.5	23.5		23.5
December 31, 2021	1.4	437.4	-10.7	-995.2	4,960.9	4,393.8	2.1	4,395.9
January 1, 2022	1.4	437.4	-10.7	-995.2	4,960.9	4,393.8	2.1	4,395.9
Net profit					1,162.5	1,162.5	0.0	1,162.5
Other comprehensive income				-237.5	-65.2	-302.7	0.3	-302.4
Comprehensive income	0.0	0.0	0.0	-237.5	1,097.3	859.8	0.3	860.1
Transactions with treasury shares ¹			-4.4		-15.6	-20.0		-20.0
Share-based payments					10.5	10.5		10.5
Conversion of convertible bonds	0.1	1,441.4			-1,319.9	121.6		121.6
Dividends ⁵					-445.8	-445.8	-0.2	-446.0
Buyout of existing non-controlling interests ⁶					-5.1	-5.1	-1.3	-6.4
Inflation adjustment ⁴					51.4	51.4		51.4
December 31, 2022	1.5	1,878.8	-15.1	-1,232.7	4,333.7	4,966.2	0.9	4,967.1

1 Including income tax of CHF 1.3 million (CHF 1.1 million) in retained earnings.

2 Dividend per registered share (par value CHF 0.01): CHF 2.50.

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

4 Hyperinflation accounting concerns the subsidiaries in Argentina and since 2022 also in Turkey.

5 Dividend per registered share (par value CHF 0.01): CHF 2.90.

6 Increase in shareholdings in Mortero Spa, Algeria.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	2021	2022
Operating activities			
Profit before taxes		1,335.6	1,498.2
Depreciation and amortization expenses	16, 17	366.6	384.5
Increase (+)/decrease (-) in provisions/ employee benefit obligations and assets		-25.4	-19.9
Increase (-)/decrease (+) net working capital and accruals		-324.9	-326.5
Non-liquidity-related financial expenses (+)/income (-) as well as cash flow from hedging transactions		29.6	46.4
Profit on divestment of the industrial coatings business	15	0.0	-166.5
Other adjustments	26	-2.1	0.1
Income taxes paid		-315.3	-316.5
Cash flow from operating activities		1,064.1	1,099.8
Investing activities			
Property, plant, and equipment: capital expenditures	16	-157.3	-238.0
Property, plant, and equipment: disposals	16, 26	14.9	31.4
Intangible assets: capital expenditures	17	-13.3	-28.0
Proceeds from divestment of businesses	15	0.0	211.7
Acquisitions less cash and cash equivalents		-304.4	-142.7
Acquisition of associated companies	18	-7.8	0.0
Acquisitions (-)/disposals (+) of financial assets		-1.3	-3.4
Cash flow from investing activities		-469.2	-169.0
Financing activities			
Increase in financial liabilities	21	5.1	20.6
Repayment of financial liabilities	21	-46.6	-42.0
Repayment of lease liabilities	21	-97.7	-95.5
Repayment of a bond	21	-170.0	-150.0
Issue of bonds	21	0.0	598.9
Repayment liability component of mandatory convertible bond	21	-48.8	-48.8
Purchase of treasury shares		-65.2	-67.0
Sale of treasury shares		41.7	46.2
Dividend payment to shareholders of Sika AG		-354.5	-445.8
Dividend payment to non-controlling interests		-0.6	-0.2
Buyout of existing non-controlling interests		-0.2	-6.4
Cash flow from financing activities		-736.8	-190.0
Exchange differences on cash and cash equivalents		-1.8	-42.5
Net change in cash and cash equivalents		-143.7	698.3
Cash and cash equivalents at the beginning of the year	10	1,318.7	1,175.0
Cash and cash equivalents at the end of the year	10	1,175.0	1,873.3
Cash flow from operating activities contains:			
Dividends from associated companies		1.4	0.1
Interest received		9.0	16.9
Interest paid		-36.6	-31.9

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

Corporate Information

Sika is a specialty chemicals company active in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and the motor vehicle industry.

Accounting policies

BASIS OF PREPARATION

The financial statements of Sika have been prepared in conformity with the provisions of the International Accounting Standards Board (IASB). All standards (IAS/IFRS) and interpretations (IFRIC/SIC) applicable as of December 31, 2022, were considered. The financial statements have been prepared according to the going-concern principle. The consolidated financial statements have been prepared under the historical cost principle except for financial assets and liabilities (including derivative instruments) at fair value through profit and loss and the defined benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed on p.210 of this report.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting standards applied conform to those standards that were valid in the prior year. Exceptions are the following revised and new standards, which Sika applies since January 1, 2022. The application of these standards did not have any material impact on the consolidated financial statements of the Group:

- Amendments to IFRS 16 – Leases – COVID-19-related rent concessions beyond 30 June 2021
- Amendments to IFRS 3 – Reference to the conceptual framework
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous contracts – Cost of fulfilling a contract
- Annual improvements (2018 – 2020 cycle) – Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying

A number of new standards and amendments to standards and interpretations are effective for the financial year 2023 and later, and have not been applied in preparing these consolidated financial statements. If they had been applied in 2022, they would have had no significant effect on the consolidated financial statements of the Group:

- Amendments to IAS 1 – Disclosure of accounting policies (applicable as of January 1, 2023)
- Amendments to IAS 8 – Definition of accounting estimates (applicable as of January 1, 2023)
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction (applicable as of January 1, 2023)
- Amendments to IAS 1 – Non-current liabilities with covenants (applicable as of January 1, 2024)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (applicable as of January 1, 2024)
- Amendments to IFRS 16 – Lease liability in a sale and leaseback (applicable as of January 1, 2024)

New standards and interpretations are usually applied on the applicable date. However, the options for early adoption are considered individually by Sika.

Consolidation method

BASIS

The consolidated financial statements are based on the balance sheets and income statements of Sika AG, Baar (Switzerland) and its subsidiaries as of December 31, 2022, prepared in accordance with uniform standards.

SUBSIDIARIES

Companies controlled by Sika are fully consolidated. The consolidation includes 100% of their assets and liabilities as well as expenses and income; non-controlling interests in shareholders' equity and net income for the year are excluded and shown separately as part of non-controlling interests.

ASSOCIATED COMPANIES

The equity method is applied to account for investments ranging from 20% to 50%, if Sika exercises significant influence. The investments are included in the balance sheet under "Investments in associated companies" based on the Group's percentage share in net assets including goodwill; in the income statement, the Group's share in the net income for the year is disclosed in "Income from associated companies".

INTRA-GROUP TRANSACTIONS

Transactions within the Group are eliminated as follows:

- Intra-Group receivables and liabilities are eliminated in full.
- Intra-Group dividends, income, and expenses and the unrealized profit margin from intra-Group transactions are eliminated in full.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquired company. For each business combination, the acquirer measures the non-controlling interests in the acquired company either at fair value or at the proportionate share of the acquired company's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value on the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in the income statement. A contingent consideration that is classified as equity is not revalued, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the non-controlling interest over the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit and loss.

Goodwill is subject to an annual impairment test. Impairments are recognized in the income statement. The impairment is not reversed later.

When subsidiaries are sold, the difference between the selling price and the net assets including goodwill plus cumulative translation differences is recognized in the consolidated financial statements as an operating result. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of takeover of control or up to the effective date of loss of control.

Conversion of foreign currencies

Foreign currency transactions are translated into the functional (local) currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in a foreign currency are translated into the functional currency on every balance sheet date by applying exchange rates valid on the balance sheet date. The resulting exchange rate differences are recognized in the income statement. The exception is that exchange differences, arising on monetary items that form part of the net investment in a foreign operation (so-called equity like loans), are recognized in other comprehensive income and will only be recognized in profit or loss until the control of the net investment is lost.

The financial statements of the foreign subsidiaries are translated into Swiss francs as follows:

- balance sheet at year-end rates;
- income statements at annual average rates.

The effects from the translation of the functional currency into Swiss francs are recognized in other comprehensive income.

The rates listed below were applied:

Country	Currency	Quantity	2021 Balance sheet ¹ CHF	2021 Income statement ² CHF	2022 Balance sheet ¹ CHF	2022 Income statement ² CHF
Argentina	ARS	100	0.8878	0.8878	0.5224	0.5224
Australia	AUD	1	0.6616	0.6868	0.6275	0.6625
Brazil	BRL	100	16.3700	16.9700	17.4600	18.4800
Canada	CAD	1	0.7178	0.7295	0.6819	0.7341
Chile	CLP	10,000	10.7100	12.0700	10.7800	10.9700
China	CNY	100	14.3600	14.1700	13.3800	14.1900
Colombia	COP	10,000	2.2465	2.4446	1.9037	2.2467
Czech Republic	CZK	100	4.1560	4.2177	4.0832	4.0867
Egypt	EGP	100	5.8000	5.8200	3.7300	4.9900
Eurozone	EUR	1	1.0331	1.0825	0.9847	1.0049
Great Britain	GBP	1	1.2295	1.2582	1.1102	1.1776
India	INR	100	1.2265	1.2367	1.1168	1.2157
Indonesia	IDR	100,000	6.4170	6.3880	5.9610	6.4340
Japan	JPY	100	0.7924	0.8333	0.7001	0.7272
Mexico	MXN	100	4.4639	4.5082	4.7214	4.7445
Poland	PLN	100	22.4700	23.7100	21.0400	21.4200
Russia	RUB	1,000	12.1110	12.4080	12.5890	14.4660
Sweden	SEK	100	10.0800	10.6700	8.8500	9.4500
Thailand	THB	100	2.7437	2.8598	2.6733	2.7245
Turkey	TRY	100	6.7800	10.3700	4.9300	4.9300
USA	USD	1	0.9121	0.9142	0.9232	0.9555
Vietnam	VND	100,000	4.0010	3.9850	3.9100	4.0800

1 Year-end rates.

2 Annual average rates.

In countries experiencing hyperinflation, prior to conversion into the presentation currency, the annual financial statements are adjusted for local inflation in order to eliminate changes in purchasing power. Adjustment for inflation is based on the relevant price indices at the end of the period under review.

SIGNIFICANT ACCOUNTING ESTIMATES

Explanations of the key assumptions concerning forward-looking elements and other estimation uncertainties are provided below. These include the risk that a material adjustment to the carrying amounts of assets and liabilities may become necessary within the next financial year.

IMPAIRMENT OF GOODWILL

The Group tests for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units or groups of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates such as expected future cash flows and discount rates. The carrying value of goodwill as of December 31, 2022, was CHF 3,225.7 million (CHF 3,296.6 million). Further details are presented in note 17.

FAIR VALUE OF ACQUISITION

In connection with acquisitions, all assets, liabilities, and contingent liabilities are valued at fair value. Newly identified assets and liabilities are also recognized in the balance sheet. Fair value is determined in part based on assumptions regarding factors that are subject to a degree of uncertainty, such as interest rates and sales.

TRADEMARKS AND CUSTOMER RELATIONS

Trademarks and customer relations are amortized over their estimated useful life. The estimated useful life is based on estimates of the time period during which this intangible asset generates cash flows. Calculation of the present value of estimated future cash flows includes significant assumptions, particularly in respect of future sales. Additionally, discounting is also based on assumptions and estimations concerning business-specific capital costs, which are themselves dependent on country risks, credit risks, and additional risks resulting from the volatility of the respective business.

DEFERRED TAX ASSETS

Deferred tax assets resulting from the carryforward of unrealized tax losses or timing differences are recognized to the extent that a realization of the corresponding tax advantage is probable. Assessing the probability of realizing the tax benefit requires assumptions based on planning data.

EMPLOYEE BENEFIT OBLIGATIONS

The Group maintains various employee benefit plans. Several statistical analyses and other variables are used in the calculation of expenses and liabilities to estimate future developments. These variables include estimations and assumptions concerning the discount rate established by management within certain guidelines. In addition, actuaries employ statistical information for the actuarial calculation of benefit liabilities such as withdrawal or death probabilities, which can deviate significantly from actual results due to changes in market conditions, the economic situation, as well as fluctuating rates of withdrawal and shorter or longer life expectancy of benefit plan participants.

PROVISIONS

The calculation of provisions requires assumptions regarding the probability, size, occurrence, and timing of a cash outflow. As long as an outflow of resources is probable and a reliable estimation is possible, a provision is recognized.

SCOPE OF CONSOLIDATION AND ACQUISITIONS

The consolidated financial statements of the Group comprise the financial statements of Sika AG, Zugerstrasse 50, 6340 Baar (Switzerland) as well as its subsidiaries (see list starting on p.251 et seq. of this report) and associated companies (see note 18). In the year under review, the scope of consolidation was expanded to include the acquired companies (see the next pages) and the following newly founded companies:

- SikaDavco (Chongqing) New Materials Co., Ltd., Chongqing (China) was newly founded.
- SikaDavco (Dezhou) New Materials Co., Ltd., Dezhou City (China) was newly founded.
- Sika Trading DZ SARL, Algiers (Algeria) was newly founded

The scope of consolidation was reduced to exclude the following companies:

- ParexKlaukol S.A., San Justo (Argentina) was merged with Sika Argentina SAIC, Caseros.
- Spinna Argentina SRL, San Justo (Argentina) was merged with Sika Argentina SAIC, Caseros.
- Sika Bel LLC, Minsk (Belarus) was merged with BeliNECO LLC, Brest.
- KVK PARABIT, a.s., Svoboda nad Upou (Czech Republic) was merged with Sika CZ s.r.o., Brno.
- Parexgroup Indústria e Comércio de Argamassas Ltda., Osasco (Brazil) was merged with Sika S/A, Osasco.
- Quimicryl S/A, Cotia (Brazil) was merged with Sika S/A, Osasco.

Acquisitions 2021

In 2021, Sika acquired various companies or parts of companies. The purchase prices and their allocation (PPA) changed insignificantly for Hydrotech, and Hamatite. The purchase price for Hamatite increased by CHF 9.3 million as part of the agreed procedure with the seller. This resulted in adjustments in the consolidated balance sheet as of December 31, 2021. The other purchase price allocations did not change. All PPAs are now final.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	Hydrotech	Hamatite	Other acquisitions ¹
Cash and cash equivalents	5.2	4.0	4.8
Accounts receivable	20.1	1.0	39.9
Inventories	9.5	20.8	8.1
Prepaid expenses and accrued income	0.3	0.6	2.4
Property, plant, and equipment	2.8	49.2	41.7
Right-of-use leased assets	0.0	0.5	7.1
Intangible assets	36.4	22.4	22.9
Deferred tax assets	0.0	1.3	0.3
Other assets	0.0	1.6	0.0
Total assets	74.3	101.4	127.2
Financial liabilities	0.0	0.5	48.5
Accounts payable	3.9	0.0	22.5
Accrued expenses and deferred income	7.8	2.8	11.2
Income taxes payable	0.0	0.0	0.9
Provisions	4.9	22.1	3.2
Employee benefit obligation	0.0	12.6	0.4
Deferred tax liabilities	1.7	1.0	5.7
Other liabilities	4.9	0.0	0.0
Total liabilities	23.2	39.0	92.4
Acquired net assets	51.1	62.4	34.8
Goodwill	69.6	47.8	90.3
Total purchase price	120.7	110.2	125.1
Cash in acquired assets	-5.2	-4.0	-4.8
Payments still due	-4.1	-9.2	-24.3
Net cash outflow	111.4	97.0	96.0

1 Flooring adhesives business of DriTac, Kreps, Supermassa do Brasil, Bexel, and Shenzhen Landun; individually not material.

Since the purchase, Hydrotech has contributed sales in 2021 of CHF 40.0 million and net profit of CHF 1.4 million. Hamatite has contributed sales of CHF 28.6 million since the purchase and a net loss of CHF 2.7 million. If the acquisitions had occurred on January 1, 2021, consolidated pro forma net sales would have been CHF 9,491.8 million (CHF 44.5 million from Hydrotech, CHF 134.7 million from Hamatite, and CHF 60.3 million from the other acquisitions). The net profit would have remained unchanged. The amounts have been calculated using the results of the acquired entities and adjusted 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, 2021.

The directly attributable transaction costs of all acquisitions in 2021 amounted to CHF 7.1 million and were charged to other operating expenses.

Acquisitions 2022

In 2022, Sika acquired various companies or parts of companies.

Company	Type of transaction	Stake in %	Closing date
Sable Marco Inc., Canada	Share deal	100.0	3/1/2022
United Gilsonite Laboratories (UGL), USA	Share deal	100.0	5/18/2022

On March 1, 2022, Sika acquired Sable Marco Inc., a manufacturer of cementitious products, mortars, polymeric sand, and other bagged materials in Canada. Sable Marco has built up a strong presence in the distribution channel and an excellent relationship with major national and regional building material stores and DIY retail chains. Sable Marco operates one plant in the area of Québec City offering logistic and strategic benefits for Sika Canada. Synergies will be generated by exploring cross-selling potential for Sika's Target Markets Waterproofing and Building Finishing through additional channels, improved geographical access, as well as from the opportunities opening in the growing polymeric sand category.

On May 18, 2022, Sika acquired United Gilsonite Laboratories (UGL), a well-recognized manufacturer of products for consumer and DIY waterproofing applications in the United States. UGL is a long-standing company offering consumer and DIY liquid waterproofing products with a strong presence in the distribution channel. With headquarters and production in Scranton, Pennsylvania, and two additional production sites in Illinois and Mississippi, UGL is well situated to efficiently supply its products to customers in every region of the country. For Sika, the acquisition will increase its presence with major retailers and other building material stores by widening the offering and opening cross-selling opportunities.

Since the purchases, the acquisitions have contributed sales of CHF 59.7 million. The profit share was insignificant. Accounts receivable had a gross value of CHF 12.8 million and were recognized at fair value of CHF 12.5 million.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	Acquisitions ¹
Cash and cash equivalents	0.9
Accounts receivable	12.5
Inventories	20.1
Prepaid expenses and accrued income	1.5
Property, plant, and equipment	22.2
Right-of-use leased assets	5.2
Intangible assets	49.0
Total assets	111.4
Financial liabilities	11.0
Accounts payable	4.3
Accrued expenses and deferred income	2.7
Provisions	2.1
Deferred tax liabilities	4.1
Total liabilities	24.2
Acquired net assets	87.2
Goodwill	56.4
Total purchase price	143.6
Cash in acquired assets	-0.9
Net cash outflow	142.7

1. Sable Marco, Canada and UGL, USA.

If the acquisitions had occurred on January 1, 2022, consolidated pro forma net sales would have been CHF 10,515.7 million (+CHF 23.9 million). The additional profit share would have been insignificant. The amounts have been calculated using the results of the acquired entities and adjusted 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, 2022.

Since the purchase prices and the purchase price allocations for all acquisitions still entail some uncertainty, all positions except for "Cash and cash equivalents" are provisional. Product synergies and combined distribution channels and product portfolios justify the goodwill recognized. Goodwill is tax-deductible in the amount of CHF 34.8 million.

The directly attributable transaction costs of all acquisitions amounted to CHF 1.4 million and were charged to other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Net sales CHF 10,491.8 mn (CHF 9,252.3 mn)

Sika sells systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and the motor vehicle industry. Sales are recognized when control of the products has been transferred to the customer, i.e., when the products have been physically transferred to the buyer and there is a right to receive payment. Revenue is recognized in the amount of the consideration expected to be received by Sika in exchange for these goods or services. A receivable from the buyer is recognized upon sale. The receivables do not bear interest and are generally due within 30 to 90 days. All proceeds from the sale of goods and services are recorded at sales prices less discounts granted.

In some cases, Sika grants retrospective volume discounts based on aggregate sales over a twelve-month period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. A refund liability (included in accrued expenses and deferred income) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

Extended warranty contracts are sold for certain products on installed roofing systems. Revenue for separately priced extended warranties is deferred and recognized on a straight-line basis over the extended warranty period. The average warranty period is ten years. In 2022, revenues of CHF 4.0 million (CHF 4.2 million) were recognized. The deferred revenue positions are included in accrued expenses and deferred income (see note 20) as well as in other liabilities (see note 24).

Contract revenue and contract costs are recognized in accordance with the stage of completion. An expected loss is recognized as an expense immediately.

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 p.39 of the download version of this report.

“Other segments and activities” includes expenses for Group headquarter, and income from services provided to Group companies.

The companies acquired in 2022 were allocated to the respective segments as follows:

- Sable Marco Inc., Canada, was allocated to the segment Americas.
- United Gilsonite Laboratories (UGL), USA, was allocated to the segment Americas.

NET SALES

in CHF mn	2021			2022		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	4,071.4	213.5	4,284.9	4,143.5	264.8	4,408.3
Americas	2,427.4	5.3	2,432.7	3,193.5	4.2	3,197.7
Asia/Pacific	2,080.9	27.0	2,107.9	2,343.6	27.2	2,370.8
Global Business	672.6	14.0	686.6	811.2	14.0	825.2
Eliminations		-259.8	-259.8		-310.2	-310.2
Net sales	9,252.3	-	9,252.3	10,491.8	-	10,491.8
Products for construction industry			7,630.4			8,655.9
Products for industrial manufacturing			1,621.9			1,835.9

Sika's products for the construction industry include admixtures and additives for use in concrete, cement, and mortar production, waterproofing systems, roof waterproofing, flooring solutions, sealants, adhesive tapes, assembly foams and elastic adhesives for facade construction, interior and infrastructure construction, as well as concrete protection and repair solutions.

Products for industrial manufacturing are sold to manufacturers and service providers in automotive OEM, commercial vehicles, automotive aftermarket, marine vessels, renewable energy, sandwich panels, industrial equipment, HVAC, home and commercial appliances, modular building, facades, and fenestration.

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	2021	2022	Change compared to prior year (in %)		
			In Swiss francs	In local currencies	Currency impact
By region					
EMEA	4,071.4	4,143.5	1.8	8.3	-6.5
Americas	2,427.4	3,193.5	31.6	27.5	4.1
Asia/Pacific	2,080.9	2,343.6	12.6	14.8	-2.2
Global Business	672.6	811.2	20.6	22.2	-1.6
Net sales	9,252.3	10,491.8	13.4	15.8	-2.4
Products for construction industry	7,630.4	8,655.9	13.5	15.9	-2.4
Products for industrial manufacturing	1,621.9	1,835.9	13.2	15.7	-2.5

OPERATING PROFIT

in CHF mn	2021	2022	Change compared to prior year	
			(in %)	
By region				
EMEA	691.4	782.6	91.2	13.2
Americas	446.3	570.8	124.5	27.9
Asia/Pacific	349.0	370.5	21.5	6.2
Global Business	50.2	48.8	-1.4	-2.8
Other segments and activities	-145.5	-193.0	-47.5	n.a.
Operating profit	1,391.4	1,579.7	188.3	13.5

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	2021	2022
Operating profit	1,391.4	1,579.7
Interest income	11.5	19.0
Interest expenses	-56.9	-59.4
Other financial income	7.0	6.9
Other financial expenses	-17.8	-48.4
Income from associated companies	0.4	0.4
Profit before taxes	1,335.6	1,498.2
Income taxes	-287.1	-335.7
Net profit	1,048.5	1,162.5

OTHER DISCLOSURES

in CHF mn	2021		2022	
	Depreciation/ Amortization	Capital expenditures	Depreciation/ Amortization	Capital expenditures
EMEA	152.7	54.0	141.6	84.8
Americas	80.4	46.5	95.6	71.1
Asia/Pacific	78.4	44.0	88.6	67.6
Global Business	25.0	14.1	27.8	17.8
Other segments and activities	30.1	12.2	30.9	24.7
Total	366.6	170.8	384.5	266.0

The following countries had a share of greater than 10% of at least one of the Group's key figures:

in CHF mn	Net sales				Non-current assets ¹			
	2021	%	2022	%	2021	%	2022	%
USA	1,643.6	17.8	2,253.5	21.5	965.4	15.6	1,051.3	17.3
China	1,149.7	12.4	1,303.4	12.4	1,295.1	21.0	1,228.4	20.3
Germany	774.7	8.4	780.7	7.4	344.2	5.6	321.3	5.3
France	658.2	7.1	650.9	6.2	651.5	10.6	608.4	10.0
Switzerland	375.1	4.1	389.5	3.7	581.0	9.4	556.5	9.2
All other	4,651.0	50.2	5,113.8	48.8	2,330.9	37.8	2,296.8	37.9
Total	9,252.3	100.0	10,491.8	100.0	6,168.1	100.0	6,062.7	100.0

1 Non-current assets less financial assets, deferred tax assets, and employee benefit assets.

3. Material expenses CHF 5,312.0 mn (CHF 4,461.0 mn)

Material expenses increased as a percentage of net sales by 2.4 percentage points. As a result of a continued sharp rise in raw material costs due to supply shortages and other supply-side effects as well as due to the base effect related to significant sales price increases, the gross margin decreased from 51.8% to 49.4%.

Unsaleable goods are written down to their fair value less costs of disposal, missing inventory to zero. The related cost of CHF 49.7 million (CHF 28.2 million) are included in material expenses.

4. Personnel expenses CHF 1,710.5 mn (CHF 1,635.3 mn)

in CHF mn	2021	2022
Wages and salaries	1,329.5	1,400.4
Social charges	307.4	311.6
Government support	-1.6	-1.5
Personnel expenses	1,635.3	1,710.5

Personnel expenses comprise all payments to persons in an employment relationship with Sika. This item also includes expenses such as pension fund contributions, health insurance contributions, as well as taxes and levies directly related to personnel remuneration. Government grants related to employment relationships are recognized in personnel expenses when there is reasonable certainty that the grant will be received and all related conditions are met. They are recognized as income over the same period as the expenses they intend to compensate.

Personnel expenses as a percentage of net sales decreased from 17.7% to 16.3%, as the increase in personnel was modest in relation to price-driven sales growth.

EMPLOYEE BENEFIT COSTS

in CHF mn	2021	2022
Employee benefit plans with defined benefits ¹	32.2	31.1
Other employee benefit plans	47.3	50.8
Employee benefit costs	79.5	81.9

1 Includes pension expense recognized in income statement (see note 23) without interest income/interest expenses.

EMPLOYEE PARTICIPATION PLAN – SHARE-BASED PAYMENTS

Sika operates the following share-based compensation plans. The cost of these compensation systems is recognized in personnel expenses over the period in which services are rendered by the employees.

The share-based payments are made by means of transfer of treasury stock of Sika AG or are settled in cash. Recognized personnel expenses for share-based compensation for the fiscal year 2022 totaled CHF 21.6 million (CHF 38.8 million), CHF 10.5 million (CHF 9.1 million) of which was recorded in equity and CHF 11.1 million (CHF 29.7 million) in liabilities. At year-end, liabilities from share-based compensation plans amounted to CHF 21.3 million (CHF 38.3 million). Thereof, CHF 12.3 million (CHF 28.1 million) are recognized in accrued expenses and deferred income and CHF 9.0 million (CHF 10.2 million) are included in employee benefit obligations.

PERFORMANCE BONUS (SHORT-TERM INCENTIVE)

Sika Senior Management

Part of the performance bonus of Sika Senior Management (by definition, Sika Senior Management includes the management level reporting into Group Management, managing directors of subsidiaries, and heads of central and regional functions; 149 participants) is paid in Sika AG shares. The allocated shares are subject to a four-year blocking period from allocation. Sika Senior Managers can choose to receive 0%, 20%, or 40% of their performance bonus in Sika AG shares plus one bonus share for every two shares chosen. The market value of the grant was CHF 5.2 million. In the prior year, the market value of the grant amounted to CHF 5.4 million.

LONG-TERM INCENTIVE (LTI PLAN)

Group Management

The members of the top management (extended Group Management) participate in a long-term incentive plan. It consists of performance share units (PSUs). At the beginning of the vesting period, a number of PSUs is granted to each plan participant. The PSUs vest after a period of three years, conditionally upon fulfilling two equally weighted performance conditions, the return on capital employed (ROCE), and relative total shareholder return (relative TSR). The ROCE objective is determined at the beginning of the vesting period by the Board of Directors and is measured at the end of the vesting period as the average ROCE of the first year, the second year, and the third year of the vesting period. Acquisitions are excluded from the ROCE calculation in the year of acquisition and for two additional calendar years. The relative TSR is measured in relation to a peer group as a percentile rank and the objective is to reach the median of the peer group. For both performance conditions, the maximum achievement level is capped at 200%, however, the overall vesting level for the LTI is capped at 150%. The share-based compensation is settled in Sika AG shares.

The market value of the PSUs includes both targets and is determined once at the time of grant. Thereby, in a Monte Carlo simulation generally available market data regarding Sika, including expected dividend payments, and the peer group as well as internal estimates regarding the degree of achievement of the ROCE target are combined.

Sika Senior Management

Sika Senior Managers participate in long-term incentive plans, which are structured in the same way as that for Group Management (see above), except that they are settled in cash.

The fair value of the PSUs includes both targets and is determined at the time of allocation and redetermined at each balance sheet date. Thereby, in a Monte Carlo simulation, generally available market data regarding Sika, including expected dividend payments, and the peer group as well as internal estimates regarding the degree of achievement of the ROCE target are combined. For Senior Managers who move to another country during the performance period, a pro rata payment in shares is made for the earned portion up to the time of transfer. The shares are granted at market value on the grant date and are blocked until the end of the vesting period.

LONG-TERM INCENTIVE

	Number of PSUs granted	Fair value per PSU in CHF	Fair value of grant in CHF million
Group Management LTI 2021-2023	19,177	233.64	4.5
Senior Manager LTI 2021-2023	16,192	233.64	3.8
Granted in 2021			8.3
Group Management LTI 2022-2024	10,968	365.34	4.0
Senior Manager LTI 2022-2024	13,608	365.34	5.0
Granted in 2022			9.0

Board of Directors

Part of the compensation for members of the Board of Directors is awarded in Sika AG shares. The entitlement to shares is allocated at the beginning of the term of office and converted into shares at the end of the term of office. The shares are subject to a three-year blocking period. For the term of office from April 2022 to April 2023, entitlements to 4,949 shares were granted at a market value of CHF 1.5 million (CHF 310.40 per share). The conversion into shares will take place in April 2023. For the term of office from April 2021 to April 2022, entitlements to 4,843 shares were granted with a market value of CHF 1.3 million (CHF 273.88 per share). The conversion into shares took place in April 2022.

5. Other operating expenses CHF 1,505.1 mn (CHF 1,398.0 mn)

in CHF mn	2021	2022
Production and operation ¹	446.5	498.5
Logistics and distribution	477.0	519.4
Sales, marketing, and travel costs	235.1	303.5
Administration and other costs ²	239.4	183.7
Total	1,398.0	1,505.1

1 This position includes primarily costs for maintenance, repairs, and energy.

2 This position includes primarily costs of services and consulting in the fields of law, tax, and information technology. Furthermore, it covers training costs and government fees, costs for warranty settlements and legal claims, as well as the remuneration of the Board of Directors.

Other operating expenses decreased from 15.1% to 14.4%, mainly due to the gain on the disposal of the European industrial coatings business of CHF 166.5 million (see note 15), partially offset by the acquisition related cost of MBCC Group of CHF 78.3 million, both included in position "Administration and other costs" above. On the other hand, higher costs are driven by energy, travel, freight, and other general expenses, as a result of continuing global supply chain problems compounded by rising inflation during the year.

Other operating expenses include government support of CHF 6.6 million (CHF 6.3 million). Government grants are recognized when there is reasonable certainty that the grant will be received and all related conditions are met. They are recognized as income over the same period as the expenses they intend to compensate.

Research and development expenses are not capitalized if the recognition criteria have not been met. Expenditures on research and development in the Group during the year under review totaled CHF 232.0 million (CHF 214.3 million), roughly equivalent to 2.2% (2.3%) of sales. Research and development expenses are included in personnel expenses, other operating expenses, as well as in depreciation and amortization expenses.

6. Interest expenses/other financial expenses CHF 107.8 mn (CHF 74.7 mn)

In general, interest and other expenses for the procurement of debt capital are charged to the income statement. Interest incurred in the course of development projects, such as the construction of new production facilities or the development of software, is capitalized together with the asset created.

Interest expenses consist of interest expenses for outstanding bond issues in the amount of CHF 32.6 million (CHF 36.2 million), interests on lease liabilities of CHF 12.7 million (CHF 12.4 million), other interest expenses of CHF 12.4 million (CHF 6.3 million), as well as the interest component of pension expenses of defined benefit plans of CHF 1.7 million (CHF 2.0 million).

Other financial expenses include foreign exchange gains and losses from the management of foreign currency, net gains and losses from hedging and revaluation of loans to Group companies denominated in foreign currencies, as well as the result of the application of inflation accounting (see note 27). Other financial expenses increased to CHF 48.4 million (CHF 17.8 million).

7. Interest income/other financial income/income from associated companies CHF 26.3 mn (CHF 18.9 mn)

Interest income is recognized pro rata temporis using the effective interest method. Short-term surpluses in liquidity in various countries as well as accrued interest on a legal claim resulted in interest income of CHF 19.0 million (CHF 11.5 million). Income from associated companies is CHF 0.4 million (CHF 0.4 million).

8. Income taxes

in CHF mn	2021	2022
Income tax during the year under review	294.2	365.0
Deferred income tax	0.5	-29.3
Income tax from prior years	-7.6	0.0
Total	287.1	335.7

RECONCILIATION BETWEEN EXPECTED AND EFFECTIVE TAX EXPENSE

in CHF mn	%	2021	%	2022
Profit before taxes		1,335.6		1,498.2
Expected tax expense	20.6	275.0	23.1	346.4
Non-taxable income/non-tax-deductible expenses	0.4	5.5	0.4	6.2
Effect of changes in tax rates	0.0	0.2	0.0	0.0
Adjusted tax expense from earlier periods	-0.6	-7.6	0.0	0.0
Valuation adjustment on deferred tax assets	-0.5	-6.3	-1.2	-18.0
Withholding tax on dividends, licenses, and interests	1.8	23.2	1.0	14.4
Other	-0.2	-2.9	-0.9	-13.3
Tax expense as per consolidated income statement	21.5	287.1	22.4	335.7

The effective tax rate increased to 22.4% (21.5%). The expected average Group income tax rate of 23.1% (20.6%) corresponds with the average tax on profits of the individual Group companies in their respective fiscal jurisdictions. The expected average tax rate was calculated using absolute values. The increase in the expected tax rate is mainly attributable to the extraordinary gain on the sale of the industrial coating business (see note 15) in Germany at a tax rate of 31.0%.

Tax liabilities include taxes due and accrued. If there is uncertainty as to whether a tax treatment will be accepted by the tax authorities, the uncertainty is reflected in the income tax payable based on a best estimate of the expected future cash outflow.

Deferred taxes are calculated using the liability method. According to this method, the effects on income taxes resulting from temporary differences between Group-internal and taxable balance sheet values are recorded as deferred tax assets or deferred tax liabilities, respectively. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is recognized, or the liability is settled based on the rates (and tax laws) that have been substantively enacted.

Changes in deferred tax assets and liabilities are reflected in income tax expense, the statement of comprehensive income, or directly in equity. Deferred income tax liabilities are provided for taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets including those that can be applied to carried forward tax losses are recognized to the extent that their realization is probable. Deferred tax liabilities are recognized for all taxable temporary differences insofar as the accounting regulations foresee no exception.

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES

in CHF mn	2021	2022
January 1	-185.2	-223.8
Credited (+)/debited (-) to income statement	-0.5	29.3
Credited (+)/debited (-) to other comprehensive income	-25.6	9.5
Credited (+)/debited (-) to equity	-1.1	-0.9
Exchange differences	-4.6	12.3
Acquisitions/divestments	-6.8	-4.1
December 31	-223.8	-177.7

ORIGIN OF DEFERRED TAX ASSETS AND LIABILITIES

in CHF mn	2021			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses	12.5		12.5	11.8		11.8
Current assets	30.5	-23.6	6.9	32.8	-13.4	19.4
Property, plant, and equipment	10.9	-128.0	-117.1	10.8	-134.5	-123.7
Other non-current assets	90.6	-237.9	-147.3	94.1	-171.7	-77.6
Liabilities	187.0	-13.5	173.5	159.3	-16.8	142.5
Temporary differences on investments ¹	0.0	-152.3	-152.3	0.0	-150.1	-150.1
Gross values	331.5	-555.3	-223.8	308.8	-486.5	-177.7
Offsetting	-189.4	189.4	0.0	-164.0	164.0	0.0
Total	142.1	-365.9	-223.8	144.8	-322.5	-177.7

1 This includes expected withholding taxes of CHF 11.4 million (CHF 19.1 million) on undistributed dividends from Group companies. Deferred tax liabilities of CHF 138.7 million (CHF 133.3 million) relate to expected tax payments in connection with legal restructurings of the acquired Parex companies in the coming years.

CARRY FORWARD OF TAX LOSSES, FOR WHICH NO DEFERRED TAX ASSETS HAVE BEEN RECOGNIZED

in CHF mn	2021	2022
1 year or less	7.1	5.4
1-5 years	23.3	23.1
Over 5 years or non-expiring	10.0	0.7
Total	40.4	29.2

The underlying average tax rate of tax losses for which no deferred tax assets have been recognized is 25.7% (27.6%).

In the year under review, deferred tax assets from carried forward tax losses of CHF 3.0 million (CHF 3.2 million) were used and deferred carried forward tax losses of CHF 3.4 million (CHF 2.9 million) were capitalized.

There are deductible temporary differences of CHF 365.0 million (CHF 373.6 million) for which no deferred tax asset has been recognized. The underlying average tax rate is 5.2% (5.2%). A realization of these theoretical tax benefits is not expected. They result from the tax-free disclosure of hidden reserves in the tax balance sheet in Switzerland (so-called step-up). In the previous year, a further CHF 4.6 million resulted from the mandatory convertible bond (see note 21), which was fully converted into new shares of Sika AG during the reporting year.

9. Earnings per share CHF 7.57 (CHF 6.91)

BASIC EARNINGS PER SHARE

	2021	2022
Net profit attributable to Sika shareholders (CHF mn)	1,047.9	1,162.5
Increase in profit assuming all conversion rights of the 3.75%-mandatory convertible bond have been exercised (CHF mn)	0.4	0.0
Net profit used to calculate basic earnings per share (CHF mn)	1,048.3	1,162.5
Weighted average number of shares outstanding ¹	141,853,421	152,713,022
Weighted average number of potential shares of the 3.75%-mandatory convertible bond	9,807,822	814,049
Weighted average number of shares used to calculate basic earnings per share	151,661,243	153,527,071
Basic earnings per share (CHF)²	6.91	7.57

1 Excluding treasury shares held in the Group.

2 2021 basic earnings per share is restated to CHF 6.91 compared to CHF 7.39 (difference CHF 0.48 per share). The effect of the 3.75%-mandatory convertible bond was not correctly considered.

DILUTED EARNINGS PER SHARE

	2021	2022
Net profit attributable to Sika shareholders (CHF mn)	1,047.9	1,162.5
Increase in profit assuming all conversion rights of the 3.75%-mandatory convertible bond have been exercised (CHF mn)	0.4	0.0
Increase in profit assuming all conversion rights of the 0.15%-convertible bond have been exercised (CHF mn)	10.0	8.1
Net profit used to calculate diluted earnings per share (CHF mn)	1,058.3	1,170.6
Weighted average number of shares outstanding ¹	141,853,421	152,784,517
Weighted average number of potential shares of the 3.75%-mandatory convertible bond	9,807,822	814,049
Weighted average number of potential shares of the 0.15%-convertible bond	8,623,997	6,887,394
Weighted average number of shares used to calculate diluted earnings per share	160,285,240	160,485,960
Diluted earnings per share (CHF)	6.60	7.29

1 Excluding treasury shares held in the Group, including potential shares needed for share-based payments.

10. Cash and cash equivalents CHF 1,873.3 mn (CHF 1,175.0 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 from the date of acquisition, bearing interest at a respectively valid rate.

11. Accounts receivable CHF 1,719.6 mn (CHF 1,576.8 mn)

Receivables are recognized net of an allowance for expected credit losses over the entire lifetime. The classification and valuation principles for accounts receivable are described in note 27.

The following tables show accounts receivable, the portion of not overdue and overdue receivables including their age structure as well as the development of the allowance for doubtful debts. Accounts receivable are non-interest-bearing and are generally due within 30 to 90 days.

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

in CHF mn	2021	2022
Not overdue	1,277.4	1,351.5
Past due < 31 days	165.5	213.2
Past due 31-60 days	59.8	64.3
Past due 61-180 days	47.7	64.4
Past due 181-360 days	7.8	7.7
Past due > 365 days	18.6	18.5
Net accounts receivable	1,576.8	1,719.6

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL DEBTS

in CHF mn	2021	2022
January 1	78.6	80.6
Additions to or increase in allowances	13.6	27.3
Reversal of allowances	-7.5	-5.8
Utilization of allowances	-3.3	-1.3
Exchange differences	-0.8	-5.0
December 31	80.6	95.8

The increase and decrease of allowances for doubtful debts are recognized in other operating expenses. Amounts entered as allowances are usually derecognized when payment is no longer expected.

12. Inventories CHF 1,212.8 mn (CHF 1,158.3 mn)

in CHF mn	2021	2022
Raw materials and supplies	452.9	495.6
Semi-finished goods	77.4	75.5
Finished goods	510.8	527.0
Merchandise	117.2	114.7
Total	1,158.3	1,212.8

Raw materials and merchandise are stated at historical cost and finished and semi-finished products are stated at production cost, however not exceeding net realizable sales value. The production costs comprise all directly attributable material and manufacturing costs as well as other costs incurred in bringing the inventories to their present location and condition. Acquisition or production costs are determined using a standard cost approach, or alternatively using the weighted average cost method. Net realizable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the selling costs. Allowances are made for obsolete and slow-moving inventories.

13. Prepaid expenses and accrued income CHF 190.1 mn (CHF 190.4 mn)

This includes advance payments and prepaid expenses for the accrual of expenses and income.

14. Other assets CHF 117.7 mn (CHF 264.8 mn)

OTHER CURRENT ASSETS

in CHF mn	2021	2022
Derivatives (at fair value through profit and loss)	16.5	6.8
Securities (at fair value through profit and loss)	4.5	2.8
Loans (at amortized cost)	10.3	15.9
Other financial assets	31.3	25.5
Other current assets	31.3	25.5

OTHER NON-CURRENT ASSETS

in CHF mn	2021	2022
Securities (at fair value through profit and loss)	64.4	59.5
Loans (at amortized cost)	17.2	14.3
Other financial assets	81.6	73.8
Employee benefit assets ¹	149.5	16.6
Other	2.4	1.8
Other non-financial assets	151.9	18.4
Other non-current assets	233.5	92.2

1. Includes the excess of assets for employee benefit plans with defined benefits, see note 23.

Other current assets consist of assets with maturities of less than twelve months. Non-current other assets have a term of more than one year. The classification and valuation principles for financial assets are described in note 27.

15. Held for sale – assets CHF 0.0 mn (CHF 33.7 mn) and liabilities CHF 0.0 mn (CHF 3.7 mn)

Non-current asset and disposal groups are classified as held for sale if it is highly probable that their carrying amounts will be recovered primarily through sale rather than through continuing use. Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis. Once classified as held for sale, intangible assets and property, plant, and equipment are no longer amortized or depreciated.

On August 19, 2021, Sika announced the sale of its European industrial coatings business to the American Sherwin-Williams Company. The headquarters and production plant are located in Vaihingen (Germany). The product range comprises anticorrosive and fire protection coatings which are mainly sold in Germany, Switzerland, Poland, and Austria. Accordingly, the corresponding assets and liabilities were presented as a disposal group held for sale. In 2021, the business segment generated sales of approximately CHF 80 million, and these were included as part of the EMEA region.

The transaction was closed on March 31, 2022. At the transaction date, net assets sold amounted to CHF 32.7 million. From the sale, a gain before taxes in the amount of CHF 166.5 million resulted and is included in other operating expenses. Expected income tax expense in the amount of approximately CHF 46 million is accrued.

On May 6, 2022, Sika announced the sale of Aliva Equipment, a Swiss unit supplying machines for the application of shotcrete, to the Finnish Normet Group Oy. In 2021, Aliva Equipment generated sales of approximately CHF 12 million, included as part of the EMEA region. The transaction was closed on August 2, 2022. Net assets sold amounted to CHF 7.6 million. From the sale, a loss before taxes in the amount of CHF 1.7 was recorded in other operating expenses.

16. Property, plant, and equipment CHF 1,822.3 mn (CHF 1,776.6 mn)

in CHF mn	2021	2022
Own property, plant, and equipment	1,455.4	1,488.7
Right-of-use assets	321.2	333.6
Property, plant, and equipment	1,776.6	1,822.3

OWN PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are carried at historical cost less accumulated depreciation required for business purposes. The capitalization is made based on components. Value-enhancing expenses are capitalized and depreciated over their useful lives. Repair, maintenance, and replacement costs are charged directly to the income statement. Depreciation is calculated using the straight-line method and is based on the anticipated useful life of the asset, including its operational usefulness and age-related technical viability. The acquisition costs include borrowing costs for long-term construction projects if the recognition criteria are met. Plant and equipment includes machinery, vehicles, equipment, furnishings, and hardware.

OWN PROPERTY, PLANT, AND EQUIPMENT

in CHF mn	Property	Plant	Equipment and motor vehicles	Plants and buildings under construction	Total
Acquisition cost	183.6	923.4	2,088.3	72.1	3,267.4
Cumulative depreciation and impairment	-1.0	-484.7	-1,394.4	0.0	-1,880.1
Net values at January 1, 2021	182.6	438.7	693.9	72.1	1,387.3
Additions	1.5	3.5	40.1	112.2	157.3
Acquired on acquisition	26.8	22.3	44.1	0.5	93.7
Exchange differences	-4.1	-1.7	0.7	-0.1	-5.2
Disposals	-1.1	-1.3	-4.6	0.0	-7.0
Reclassifications ¹	3.1	4.4	68.9	-77.8	-1.4
Depreciation charge for the year	0.0	-30.1	-135.7	0.0	-165.8
Assets held for sale	-0.7	-0.2	-2.5	-0.1	-3.5
December 31, 2021	208.1	435.6	704.9	106.8	1,455.4
Acquisition cost	209.1	941.3	2,184.8	106.8	3,442.0
Cumulative depreciation and impairment	-1.0	-505.7	-1,479.9	0.0	-1,986.6
Net values at January 1, 2022	208.1	435.6	704.9	106.8	1,455.4
Additions	18.5	15.8	52.1	151.6	238.0
Acquired on acquisition	1.3	9.5	11.3	0.1	22.2
Exchange differences	-7.7	-9.0	-20.8	-5.0	-42.5
Disposals	-4.1	-0.9	-4.3	0.0	-9.3
Reclassifications ¹	2.1	23.1	74.8	-100.6	-0.6
Depreciation charge for the year	0.0	-31.6	-142.9	0.0	-174.5
December 31, 2022	218.2	442.5	675.1	152.9	1,488.7
Acquisition cost	219.1	958.3	2,218.5	153.2	3,549.1
Cumulative depreciation and impairment	-0.9	-515.8	-1,543.4	-0.3	-2,060.4
Net values at December 31, 2022	218.2	442.5	675.1	152.9	1,488.7

1 Plants and buildings under construction are reclassified after completion within property, plant, and equipment as well as intangible assets.

DEPRECIATION SCHEDULE

Buildings	25 years
Infrastructure	15 years
Plants and machinery	5-15 years
Furnishings	6 years
Vehicles	4 years
Laboratory equipment and tools	4 years
IT hardware	3-4 years

The recoverability of property, plant, and equipment is reviewed if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount exceeds the recoverable amount, a special depreciation allowance is recorded on the higher of fair value less cost to sell and the value in use of an asset which corresponds to the discounted, anticipated future cash flows. For the purpose of impairment tests, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

CAPITAL COMMITMENTS

Significant capital expenditure for property, plant, and equipment contracted for as at December 31, 2022, but not recognized as liabilities is CHF 29.2 million (CHF 19.1 million).

RIGHT-OF-USE ASSETS

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. The following expenses were recorded in other operating expenses:

in CHF mn	2021	2022
Expenses relating to leases of low-value assets	6.4	10.4
Expenses relating to short-term leases	23.1	29.0
Expenses relating to variable leases payments not included in lease liabilities	3.6	2.7

For the asset class "motor vehicles", the non-leasing components (e.g., services included in the lease payments) are accounted for separately and are directly 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. Lease liabilities are recognized under financial liabilities (current and non-current).

The lease payments are discounted using the incremental borrowing rate. For the Group, the rate implicit in the lease cannot be readily determined. To determine the incremental borrowing rate, the Group where possible uses recent intra-Group-financing rates. Otherwise, a build-up approach is used per country and currency.

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 reasonably 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. If there is a change in future lease payments, the liability is revalued (with corresponding adjustment of the ROU asset).

Leases contractually committed but not yet commenced amount to CHF 4.9 million (CHF 7.2 million) as of December 31, 2022.

RIGHT-OF-USE ASSETS

in CHF mn	Right-of-use production sites	Right-of-use offices and warehouses	Right-of-use equipment and motor vehicles	Total
Net values at January 1, 2021	113.6	137.3	64.4	315.3
Additions	10.8	32.4	32.5	75.7
Acquired on acquisition	6.8	0.2	0.6	7.6
Exchange differences	1.1	-0.9	-1.9	-1.7
Remeasurements	1.7	4.3	5.9	11.9
Disposals	-0.7	-1.0	-1.9	-3.6
Reclassifications ¹	0.5	0.0	0.0	0.5
Depreciation charge for the year	-18.0	-31.7	-34.8	-84.5
December 31, 2021	115.8	140.6	64.8	321.2
Acquisition cost	160.6	216.0	128.2	504.8
Cumulative depreciation and impairment	-44.8	-75.4	-63.4	-183.6
Net values at January 1, 2022	115.8	140.6	64.8	321.2
Additions	20.0	48.0	36.5	104.5
Acquired on acquisition	5.2	0.0	0.0	5.2
Exchange differences	-4.7	-5.9	-2.8	-13.4
Remeasurements	3.7	10.1	2.2	16.0
Disposals	-7.8	-2.8	-2.5	-13.1
Reclassifications ¹	-0.9	0.2	0.0	-0.7
Depreciation charge for the year	-18.4	-34.2	-33.5	-86.1
December 31, 2022	112.9	156.0	64.7	333.6
Acquisition cost	169.4	245.0	138.2	552.6
Cumulative depreciation and impairment	-56.5	-89.0	-73.5	-219.0
Net values at December 31, 2022	112.9	156.0	64.7	333.6

¹ Right-of-use assets are reclassified to property, plant, and equipment when the purchase option is exercised.

17. Intangible assets CHF 4,229.1 mn (CHF 4,379.9 mn)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangibles	Total
Acquisition costs	3,094.2	165.6	363.6	930.1	184.9	4,738.4
Cumulative amortization and impairment	-5.4	-126.8	-62.0	-271.8	-100.1	-566.1
Net values at January 1, 2021	3,088.8	38.8	301.6	658.3	84.8	4,172.3
Additions	0.0	13.2	0.2	0.0	0.1	13.5
Acquired on acquisition	207.7	0.1	13.9	56.6	11.1	289.4
Exchange differences	19.5	0.1	7.6	11.4	1.2	39.8
Disposals	0.0	-0.1	0.0	0.0	-0.2	-0.3
Reclassifications	0.0	0.9	0.0	0.0	0.0	0.9
Assets held for sale	-19.4	0.0	0.0	0.0	0.0	-19.4
Amortization for the year	0.0	-10.7	-28.5	-53.8	-23.3	-116.3
December 31, 2021	3,296.6	42.3	294.8	672.5	73.7	4,379.9
Acquisition costs	3,301.4	175.9	385.8	996.2	194.6	5,053.9
Cumulative amortization and impairment	-4.8	-133.6	-91.0	-323.7	-120.9	-674.0
Net values at January 1, 2022	3,296.6	42.3	294.8	672.5	73.7	4,379.9
Additions	0.0	28.0	0.0	0.0	0.0	28.0
Acquired on acquisition	56.4	0.0	13.5	34.5	1.0	105.4
Exchange differences	-127.3	-0.9	-9.0	-23.2	-0.9	-161.3
Disposals	0.0	-0.3	0.0	0.0	0.0	-0.3
Reclassifications	0.0	1.3	0.0	0.0	0.0	1.3
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0
Amortization for the year	0.0	-11.2	-29.7	-60.7	-22.3	-123.9
December 31, 2022	3,225.7	59.2	269.6	623.1	51.5	4,229.1
Acquisition costs	3,230.1	197.8	388.7	996.6	191.4	5,004.6
Cumulative amortization and impairment	-4.4	-138.6	-119.1	-373.5	-139.9	-775.5
Net values at December 31, 2022	3,225.7	59.2	269.6	623.1	51.5	4,229.1

Internally generated patents, trademarks, and other rights are not capitalized. Research and development expenditures for new products are recognized in the income statement, since these do not fulfil the recognition criteria. Acquired intangible assets are generally capitalized and amortized using the straight-line method.

Development costs for software are capitalized as intangible assets, provided that the software will generate a future economic benefit through sale or use within the Group and that its cost can be reliably measured. Conditions for capitalization are the technical feasibility of the asset and the intention and ability to complete its development, as well as the availability of adequate resources.

AMORTIZATION SCHEDULE

Software	3–8 years
Patents	5–10 years
Customer relations	1–23 years
Trademarks	3–20 years

The intangible assets (except for goodwill) each have finite useful lives over which the assets are amortized.

Acquired trademarks are amortized if a useful life can be determined. Otherwise, trademarks are not amortized. Useful life assumptions are regularly reviewed. No acquired brand's useful life had been assessed to be indefinite.

GOODWILL ITEMS TESTED FOR IMPAIRMENT

Impairment tests were performed on all goodwill items (including the still provisionally allocated goodwill items from the purchase price allocations of the acquired companies). The operating segments constitute the cash-generating units.

The impairment tests are based on the discounted cash flow method. The calculation of the value in use is based on the target figures and cash flow forecasts, which were approved by the Board of Directors. The sales growth rates used in the impairment test correspond to market expectations of the segments. The forecasting horizon extends to 2024.

The growth rates used outside the planning period (terminal growth rates) correspond to weighted expected inflation rates of the segments. The discount rates are determined based on the weighted average cost of capital of the Group, considering country- and currency-specific risks within the context of cash flows taken into consideration. The sensitivity analyses performed on the growth rate outside the planning period and the discount rates indicate that a realistic change in assumptions would not result in the realizable value falling below the carrying amount.

GOODWILL ASSIGNED TO CASH-GENERATING UNITS

in CHF mn	Growth rates beyond the planning period (%)	Discount rates pre-tax (%)	Goodwill
EMEA	2.2	8.7	1,226.9
Americas	2.8	11.4	677.4
Asia/Pacific	2.0	10.7	1,102.5
Global Business	2.1	9.3	289.8
December 31, 2021			3,296.6
EMEA	3.1	9.2	1,163.7
Americas	4.3	11.1	738.3
Asia/Pacific	2.3	9.7	1,045.1
Global Business	2.6	8.5	278.6
December 31, 2022			3,225.7

18. Investments in associated companies CHF 9.5 mn (CHF 9.2 mn)

The following associated companies are included in the consolidated financial statements as of December 31, 2022: HPS North America, LLC, USA (Sika stake 20%), Condensil SARL, France (40%), Chemical Sangyo Ltd., Japan (50%), and Seven Tech Co. Ltd., Japan (50%). The stakes are unchanged compared to the prior year.

STAKE IN NET SALES AND NET INCOME OF ASSOCIATES

in CHF mn	2021	2022
Sales	2.9	2.2
Profit (+) / loss (-)	0.4	0.4

19. Accounts payable CHF 1,016.6 mn (CHF 1,033.2 mn)

Accounts payable do not bear interest and will usually become due within 30 to 60 days.

20. Accrued expenses and deferred income CHF 489.0 mn (CHF 519.9 mn)

Accrued expenses and deferred income relate to outstanding invoices and liabilities for the past financial year, including performance-based compensation payable to employees and social security expenses in the following year. In addition, deferred revenues for warranty extensions in the amount of CHF 4.6 million (CHF 3.9 million) are included (see note 1).

21. Financial liabilities CHF 3,937.2 mn (CHF 3,737.0 mn)

in CHF mn	2021			2022		
	Current	Non-current	Total	Current	Non-current	Total
Derivatives	10.4	0.0	10.4	9.1	0.4	9.5
Bank loans	18.0	0.0	18.0	11.1	0.0	11.1
Lease liabilities	73.5	244.1	317.6	78.1	256.1	334.2
Straight bonds	150.0	1,748.5	1,898.5	199.9	2,099.9	2,299.8
Convertible bond	0.0	1,381.9	1,381.9	0.0	1,249.7	1,249.7
Mandatory convertible bond (liability component)	48.7	0.0	48.7	0.0	0.0	0.0
Other financial liabilities	42.5	19.4	61.9	4.8	28.1	32.9
Total	343.1	3,393.9	3,737.0	303.0	3,634.2	3,937.2

Current financial liabilities consist of liabilities with maturities of less than twelve months. Non-current financial liabilities include financing operations with a term of more than one year.

Furthermore, Sika has the following credit facilities:

- Revolving credit facility of CHF 750.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on April 1, 2026. As of December 31, 2022, Sika has not utilized this credit line.
- Revolving credit facility of CHF 750.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on December 13, 2027, with the option of two one-year extensions. As of December 31, 2022, Sika has not utilized this credit line.
- Bridge facility of EUR 4,400.0 million (reduced from EUR 5,000 million after the issuance of bonds in the amount of CHF 600 million). The term ends on May 10, 2024. As of December 31, 2022, Sika has not utilized this credit line.

OUTSTANDING STRAIGHT BONDS

in CHF mn						2021	2022
Issuer	Bond	Nominal	Coupon	Term	Book value	Book value	
Sika AG, Baar, Switzerland	Straight bond	CHF	150.0	1.750%	2012-07/12/2022	150.0	0.0
	Straight bond	CHF	200.0	1.875%	2013-11/14/2023	199.8	199.9
	Straight bond	CHF	100.0	1.600%	2022-05/28/2024	0.0	99.9
	Straight bond	CHF	250.0	0.625%	2018-07/12/2024	250.2	250.2
	Straight bond	CHF	200.0	1.900%	2022-11/28/2025	0.0	199.6
	Straight bond	CHF	140.0	0.600%	2018-03/27/2026	140.0	140.0
	Straight bond	CHF	130.0	1.125%	2018-07/12/2028	130.7	130.6
	Straight bond	CHF	300.0	2.350%	2022-11/28/2028	0.0	299.4
Sika Capital B.V., Utrecht, Netherlands	Straight bond	EUR	500.0	0.875%	2019-04/29/2027	514.3	490.6
	Straight bond	EUR	500.0	1.500%	2019-04/29/2031	513.5	489.6
Total						1,898.5	2,299.8

On October 31, 2022, Sika AG placed a bond with a total amount of CHF 600 million through a triple tranche with a payment date on November 28, 2022:

- CHF 100.0 million 2022 – May 2024 with a fixed coupon of 1.60% p.a. The bond was issued at 100.067%.
- CHF 200.0 million 2022 – Nov. 2025 with a fixed coupon of 1.90% p.a. The bond was issued at 100.036%.
- CHF 300.0 million 2022 – Nov. 2028 with a fixed coupon of 2.35% p.a. The bond was issued at 100.097%.

CONVERTIBLE BONDS

A convertible bond is a compound financial instrument. The bond contains a conversion option embedded in the bond. On initial recognition, the convertible bond is split into a liability component and an equity component. The liability component corresponds to the fair value of an identical bond, but without a conversion option, and is accounted for at amortized cost. The difference between the carrying amount of the liability component and the redemption amount is amortized over the remaining term of the convertible bond using the effective interest method. The equity component is calculated as the difference between the liability component and the amount of the issue proceeds. The equity component is not remeasured and remains unchanged in equity until conversion. The issue costs are allocated proportionately to the liability and equity components.

In May 2018, Sika placed a convertible bond in the amount of CHF 1,650.0 million due in 2025. The convertible bond has a coupon of 0.15% p.a. The shares to be delivered upon conversion will be provided by existing shares or by the issue of new shares from the conditional capital. At the end of December 2022, the conversion price per share is CHF 188.45. The convertible bond can be converted early or redeemed early in accordance with the general bond conditions. In the reporting year, bonds with a nominal value of CHF 141.7 million were converted (CHF 241.0 million).

RECONCILIATION LIABILITY COMPONENT 0.15%-CONVERTIBLE BOND 2018-2025

in CHF mn	2021	2022
January 1	1,609.4	1,381.9
Interest expense (amortized cost)	9.0	7.2
Conversion of bond into registered shares	-236.5	-139.4
December 31	1,381.9	1,249.7
Open par value	1,409.0	1,267.3

On January 22, 2019, Sika placed a mandatory convertible bond in the amount of CHF 1,300.0 million due end of January 2022. The mandatory convertible bond had a coupon of 3.75% p.a. These interest payments were classified as a liability component. Accordingly, the liability component was reduced annually by the interest payments made.

On January 31, 2022, the remaining convertible bonds with a nominal value of CHF 1,299.8 million were fully converted into new shares from the conditional capital of Sika AG. The conversion price per share was CHF 130.756. In 2021, bonds with a nominal value of CHF 0.2 million were converted.

RECONCILIATION LIABILITY COMPONENT 3.75%-MANDATORY CONVERTIBLE BOND 2019–2022

in CHF mn	2021	2022
January 1	97.0	48.7
Interest expense (amortized cost)	0.5	0.1
Repayment liability component (interest)	-48.8	-48.8
December 31	48.7	0.0
Open par value	48.8	0.0

CHANGE IN FINANCIAL LIABILITIES

in CHF mn	Bank loans	Bonds	Lease liabilities	Other financial liabilities	Total financial liabilities
January 1, 2021	2.6	3,821.2	320.6	42.2	4,186.6
Proceeds	1.5	0.0	0.0	3.6	5.1
Repayments	-32.4	-218.8	-97.7	-14.2	-363.1
Cash flow	-30.9	-218.8	-97.7	-10.6	-358.0
Acquired on acquisition	46.2	0.0	1.2	1.6	49.0
Exchange differences	0.1	-46.8	-2.6	-0.5	-49.8
New leases	0.0	0.0	75.5	0.0	75.5
Conversion of bonds into shares	0.0	-236.5	0.0	0.0	-236.5
Other changes	0.0	10.0	20.6	39.6	70.2
Non-cash movements	46.3	-273.3	94.7	40.7	-91.6
December 31, 2021	18.0	3,329.1	317.6	72.3	3,737.0
January 1, 2022	18.0	3,329.1	317.6	72.3	3,737.0
Proceeds	11.4	598.9	0.0	9.2	619.5
Repayments	-22.3	-198.8	-95.5	-19.7	-336.3
Cash flow	-10.9	400.1	-95.5	-10.5	283.2
Acquired on acquisition	5.8	0.0	5.2	0.0	11.0
Exchange differences	-1.9	-48.1	-12.8	-2.7	-65.5
New leases	0.0	0.0	104.6	0.0	104.6
Conversion of bonds into shares	0.0	-139.4	0.0	0.0	-139.4
Other changes	0.1	7.8	15.1	-16.7	6.3
Non-cash movements	4.0	-179.7	112.1	-19.4	-83.0
December 31, 2022	11.1	3,549.5	334.2	42.4	3,937.2

The classification and valuation principles for financial liabilities are described in note 27.

22. Provisions CHF 104.9 mn (CHF 121.6 mn)

Provisions required for liabilities arising from guarantees, warranties, and environmental risks as well as restructuring costs are recognized as liabilities. Provisions are only recognized if Sika has a third-party liability that is based on a past event and can be reliably measured. Contingent liabilities are not recognized in the balance sheet except for acquisitions. Potential losses due to future incidents are not recognized in the balance sheet.

in CHF mn	Warranties	Sundry risks	Total
Current provisions	15.4	11.5	26.9
Non-current provisions	28.6	49.4	78.0
Provisions	44.0	60.9	104.9
Reconciliation			
January 1, 2022	58.1	63.5	121.6
Additions	9.0	10.6	19.6
Assumed on acquisition	0.2	1.9	2.1
Exchange differences	-2.0	-1.8	-3.8
Utilization	-8.6	-6.3	-14.9
Reversal	-12.7	-7.0	-19.7
December 31, 2022	44.0	60.9	104.9

Provisions for guarantees reflect all known claims anticipated in the near future. The amounts of the provision are determined based on experience and are therefore subject to a degree of uncertainty. The outflow of funds depends on the timing of the filing and conclusion of warranty claims. Provisions for sundry risks include loan guarantees as well as open and anticipated legal and tax cases with a probability of occurrence above 50%.

From the sum of provisions, CHF 78.0 million (CHF 95.6 million) are shown as non-current liabilities, since an outflow of funds is not expected within the next twelve months. For provisions of CHF 26.9 million (CHF 26.0 million), an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

This year, several legal cases were resolved or forfeited where the amount accrued exceeded the amount required for settlement. In addition, certain legal cases were reassessed based on the current best estimates.

CONTINGENT LIABILITIES

In ongoing business activity, the Group may be involved in legal proceedings such as lawsuits, claims, investigations, and negotiations due to product liability, mercantile law, environmental protection, health and safety, etc. There are no current proceedings of this nature pending which could have significant influence on business operations, or on the Group's financial position or income. The Group is active in countries in which political, economic, social, and legal developments could impair business activity. The effects of such risks which can occur in the normal course of business is unforeseeable, but their probability of occurring is below 50%.

23. Employee benefit obligations

in CHF mn	2021			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Employee benefit plans with defined benefits	149.5	205.8	56.3	16.6	138.9	122.3
Other employee commitments	-	117.1	117.1	-	101.0	101.0
Total	149.5	322.9	173.4	16.6	239.9	223.3

The Group maintains various employee benefit plans that differ in accordance with local practices. Group contributions to defined contribution plans are recognized in the income statement. Defined benefit plans are administered either through self-governed pension funds (funded) or recognized directly in the balance sheet (unfunded). The amount of the liabilities resulting from defined benefit plans is regularly determined by independent experts under application of the projected unit credit method. Actuarial gains and losses are recognized directly in the statement of other comprehensive income and are not reclassified subsequently to profit and loss. Asset surpluses of employee pension funds are considered only to the extent of possible future reimbursement or reduction of contributions.

Other long-term liabilities arise from long-service bonuses and similar benefits that Sika grants to its employees.

DEFINED CONTRIBUTION PENSION FUNDS

The majority of Sika subsidiaries operate defined contribution pension plans. In these, employees and employer regularly contribute to funds administered by third parties. This does not give rise to any assets or liabilities in the consolidated balance sheet.

DEFINED BENEFIT PENSION FUNDS

Defined benefit pension plans for staff exist within 45 Group companies. The biggest plans are in Switzerland, accounting for 83.2% (80.0%) of Sika's entire defined benefit pension obligations and 96.8% (96.9%) of plan assets.

SWISS PENSION PLANS

Sika companies in Switzerland have legally independent foundations, thereby segregating their pension obligation liabilities. The Federal Law on Occupational Retirement, Survivors', and Disability Pensions (BVG) regulates occupational benefits in Switzerland. In the event of a significant deficit, employees and employers must jointly bear any restructuring measures, for example through additional contributions. The Swiss pension plans therefore qualify as defined benefit plans and the actuarially determined surplus or deficit is recognized in the consolidated balance sheet. In accordance with local statutory requirements, Sika has no further obligations towards the pension plans beyond the regulatory contribution payments.

The Sika pension fund insures employees in Switzerland against the risks of old age, death, and disability. In addition, there is a management pension plan and a welfare foundation which provide for further regulatory benefits. Together with the statutory requirements, the retirement regulations form the basis for occupational pension benefits. The retirement pension is calculated by multiplying the retirement assets available at the time of retirement by the conversion rates stipulated in the regulations. The employee has the option of drawing the retirement benefit as a lump sum. The employee also has the right to early retirement.

The administration of the Sika pension fund is the responsibility of the board of trustees as the supreme body, which is composed of the same number of employee and employer representatives. It is responsible for the implementation of the pension fund regulations, the financing of benefits, and the investment of assets. The investment strategy is structured so that benefits can be paid when they fall due. The Sika pension fund as well as the welfare foundation bear the investment risks and the longevity risk themselves. The pension fund has taken out congruent reinsurance for the risks of death and disability. The insurance-related and investment risks of the management pension scheme are fully reinsured.

In the current year, as in the prior year, the Swiss pension plans are showing a surplus under BVG and it is not expected that additional contributions will be necessary for the next year.

MOVEMENT IN THE NET DEFINED BENEFIT OBLIGATION

in CHF mn	Present value of obligation	Fair value of plan assets	Impact of asset ceiling	Total
At January 1, 2021	-1,086.6	894.3	-2.9	-195.2
Current service cost	-34.0			-34.0
Past service cost (-) and gains (+)/ losses (-) on settlements and curtailments	1.8			1.8
Interest expense (-)/interest income (+)	-3.8	1.8		-2.0
Total expense recognized in income statement	-36.0	1.8		-34.2
thereof Switzerland	-27.1	1.3		-25.8
thereof others	-8.9	0.5		-8.4
Return on plan assets, excluding amounts included in interest income		97.0		97.0
Actuarial gains (+)/losses (-) from change in financial assumptions	26.0			26.0
Actuarial gains (+)/losses (-) from change in demographic assumptions	34.0			34.0
Experience gains (+)/losses (-)	-9.9			-9.9
Change in asset ceiling			-1.0	-1.0
Total remeasurement recognized in other comprehensive income	50.1	97.0	-1.0	146.1
thereof Switzerland	47.5	95.9	-1.0	142.4
thereof others	2.6	1.1	0.0	3.7
Exchange differences	10.2	-1.1		9.1
Contributions by employers		21.2		21.2
Contributions by plan participants	-16.9	16.9		0.0
Benefits paid	36.6	-28.4		8.2
Acquired in a business combination and others	-51.0	37.5		-13.5
Liabilities held for sale	2.0			2.0
At December 31, 2021	-1,091.6	1,039.2	-3.9	-56.3
thereof Switzerland	-873.4	1,006.7	-3.9	129.4
thereof others	-218.2	32.5	0.0	-185.7

MOVEMENT IN THE NET DEFINED BENEFIT OBLIGATION

in CHF mn	Present value of obligation	Fair value of plan assets	Impact of asset ceiling	Total
At January 1, 2022	-1,091.6	1,039.2	-3.9	-56.3
Current service cost	-31.8			-31.8
Past service cost (-) and gains (+)/ losses (-) on settlements and curtailments	0.7			0.7
Interest expense (-)/interest income (+)	-5.6	3.9		-1.7
Total expense recognized in income statement	-36.7	3.9		-32.8
thereof Switzerland	-27.6	3.5		-24.1
thereof others	-9.1	0.4		-8.7
Return on plan assets, excluding amounts included in interest income		-147.9		-147.9
Actuarial gains (+)/losses (-) from change in financial assumptions	194.6			194.6
Actuarial gains (+)/losses (-) from change in demographic assumptions	-0.6			-0.6
Experience gains (+)/losses (-)	-25.2			-25.2
Change in asset ceiling			-95.6	-95.6
Total remeasurement recognized in other comprehensive income	168.8	-147.9	-95.6	-74.7
thereof Switzerland	117.8	-144.2	-95.6	-122.0
thereof others	51.0	-3.7	0.0	47.3
Exchange differences	10.3	-1.1		9.2
Contributions by employers		23.8		23.8
Contributions by plan participants	-16.8	16.8		0.0
Benefits paid	36.7	-28.1		8.6
Disposed of in a business combination and others	8.7	-8.8		-0.1
Liabilities held for sale	0.0	0.0		0.0
At December 31, 2022	-920.6	897.8	-99.5	-122.3
thereof Switzerland	-765.5	869.5	-99.5	4.5
thereof others	-155.1	28.3	0.0	-126.8

The contributions expected to be paid into the defined benefit pension plans for 2023 amount to CHF 24.6 million.

The Group's total expenses for employee benefits are included in the consolidated financial statements under "Personnel expenses".

The stated deficit results mainly from the defined benefit obligation of the unfunded benefit plans of CHF 104.4 million (CHF 163.9 million). Schemes in Germany, in particular, do not have segregated assets. For the Swiss pension plan, the result is a surplus of CHF 4.5 million (deficit of CHF 129.4 million).

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in CHF mn	2021			2022		
	Switzerland	Others	Total	Switzerland	Others	Total
Cash and cash equivalents	28.3	4.7	33.0	17.3	6.8	24.1
Equity instruments	462.2	1.7	463.9	337.7	0.7	338.4
Debt instruments	345.1	5.0	350.1	307.8	2.7	310.5
Real estate investments	169.0	0.0	169.0	204.3	0.0	204.3
Other assets	2.1	21.1	23.2	2.4	18.1	20.5
Total	1,006.7	32.5	1,039.2	869.5	28.3	897.8

Most of the plan assets of the pension schemes are invested in assets with quoted market prices. In the year under review, 7.8% (9.6%) of the investments in real estate did not have a quoted market price.

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2021		2022	
	Switzerland	Others	Switzerland	Others
Shares Sika AG ¹	43.2	0.0	24.9	0.0
Own property occupied by Sika	11.4	0.0	11.1	0.0
Total	54.6	0.0	36.0	0.0

1 According to Swiss law, employer shareholdings may not exceed 5% of assets.

ACTUARIAL ASSUMPTIONS - WEIGHTED AVERAGE

	2021		2022	
	Switzerland	Others	Switzerland	Others
Discount rate in the year under review (%)	0.35	1.10	2.20	3.56

THE SENSITIVITY OF THE DEFINED BENEFIT OBLIGATION TO CHANGES IN THE PRINCIPAL ASSUMPTIONS

in CHF mn	Change in assumptions	Impact on defined benefit obligation	
		Switzerland	Others
Discount rate	+0.25%	-23.2	-4.4
Discount rate	-0.25%	24.7	4.5

FURTHER INFORMATION

	2021		2022	
	Switzerland	Others	Switzerland	Others
Total number of defined benefit plans	3	41	3	41
thereof number of defined benefit plans funded	3	12	3	12
thereof number of defined benefit plans unfunded	0	29	0	29
Average weighted duration in years	14.2	15.3	12.8	12.7

24. Other liabilities CHF 36.1 mn (CHF 36.4 mn)

Other liabilities consist of deferred revenue for warranty extensions that will not be realized within the next twelve months.

25. Shareholders' equity CHF 4,967.1 mn (CHF 4,395.9 mn)

in CHF mn	2021	2022
Capital stock	1.4	1.5
Capital surplus	437.4	1,878.8
Treasury shares	-10.7	-15.1
Currency translation differences	-995.2	-1,232.7
Retained earnings	4,960.9	4,333.7
Equity attributable to Sika shareholders	4,393.8	4,966.2
Non-controlling interests	2.1	0.9
Shareholders' equity	4,395.9	4,967.1

Equity accounts for 43.9% (41.1%) of the balance sheet total.

CAPITAL STOCK

The capital stock is equal to the nominal capital of all issued registered shares at par value of CHF 0.01. Share capital is structured as follows and changed this year according to the table below (no changes in the previous year):

	Units ¹	Par value in CHF
At January 1, 2021	141,781,160	1,417,812
Capital increase from conditional capital	1,263,807	12,638
At December 31, 2021	143,044,967	1,430,450
At January 1, 2022	143,044,967	1,430,450
Capital increase from conditional capital	10,690,084	106,901
At December 31, 2022	153,735,051	1,537,351

¹ Includes treasury shares which do not carry voting and dividend rights.

CAPITAL SURPLUS

This item consists of the value of paid-in capital in excess of par value (less transaction costs).

TREASURY SHARES

Treasury shares are valued at acquisition cost and deducted from shareholders' equity. Differences between the purchase price and sales proceeds of treasury shares are shown as a change in retained earnings.

CURRENCY TRANSLATION DIFFERENCES

This item consists of the differential amount that arises from the translation into Swiss francs of assets, liabilities, income, and expenses of Group companies that do not use Swiss francs as their functional currency.

RETAINED EARNINGS

Retained earnings mainly comprise accumulated retained earnings of the Group companies that are not distributed to shareholders as well as profit/loss of treasury shares. Profit distribution is subject to local legal restrictions.

The Board of Directors proposes to the Annual General Meeting payment of a dividend of CHF 3.20 per registered share to the shareholders of Sika AG. This corresponds to a maximum possible payout amount of CHF 513.5 million assuming the potential exercise of all conversion rights (see notes 9 and 21).

NON-CONTROLLING INTERESTS

Non-controlling interests are accounted for at the corresponding share of the respective company. There are no material companies with non-controlling interests. The capital shares of all companies are disclosed in the list of group companies (p.251 et seq. of this report).

26. Cash flow statement

CASH FLOW ANALYSIS

in CHF mn	2021	2022
Cash flow from operating activities	1,064.1	1,099.8
Cash flow from investing activities	-469.2	-169.0
Cash flow from financing activities	-736.8	-190.0
Exchange differences	-1.8	-42.5
Net change in cash and cash equivalents	-143.7	698.3

FREE CASH FLOW AND OPERATING FREE CASH FLOW

in CHF mn	2021	2022
Cash flow from operating activities	1,064.1	1,099.8
Net investment in		
Property, plant, and equipment	-142.4	-206.6
Intangible assets	-13.3	-28.0
Acquisitions less cash and cash equivalents	-304.4	-142.7
Proceeds from divestment of businesses	0.0	211.7
Acquisition of associated companies	-7.8	0.0
Acquisitions (-)/disposals (+) of financial assets	-1.3	-3.4
Free cash flow	594.9	930.8
Acquisitions (+)/disposals (-) less cash and cash equivalents	312.2	-69.0
Acquisitions (+)/disposals (-) of financial assets	1.3	3.4
Operating free cash flow	908.4	865.2

OTHER ADJUSTMENTS

in CHF mn	2021	2022
Profit (-)/loss (+) from disposals of non-financial assets	-7.8	-21.8
Personnel expenses settled through treasury shares	9.1	10.5
Others	-3.4	11.4
Total	-2.1	0.1

27. Financial instruments and risk management

Sika's financial instruments and the related risk management are presented in this note.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

The classification depends on the financial asset's contractual cash flow characteristics. Sika uses the following categories:

- At amortized cost - financial assets at amortized cost are measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the income statement when the asset is derecognized, modified, or impaired. Financial assets measured at amortized cost mainly comprise accounts receivable as well as smaller loans and other receivables. Accounts receivable are measured at the transaction price.
- At fair value through profit or loss - financial assets held for trading and derivatives are carried at fair value through profit or loss. Fluctuations in value are recognized in the income statement. The classification of equity instruments in this category is consistent with the Group's risk management and investment strategy. Sika does not apply hedge accounting.

All purchases and sales of financial assets are recognized on the settlement date. Financial assets are derecognized when Sika loses the rights to receive cash flows that comprise the financial asset. Normally, this occurs through the sale of assets or the repayment of loans and accounts receivable.

At each balance sheet date Sika, determines whether a financial asset is impaired. If there are objective indications that an impairment of assets carried at amortized cost has occurred or could occur based on forward-looking data, the amount of the impairment is the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the original effective interest rate.

For accounts receivable, Sika applies a simplified approach in calculating expected credit losses. Therefore,

an allowance is recognized at initial recognition and at each subsequent balance sheet date for the expected credit losses over the entire term. Sika has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors. Receivables are derecognized if they are classified as uncollectible.

PROVISION MATRIX OF ACCOUNTS RECEIVABLE

in CHF mn	Estimated total gross carrying amount at default	Expected credit losses
Not overdue	1,279.8	2.4
Past due < 31 days	167.8	2.3
Past due 31-60 days	62.5	2.7
Past due 61-180 days	55.8	8.1
Past due 181-360 days	20.9	13.1
Past due > 360 days	70.6	52.0
December 31, 2021	1,657.4	80.6
Not overdue	1,353.8	2.3
Past due < 31 days	216.3	3.1
Past due 31-60 days	67.4	3.1
Past due 61-180 days	76.7	12.3
Past due 181-360 days	23.9	16.2
Past due > 360 days	77.3	58.8
December 31, 2022	1,815.4	95.8

CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

All financial liabilities are initially recognized at fair value, in the case of bonds and loans less directly attributable transaction costs. Subsequent measurement depends on their classification:

- At amortized cost - after initial recognition, interest-bearing bonds and loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are amortized or derecognized. Amortized cost is calculated taking into account any premium or discount and any fees or costs that are an integral part of the effective interest rate. Amortization using the effective interest method is included in the income statement as part of interest expense.
- At fair value through profit or loss - financial liabilities held for trading and derivative financial instruments are carried at fair value through profit or loss. Fluctuations in value are recognized in the income statement. Sika does not apply hedge accounting.

All purchases and sales of financial liabilities are recognized on the settlement date. A financial liability is derecognized when the underlying obligation has been fulfilled, cancelled, or expired. If an existing financial obligation is replaced by another financial liability of the same lender with substantially different contractual terms or if the terms of an existing liability are significantly changed, such an exchange or change is treated as a derecognition of the original liability and recognition of a new liability.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The hierarchy below classifies financial instruments, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: procedures in which all input parameters having an essential effect on the registered market value are either directly or indirectly observable.
- Level 3: procedures applying to input parameters that have an essential effect on the registered market value but are not based on observable market data.

An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing data on an ongoing basis.

Sika holds level 2 derivative financial instruments, namely swaps and forward contracts. Their fair value is based on forward exchange rates.

Although the own bonds are listed on the stock exchange, their transaction frequency does not reliably meet our expectation of an active market and are therefore assigned to level 2. The disclosed fair value is based on the prices of the last transactions on or before the balance sheet date.

Sika does not own any financial instruments requiring evaluation according to level 3 procedures.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

in CHF mn	Level	2021		2022	
		Book value	Fair value	Book value	Fair value
Cash and cash equivalents		1,175.0		1,873.3	
Accounts receivable		1,576.8		1,719.6	
Loans (at amortized cost)		27.5		30.2	
Securities (at fair value through profit and loss)	1	68.9	68.9	62.3	62.3
Derivatives (at fair value through profit and loss)	2	16.5	16.5	6.8	6.8
Financial assets at December 31		2,864.7		3,692.2	
Bank loans		18.0		11.1	
Accounts payable		1,033.2		1,016.6	
Lease liabilities		317.6		334.2	
Bonds	2	3,280.4	4,812.6	3,549.5	3,749.5
Mandatory convertible bond (liability component)		48.7		0.0	
Other financial liabilities		61.9		32.9	
Financial liabilities measured at amortized cost		4,759.8		4,944.3	
Derivatives (at fair value through profit and loss)	2	10.4	10.4	9.5	9.5
Financial liabilities at December 31		4,770.2		4,953.8	

The book value of cash and cash equivalents, accounts receivable, loans, bank loans, accounts payable, lease liabilities, the liability component of the mandatory convertible bond, as well as other financial liabilities almost equal the fair value.

MANAGEMENT OF FINANCIAL RISKS

BASIC PRINCIPLES

The Group's activities expose it to a variety of financial risks: market risks (primarily foreign exchange risks, price risks, and interest rate risks), credit risks, and liquidity risks.

The corporate finance department identifies, evaluates, and hedges financial risks in close cooperation with the Group's operating units. Property, plant, and equipment of CHF 0.6 million (CHF 17.0 million) are pledged as security for own liabilities.

FOREIGN EXCHANGE RISKS

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro and the US dollar. Foreign exchange risks arise when commercial transactions as well as recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group makes every effort to offset the impact of exchange rate movements as far as possible by utilizing natural hedges. Foreign exchange forward contracts/swaps are used to hedge foreign exchange risks. Gains and losses on foreign exchange hedges and assets or liabilities carried at fair value are recognized through profit or loss. The Group does not apply hedge accounting.

OPEN DERIVATIVES

in CHF mn	Replacement value		Contract value	Contractual value upon maturity		
	(+)	(-)		Up to 3 months	3 to 12 months	Over 12 months
Forward contracts (foreign exchange)	1.1	-0.6	130.2	64.3	65.9	0.0
Swaps (foreign exchange)	15.4	-9.8	1,639.4	393.8	1,245.6	0.0
Open derivatives 2021	16.5	-10.4	1,769.6	458.1	1,311.5	0.0
Forward contracts (foreign exchange)	1.3	-4.2	271.7	66.5	205.2	0.0
Swaps (foreign exchange)	5.5	-4.9	991.2	224.7	766.5	0.0
Swaps (interest rate)	0.0	-0.4	100.0	0.0	0.0	100.0
Open derivatives 2022	6.8	-9.5	1,362.9	291.2	971.7	100.0

Losses from currency differences recognized in the income statement amounted to CHF 49.8 million (loss CHF 32.8 million), including a net gain of CHF 12.0 million (net gain of CHF 18.9 million) from currency hedging transactions, which is included in other financial expenses. The currency differences arise from purchases and sales as well as financing activities in foreign currencies and are recognized in the corresponding income statement account.

Sika carries out a sensitivity analysis for the dominant foreign currencies', namely the euro and US dollar. The assumption is that the euro and US dollar respectively change against all other currencies by +/- 10%. The other currencies remain constant. The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments, Group-internal financing, and foreign currency hedge transactions in the corresponding currencies. The following table shows the sensitivity of a reasonably possible change in exchange rates in relation to the financial instruments included in the balance sheet. All other variables remain constant for this test. Changes in exchange rates can have an impact on consolidated profit before tax and, in the case of net investments in a foreign operation, on the translation differences recognized directly in other comprehensive income.

SENSITIVITY ANALYSIS ON EXCHANGE RATES

Impact in CHF mn on	2021		2022	
	Profit before tax	Comprehensive income	Profit before tax	Comprehensive income
EUR: +10%	-6.0	0.0	-3.6	0.0
EUR: -10%	6.0	0.0	3.6	0.0
USD: +10%	-7.6	10.5	-14.1	10.6
USD: -10%	7.6	-10.5	14.1	-10.6

PRICE RISKS

The Group is exposed to purchasing price risks because the cost of materials represents one of the Group's largest cost factors. Purchasing prices are influenced far more by the interplay between supply and demand, the general economic environment, and intermittent disruptions of processing and logistics chains, ranging from crude oil to purchased merchandise, than by crude oil prices themselves. Short-term crude oil price increases have only limited impact on raw material prices. Sika limits market price risks for important products by means of maintaining corresponding inventories and Group contracts (lead buying). The most important raw materials are polymers such as polyurethane, epoxy resins, polyvinyl chloride, and cementitious basic materials. Other measures such as hedging are not practical because there is no corresponding market for these semi-finished products.

INTEREST RATE RISK

Interest rate risk arises from movements in interest rates which could affect the Group's financial result or the value of the Group equity. Interest rate risk is limited through the issue of fixed-interest long-term bonds (see note 21). The Group may use interest rate derivatives to manage its interest-rate-related exposure and financial result. Local bank loans and mortgages are insignificant. Interest rate developments are closely monitored by management.

CREDIT RISK

Credit risks arise from the possibility that the counterparty to a transaction may not be able or willing to discharge its obligations, thereby causing the Group to suffer a financial loss. Counterparty risks are minimized by only concluding contracts with reputable business partners and banks. In addition, accounts receivable are monitored on an ongoing basis via internal reporting procedures. Potential concentrations of risks are reduced by the large number of customers and their geographic dispersion. No individual customer represents more than 2% of the Group's net sales. The Group held no securities for loans and accounts receivable at year-end 2021 nor at year-end 2022. The largest possible risk represented by these items is the carrying amount of the accounts receivable and any warranties granted.

LIQUIDITY RISK

Liquidity risk refers to the risk of Sika no longer being able to meet its financial obligations in full. Prudent liquidity management includes maintaining sufficient cash and cash equivalents and securing the availability of liquidity reserves which can be called upon at short notice. Group Management monitors the Group's liquidity reserve based on expected cash flows.

The table below summarizes the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments.

MATURITY PROFILE OF FINANCIAL LIABILITIES

in CHF mn	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Bank loans	18.0	0.0	0.0	18.0
Accounts payable	1,033.2	0.0	0.0	1,033.2
Lease liabilities	80.5	163.8	122.3	366.6
Bonds	174.6	2,070.5	1,209.3	3,454.4
Mandatory convertible bond (liability component)	48.8	0.0	0.0	48.8
Other financial liabilities	42.5	18.4	1.0	61.9
Financial liabilities measured at amortized cost	1,397.6	2,252.7	1,332.6	4,982.9
Financial liabilities at fair value through profit and loss	10.4	0.0	0.0	10.4
December 31, 2021	1,408.0	2,252.7	1,332.6	4,993.3
Bank loans	11.1	0.0	0.0	11.1
Accounts payable	1,016.6	0.0	0.0	1,016.6
Lease liabilities	86.6	191.3	129.7	407.6
Bonds	233.7	2,543.9	955.5	3,733.1
Mandatory convertible bond (liability component)	0.0	0.0	0.0	0.0
Other financial liabilities	4.7	16.0	12.2	32.9
Financial liabilities measured at amortized cost	1,352.7	2,751.2	1,097.4	5,201.3
Financial liabilities at fair value through profit and loss	9.1	0.4	0.0	9.5
December 31, 2022	1,361.8	2,751.6	1,097.4	5,210.8

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios to support its business. The Group manages its capital structure and adjusts it considering changes in economic conditions. No changes were made in the objectives, policies, or processes during the years ended December 31, 2022, and December 31, 2021. The Group monitors its equity using the equity ratio, which is shareholders' equity divided by total capital.

TAX RISK MANAGEMENT

Our multinational operations are taxed under the laws of the countries in which they operate. Changes in tax laws or in their application could lead to an increased risk of international tax disputes and an increase in our effective tax rate, which could adversely affect our financial results.

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. The Organization for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed guidance that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. Once changes to the tax laws in any jurisdiction in which the Group operates are enacted or substantively enacted, the Group may be subject to the top-up tax. Management is closely monitoring the progress of the legislative process in each jurisdiction the Group operates in. At December 31, 2022, the Group did not have sufficient information to determine the potential quantitative impact.

Other information

SIGNIFICANT SHAREHOLDERS

At December 31, 2022, based on information supplied to the Group, there are four significant shareholders whose voting rights exceed 3%: (1) BlackRock Inc., which owned 7.7% of all voting rights. (2) William H. Gates and Melinda French Gates, who held 5.3% of all voting rights via Cascade Investment L.L.C. and Bill & Melinda Gates Foundation Trust. (3) The Capital Group Companies, who held 5% of all voting rights via Capital Research and Management Company, Capital Bank and Trust Company, Capital International Limited, Capital International, Inc., and Capital International Sarl. (4) Norges Bank (the Central Bank of Norway), which held 3.01% of all voting rights. No notifications about changes in significant shareholdings have been received since the publication of the Annual Report 2021.

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.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/. There are no cross-shareholdings exceeding 3%, either in terms of capital or votes.](https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/)

RELATED PARTIES

ASSOCIATED COMPANIES

In the year under review, goods and services totaling CHF 1.0 million (CHF 1.1 million) were delivered to associated companies. These transactions occurred on the usual conditions between wholesale partners.

EMPLOYEE BENEFIT PLANS

In Switzerland, employee benefit plans are handled through independent foundations, to which a total of CHF 29.1 million (CHF 27.2 million) was paid in the year under review. As of the balance sheet date, no material receivables or payables were due from these foundations. Sika offices are located in a building leased from the pension fund foundation. Rent for 2022 amounted to CHF 0.7 million (CHF 0.7 million).

All transactions were conducted at market conditions.

REMUNERATION OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

The Board of Directors and Group Management are entitled to the following remuneration:

in CHF mn	2021	2022
Current benefits	12.7	15.1
Share-based payments ¹	4.3	5.5
Pension benefits	1.4	1.3
Total	18.4	21.9

¹ Refer to note 4, employee participation plan – share-based payments.

Information regarding participations of the Board of Directors and Group Management of Sika AG can be found in the Sika AG's financial statements (p.274 of this report).

RELEASE OF FINANCIAL STATEMENTS FOR PUBLICATION

The Board of Directors of Sika AG approved the consolidated financial statements for publication on February 14, 2023. The financial statements will be submitted for approval to the Annual General Meeting on March 28, 2023.

OTHER INFORMATION

PLANNED ACQUISITION

In November 2021, Sika signed an agreement to acquire MBCC Group, which is the former BASF Construction Chemicals. The transaction complements almost all of Sika's core technologies, applications, and solutions. It will create synergies and novel solutions that will help make the construction industry more sustainable. Sika proceeded with the transaction process in 2022 and has received unconditional regulatory approval for the transaction from authorities in most countries, among them Japan, China, Brazil, Serbia, Morocco, Russia, Colombia, Mexico, South Africa, Saudi Arabia, Turkey, and Thailand. In January 2023, an agreement was signed with Ineos for the purchase of parts of MBCC Group's admixtures business with sales of around CHF 920 million. The acquisition of MBCC is set to be significantly value-enhancing for Sika. Together with MBCC, Sika intends to strengthen its growth platform and generate annual synergies of CHF 160–180 million. The closing of the acquisition is scheduled for the first half of 2023.

The financing of the planned transaction is secured by a bridge loan facility. Sika intends to put in place a long-term funding structure comprising a combination of cash on hand, bank loans, and capital markets instruments.

LIST OF GROUP COMPANIES

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
EMEA (Europe, Middle East, Africa)					
Albania	❖ Sika Albania SHPK, Tirana	ALL	96,831	100	
Algeria	□ Sika El Djazaïr SpA, Les Eucalyptus	DZD	313,400	100*	◆★★
	○ Mortero Spa, Béjaïa	DZD	60,000	100*	
	❖ Sika Trading DZ Sarl, Algiers	DZD	43,000	49.5 ²	
Angola	○ Sika Angola (SU), Limitada, Luanda	AOA	172,596	100	◆
Austria	○ Sika Österreich GmbH, Bludenz	EUR	2,500	100	◆★
Azerbaijan	○ Sika Limited Liability Company, Baku	AZN	5,311	100	◆
Bahrain	○ Sika Gulf B.S.C., Adliya	BHD	1,000	100*	◆★★
	▲ Sika Arabia Holding Company WLL, Manama	BHD	6,000	100	
Belarus	○ BelINECO LLC, Brest	BYN	10,509	100	◆
Belgium	○ Sika Belgium NV, Nazareth	EUR	10,264	100	◆★
	❖ Sika Automotive Belgium S.A., Saintes	EUR	1,649	100	
Bosnia- Herzegovina	❖ Sika BH d.o.o., Sarajevo	BAM	795	100	◆
Bulgaria	○ Sika Bulgaria EOOD, Sofia	BGN	340	100	◆★
Cameroon	○ Sika Cameroon SARL, Douala	XAF mn	1,058	100	◆
Croatia	❖ Sika Croatia d.o.o., Zagreb	HRK	4,000	100	◆★
Czech Republic	○ Sika CZ s.r.o., Brno	CZK	30,983	100	◆★★
	○ Krkonošské vápenky Kunčice, a.s., Kunčice nad Labem	CZK	25,000	100*	◆★★
Denmark	○ Sika Danmark A/S, Farum	DKK	6,000	100	◆★
Djibouti	❖ Sika Djibouti FZE, Djibouti City	USD	300	100	
Egypt	○ Sika Egypt for Construction Chemicals S.A.E., Cairo	EGP	246,025	100	◆★★
	○ Sika Manufacturing for Construction S.A.E., Cairo	EGP	2,000	100	◆★★
	○ Modern Waterproofing Company S.A.E., Cairo	EGP	119,000	98.89	◆★★
Estonia	❖ Sika Estonia Oü, Tallinn	EUR	3	100	
Ethiopia	○ Sika Abyssinia Chemicals Manufacturing PLC, Addis Ababa	ETB	170,720	100	◆★★
Finland	○ Oy Sika Finland Ab, Espoo	EUR	850	100	◆★
France	○ Sika France SAS, Paris	EUR	468,018	100	◆★★
	○ Sika Automotive France SAS, Cergy-Pontoise Cedex	EUR	1,343	100*	◆★★
	○ ParexGroup SAS, Issy-Les-Moulineaux	EUR	4,065	100*	◆★★
Germany	▲ Sika Holding CH AG & Co KG, Stuttgart	EUR	26,000	100*	
	○ Sika Deutschland GmbH, Stuttgart	EUR	75	100*	◆★
	○ Sika Automotive Hamburg GmbH, Hamburg	EUR	5,300	100*	◆★
	○ Sika Trocal GmbH, Troisdorf	EUR	4,000	100*	◆★
	○ Sika Automotive Deutschland GmbH, Frankfurt am Main	EUR	1,000	100*	◆★★
	▲ Sika Frankfurt Grundstücksgesellschaft mbH, Worms	EUR	25	100*	
	▲ Sika Worms Grundstücksgesellschaft mbH, Worms	EUR	25	100*	
	○ Hago PU GmbH, Munich	EUR	1,000	100	◆
Ghana	○ Sika Chemicals Ghana Ltd., Accra	GHS	29,567	100	
Greece	○ Sika Hellas ABEE, Kryoneri	EUR	9,000	100	◆★★
Hungary	○ Sika Hungária Kft., Biatorbágy	HUF	483,000	100	◆★
Iran	○ Sika Parsian P.J.S. Co., Tehran	IRR mn	293,229	100	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
Iraq	○ Sika Company for General Trading LLC, Erbil	IQD	1,000	100	
Ireland	❖ Sika Ireland Ltd., Dublin	EUR	635	100	◆
Italy	○ Sika Italia S.p.A., Peschiera Borromeo	EUR	5,000	100	◆★★
	○ Sika Engineering Silicones S.r.l., Peschiera Borromeo	EUR	1,600	100*	◆★
	○ Sika Polyurethane Manufacturing S.r.l., Cerano	EUR	1,600	100	◆★★
	Index Construction Systems and Products S.P.A., Castel d'Azzano	EUR	7,740	100*	◆★
Ivory Coast	○ Sika Côte d'Ivoire SARL, Abidjan	XOF mn	1,942	100	◆★
Kazakhstan	○ Sika Kazakhstan LLP, Almaty	KZT mn	1,413	100	◆★
Kenya	○ Sika Kenya Limited, Nairobi	KES	50,000	100	◆★★
Kuwait	❖ Sika Kuwait for Construction Materials & Paints Co WLL, Shuwaikh Industrial Area	KWD	1,080	100*	
Latvia	○ Sika Baltic SIA, Riga	EUR	1,237	100	
Lebanon	○ Sika Near East s.a.l., Beirut	LBP mn	1,340	100	◆
Mauritius	○ Sika (Mauritius) Ltd., Plaine Lauzun	MUR	2,600	100*	◆
Morocco	○ Sika Maroc, Casablanca	MAD	264,000	100	◆★★
Mozambique	○ Sika Moçambique Limitada, Maputo Province	MZN	410,535	100	
Netherlands	○ Sika Nederland B.V., Utrecht	EUR	1,589	100	◆★
	▲ Sika Capital B.V., Utrecht	EUR	10,000	100	
Nigeria	○ Sika Manufacturing Nigeria Limited, Lagos	NGN mn	2,705	100	
Norway	○ Sika Norge AS, Skjetten	NOK	42,900	100	◆★★
Oman	❖ Sika LLC, Muscat	OMR	150	100*	
Pakistan	○ Sika Pakistan (Pvt.) Limited, Lahore	PKR	824,786	100	◆★★
Poland	○ Sika Poland Sp. z o.o., Warsaw	PLZ	12,188	100	◆★★
	○ Sika Automotive Zlotoryja Sp. z o.o., Zlotoryja	PLZ	6,000	100	◆★★
Portugal	○ Sika Portugal – Produtos Construção e Indústria SA, Vila Nova de Gaia	EUR	1,500	100	◆★★
Qatar	○ Sika Qatar LLC, Doha	QAR	200	100*	◆
	○ Parex Group WLL, Doha	QAR	200	97*	◆
Romania	○ Sika Romania s.r.l., Brasov	RON	665,138	100	◆★★
	○ Adeplast S.R.L., Ploiești City	RON	157,632	100*	◆★★
Russia	○ Sika LLC, Lobnya	RUB	535,340	100	◆★
	○ Kreps Limited Liability Company, St. Petersburg	RUB	338,379	100	
Saudi Arabia	○ Sika Saudi Arabia Limited (A Single Shareholder Limited Liability Company), Jeddah	SAR	41,750	100	◆★
Senegal	○ Sika Sénégal S.U.A.R.L., Dakar	XOF mn	1,764	100	◆
Serbia	○ Sika Srbija d.o.o., Simanovci	EUR	373	100	◆★
Slovakia	❖ Sika Slovensko, spol.s r.o., Bratislava	EUR	1,131	100	◆★★
	○ Sika Automotive Slovakia s.r.o., Zlaté Moravce	EUR	7	100	◆★★
Slovenia	❖ Sika d.o.o., Trzin	EUR	1,029	100	◆★
South Africa	○ Sika South Africa (Pty) Ltd, Pinetown	ZAR	25,000	100	◆★★
Spain	○ Sika S.A.U., Alcobendas	EUR	19,867	100	◆★★
	○ Sika Automotive Terrassa S.A., Terrassa	EUR	2,965	100	◆★★
Sweden	○ Sika Sverige AB, Spånga	SEK	10,000	100	◆★
Switzerland	○ Sika Schweiz AG, Zurich	CHF	1,000	100	◆★★
	▲ Sika Services AG, Zurich	CHF	300	100	◆★★

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	▲ Sika Technology AG, Baar	CHF	300	100	◆★★
	▲ Sika Informationssysteme AG, Zurich	CHF	400	100	
	■ SikaBau AG, Schlieren	CHF	5,300	100	◆
	▲ Sika Finanz AG, Baar	CHF	2,400	100	
	○ Sika Manufacturing AG, Sarnen	CHF	14,000	100	◆★★
	▲ Sika Supply Center AG, Sarnen	CHF	1,000	100	◆★
	○ Sika Automotive AG, Romanshorn	CHF	3,000	100	★
	▲ Sika Europe Management AG, Zurich	CHF	100	100	
	▲ Sika Americas Management AG, Baar	CHF	100	100	
	▲ Sika Germany Management AG, Baar	CHF	50	100	
	▲ Sika Global Business Management AG, Widen	CHF	100	100	
	○ Polypag AG, Altstätten	CHF	700	100	◆
	▲ Sika International AG, Baar	CHF	100	100	
Tanzania	○ Sika Tanzania Construction Chemicals Limited, Dar es Salaam	TZS mn	8,244	100	◆★★
Tunisia	❖ Sika Tunisienne Sàrl, Douar Hicher	TND	150	100*	◆★★
Turkey	○ Sika Yapı Kimyasalları A.S., Tuzla	TRY	48,700	100	◆★★
	○ ABC Kimya Sanayi ve Dış Ticaret Anonim Şirketi, Istanbul	TRY	5,200	100*	
	❖ Sika Turkey Otomotiv Sanayi ve Tic. Ltd. Şti., Istanbul	TRY	5,900	100	◆
	▲ ParexGroup Yapı Kimyasalları Sanayi Ve Ticaret AŞ., Istanbul	TRY	57,301	100*	
UAE	○ Sika UAE LLC, Dubai	AED	1,000	100*	◆★★
	❖ Sika International Chemicals LLC, Abu Dhabi	AED	300	100*	◆★★
	▲ Sumam Arabia Holding Co Limited, Dubai	AED	1	100	
Ukraine	○ LLC Sika Ukraina, Kiev	UAH	2,933	100	◆
	▲ LLC Sika Property, Kiev	UAH	4,000	100	
United Kingdom	○ Sika Limited, Welwyn Garden City	GBP	10,000	100	◆★★
	○ Everbuild Building Products Limited, Leeds	GBP	21	100*	◆★★
	○ Incorez Limited, Preston	GBP	1	100	◆★★
	▲ Dry Mix Solutions UK Ltd., Welwyn Garden City	GBP	1	100*	
	▲ Enevis Group Ltd, Lanarkshire	GBP	1	100*	
	▲ Parex Ltd., Welwyn Garden City	GBP	345	100*	
Americas					
Argentina	○ Sika Argentina SAIC, Caseros	ARS	7,600	100	◆★★
	▲ VDP Logistica SA, Ciudad de Buenos Aires	ARS	100	100*	
Bolivia	○ Sika Bolivia SA, Santa Cruz de la Sierra	BOB	1,800	100	◆
Brazil	○ Sika S/A, Osasco	BRL	410,246	100	◆★★
	○ Supermassa do Brasil Ltda., Pedro Leopoldo	BRL	2,440	100*	
Canada	○ Sika Canada Inc., Pointe Claire/QC	CAD	82,096	100	◆★
	○ Parex Construction Chemical Canada Inc., Anjou/QC	CAD	18,000	100*	
	○ Hydrotech Membrane Corporation, Anjou/QC	CAD	100	100*	
	○ Sable Marco Inc., Pont-Rouge/QC	CAD	56,000	100*	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
Chile	○ Sika S.A. Chile, Santiago de Chile	CLP mn	4,430	100	◆ ★
Colombia	○ Sika Colombia S.A.S, Tocancipá	COP mn	14,500	100	◆ ★ *
Costa Rica	○ Sika productos para la construcción S.A., Heredia	CRC mn	2,620	100	
Dom. Republic	○ Sika Dominicana SRL, Santo Domingo Oeste	DOP	37,848	100	
Ecuador	○ Sika Ecuatoriana S.A., Durán	USD	1,982	100	◆ ★
El Salvador	❖ Sika El Salvador S.A. de C.V., San Salvador	USD	2	100	
Guatemala	○ Sika Guatemala S.A., Ciudad de Guatemala	GTQ	2,440	100	
Honduras	❖ Sika Honduras, S.A. de C.V., Ciudad de San Pedro Sula	HNL	236	100	
Mexico	○ Sika Mexicana SA de CV, Corregidora	MXN	957,620	100	◆ ★
	○ Bexel Internacional S.A. de C.V., Monterrey	MXN	87,855	100*	
	▲ Bexel PI S.A. de C.V., Monterrey	MXN	25	100*	
	Bexel Productos Innovadores en Acabados S.A. de C.V., Monterrey	MXN	50	100*	
Nicaragua	❖ Sika Nicaragua, Sociedad Anonima, Managua	NIO	20,000	100	
Panama	○ Sika Panama S.A., Ciudad de Panamá	USD	7,200	100	
Paraguay	○ Sika Paraguay S.A., Asunción	PYG mn	40	100	
	○ Parex Group S.A., Limpio	PYG mn	5,867	67*	
Peru	○ Sika Perú S.A.C., Lima	PEN	3,500	100	◆ ★
Uruguay	○ Sika Uruguay SA, Montevideo	UYP	22,800	100	◆ ★
	▲ Parex Group SA, Montevideo	UYP	18,551	100*	
USA	○ Sika Corporation, Lyndhurst/NJ	USD	72,710	100	◆ ★
	▲ Sarnafil Services Inc., Canton/MA	USD	1	100*	★
	○ Emseal Joint Systems Ltd., Westborough/MA	USD	1,040	100*	
	○ Emseal LLC, Westborough/MA	USD	1	100*	◆
	○ Sika Automotive Gastonia Inc., Gastonia/NC	USD	1	100*	★
	○ Parex USA, Inc., Anaheim/CA	USD	7,176	100*	
	○ Sika Automotive Kentucky LLC, Lyndhurst/NJ	USD	1	100*	★
	○ American Hydrotech, Inc., Chicago/IL	USD	7	100*	
	○ United Gilsonite Laboratories, Inc., Dunmore	USD	404	100*	
Venezuela	○ Sika Venezuela SA, Valencia	VED	0	100	
Asia/Pacific					
Australia	○ Sika Australia Pty. Ltd., Wetherill Park	AUD	49,200	100	◆ ★ *
Bangladesh	❖ Sika Bangladesh Limited, Dhaka	BDT	79,416	100	◆
Cambodia	○ Sika (Cambodia) Ltd., Phnom Penh	KHR	422,000	100	◆ *
China	○ Sika (China) Ltd., Suzhou	USD	35,000	100	◆ ★ *
	Sika Sarnafil Waterproofing Systems (Shanghai) Ltd., Shang- hai	USD	22,800	100	◆ ★ *
	○ Sika Guangzhou Ltd., Guangzhou	CNY	80,731	100	◆ ★
	❖ Sika Ltd. Dalian, Dalian	CNY	45,317	100	
	❖ Sika (Guangzhou) Trading Company Ltd., Guangzhou	CNY	3,723	100*	
	○ Sika (Sichuan) Building Material Ltd., Chengdu	CNY	60,010	100*	◆ ★
	○ Sika (Jiangsu) Building Material Ltd., Zhengjiang	CNY	60,010	100*	◆ ★ *

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ Sika Automotive Shanghai Co. Ltd., Shanghai	CNY	2,666	100	◆ ★
	○ Sika Automotive (Tianjin) Co. Ltd., Tianjin	CNY	83,262	100	◆ ★ *
	○ Ronacrete (Guangzhou) Construction Products Limited, Guangzhou	CNY	17,056	100*	◆ ★ *
	❖ Home of Heart (Shanghai) E-Commerce Co. Ltd., Shanghai	CNY	10,000	100*	
	▲ Sika (Shanghai) Management Co., Ltd., Shanghai	USD	10,000	100*	
	▲ SikaDavco (Guangzhou) Management Co. Ltd., Guangzhou	USD	2,000	100*	
	❖ SikaDavco (Guangzhou) Co. Ltd., Guangzhou	USD	4,000	100*	◆ ★ *
	○ SikaDavco (Guangdong) New Materials Co. Ltd., Conghua	CNY	30,000	100*	◆ ★ *
	○ Changsha SikaDavco New Materials Co. Ltd., Changsha	CNY	10,000	100*	◆ ★ *
	○ SikaDavco (Chengdu) New Materials Co. Ltd., Chengdu	CNY	20,000	100*	◆ ★ *
	○ SikaDavco (Chongqing) New Materials Co. Ltd., Chongqing	CNY	10,000	100	
	○ SikaDavco (Dezhou) New Materials Co. Ltd., Dezhou City	USD	1,500	100	
	○ SikaDavco (Dongguan) Co. Ltd., Dongguan	CNY	10,000	100*	◆ ★ *
	○ SikaDavco (Nanjing) Co. Ltd., Nanjing	CNY	10,000	100*	◆ ★ *
	○ SikaDavco (Quanzhou) Co. Ltd., Quanzhou	CNY	10,000	100*	◆ ★ *
	○ SikaDavco (Shanghai) Co. Ltd., Shanghai	CNY	25,000	100*	◆ ★ *
	○ Davco (Shijiazhuang) Co. Ltd., Shijiazhuang	CNY	10,000	100*	◆ ★ *
	○ SikaDavco (Hubei) Co. Ltd., Ezhou	CNY	10,000	100*	◆ ★ *
	○ Suzuka International (Shanghai) Co. Ltd., Shanghai	CNY	50,000	100*	◆ ★ *
	▲ Suzuka International (Shijiazhuang) Co. Ltd., Shanghai	CNY	10,000	100*	
	○ Sika (Jiangsu) Industrial Material Ltd., Jiangsu	CNY	59,312	100*	◆
	○ SikaDavco (Zhejiang) New Materials Co. Ltd., Zhejiang	CNY	32,760	100*	◆ ★ *
	○ SikaDavco (Zhanjiang) New Materials Co. Ltd., Zhanjiang	CNY	10,000	100*	
	○ Sika Hamatite Automotive (Zhejiang) Ltd., Zhejiang	CNY	113,700	100*	◆ ★ *
	▲ Shenzhen Landun Holding Co. Ltd., Shenzhen	CNY	35,000	100*	
	○ Guangdong Landun Science and Technology Star Co., Ltd., Shenzhen	CNY	38,000	100*	
	○ Hubei Landun Science and Technology Star Co., Ltd., Xiaogan	CNY	36,660	100*	
	○ Sika Hongkong Ltd., Hong Kong	HKD	30,000	100	◆ ★
	❖ Ronacrete (Far East) Ltd., Hong Kong	HKD	450	100*	
	▲ Parex (China) Ltd, Hong Kong	HKD	35,950	100*	
	▲ Suzuka International Ltd, Hong Kong	HKD	10	100*	
India	○ Sika India Private Ltd., Mumbai	INR	85,000	100	◆ ★ *
	❖ Axson India Private Limited, Pune	INR	3,000	100*	
	○ Apurva India Pvt Ltd., Mumbai	INR	76,100	100*	◆
Indonesia	○ Sika Indonesia P.T., Bogor	IDR mn	3,282	100	◆ ★ *
Japan	○ Sika Ltd., Minato-ku	JPY	490,000	100	◆ ★ *
	❖ Dic Proofing Co. Ltd., Tokyo	JPY	90,000	100*	
	○ Dyflex Co. Ltd., Tokyo	JPY	315,175	100	◆ ★ *
	■ DCS Co. Ltd., Toda-shi	JPY	30,000	100*	
	○ Sika Hamatite Co. Ltd., Tokyo	JPY	310,000	100*	◆ ★
	❖ Sika Hamatite Sales Co. Ltd., Tokyo	JPY	10,000	100*	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
Korea	○ Sika Korea Ltd., Seoul	KRW mn	5,596	100	◆★
Malaysia	○ Sika Kimia Sdn. Bhd., Nilai	MYR	44,000	100	◆★★
	▲ Sika Asia Pacific Services Sdn. Bhd., Kuala Lumpur	MYR	500	100	
Mongolia	○ Sika Mongolia LLC, Ulaanbaatar	MNT mn	7,091	100	◆*
Myanmar	○ Sika Myanmar Limited, Dagon Myothit (South) Township	USD	3,018	100	◆★
New Zealand	○ Sika (NZ) Ltd., Auckland	NZD	1,100	100	◆★★
Philippines	○ Sika Philippines Inc., Las Pinas City	PHP	55,610	100	◆★★
Singapore	○ Sika (Singapore) Pte. Ltd., Singapore	SGD	6,250	100	◆★★
	▲ Sika Asia Pacific Mgt. Pte. Ltd., Singapore	SGD	100	100	
Sri Lanka	○ Sika Lanka (Private) Limited, Ekala	LKR	711,506	100	◆★
Taiwan	○ Sika Taiwan Ltd., Taoyuan County	TWD	40,000	100	
Thailand	○ Sika (Thailand) Ltd., Chonburi	THB	302,100	100	◆★★
Vietnam	○ Sika Limited (Vietnam), Dong Nai Province	VND mn	44,190	100	◆★★

- Production, sales, construction contracting
- Production and sales
- ✦ Sales
- ▲ Real estate and service companies
- Construction contracting

- ◆ ISO 9001 (Quality Management)
- ★ ISO 14001 (Environmental Management)
- * ISO 45001 (Occupational Health and Safety)

- 1 For associated companies see note 18.
2 Fully consolidated - control over the company through shareholder agreement.
* Company indirectly held by Sika AG.
Material changes are indicated on p.211.



Statutory Auditor's Report

To the General Meeting of Sika AG, Baar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sika AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and appendix to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 202 to 256) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



VALUATION OF GOODWILL

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



VALUATION OF GOODWILL

Key Audit Matter

As of 31 December 2022, the consolidated financial statements included goodwill amounting to CHF 3,226 million.

Goodwill is assessed for impairment by management at least on a yearly basis by determining the value in use, which is then compared to the carrying amount.

For determining the value in use the discounted cashflow (DCF) method is applied. This requires the use of a number of key assumptions by management, including assumptions regarding expected future cash flows, long-term growth rates, future profitability levels and applicable discount rates, as well as assessments concerning the determination and allocation of assets to the cash generating units (CGUs).

In relation to total assets and net assets as per 31 December 2022, goodwill is of material importance.

In the financial year 2022 no impairment of goodwill was identified.

There is a risk that a potential impairment of goodwill is not or not adequately identified due to inappropriate assumptions.

For further information on the valuation of goodwill refer to the following:

- Note “Principles of consolidation and valuation” on pages 207 - 210
- Note 17 “Intangible Assets” on pages 231 - 232

Other Matter

The consolidated financial statements of Sika AG for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 15 February 2022.

Our response

Amongst others, we have performed the following audit procedures:

- We evaluated the determination of the CGUs by management as well as the methodological and mathematical correctness of the valuation method used for the impairment test.
- Also, we assessed the appropriateness of the most important assumptions used to determine the value in use as well as the method applied for the cash-flow projections. This included the allocation of goodwill to the CGUs, the long-term growth rates and the determination of the discount rate based on our business understanding of the respective CGUs. In this respect, we made comparisons with publicly available market data, where possible. Our valuation specialists supported us in assessing the appropriateness of the most important assumptions.
- Furthermore, we gained an understanding of the business plans and made comparisons with prior-year assumptions. Also, we traced back the data used in the value in use calculation of the CGUs to the business plans approved by the Board of Directors.
- We also conducted sensitivity analyses taking into account the historical forecasting accuracy.
- Moreover, we assessed the appropriateness of the disclosures related to the impairment test.



Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our



conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zug, 14 February 2023

FIVE-YEAR REVIEWS

CONSOLIDATED INCOME STATEMENT for the year ended December 31

in CHF mn	2018	2019	2020	2021	2022
Net sales	7,085.4	8,109.2	7,877.5	9,252.3	10,491.8
Material expenses	-3,333.7	-3,765.2	-3,562.7	-4,461.0	-5,312.0
Gross result	3,751.7	4,344.0	4,314.8	4,791.3	5,179.8
Personnel expenses	-1,345.4	-1,544.3	-1,525.9	-1,635.3	-1,710.5
Other operating expenses	-1,256.4	-1,412.1	-1,291.3	-1,398.0	-1,505.1
Operating profit before depreciation	1,149.9	1,387.6	1,497.6	1,758.0	1,964.2
Depreciation/amortization/impairment	-204.0	-332.5	-367.1	-366.6	-384.5
Operating profit	945.9	1,055.1	1,130.5	1,391.4	1,579.7
Interest income/interest expense	-24.2	-55.0	-51.9	-45.4	-40.4
Financial income/expense and income from associated companies	-28.8	-33.5	-18.2	-10.4	-41.1
Profit before taxes	892.9	966.6	1,060.4	1,335.6	1,498.2
Income taxes	-205.8	-208.1	-235.3	-287.1	-335.7
Net profit	687.1	758.5	825.1	1,048.5	1,162.5
Free cash flow	38.8	-717.0	1,120.3	594.9	930.8
Operating free cash flow	513.2	1,026.1	1,259.4	908.4	865.2
Gross result as % of net sales	53.0	53.6	54.8	51.8	49.4
Operating profit as % of net sales	13.4	13.0	14.4	15.0	15.1
Net profit as % of net sales (ROS)	9.7	9.4	10.5	11.3	11.1
Net profit as % of shareholders' equity (ROE)	41.0	24.0	25.1	23.9	23.4

SEGMENT INFORMATION

in CHF mn	EMEA					Americas				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Net sales	3,276	3,530	3,496	4,071	4,144	1,840	2,183	2,012	2,427	3,194
Operating profit	451	488	572	691	783	304	356	345	446	571
in % of net sales	13.8	13.8	16.4	17.0	18.9	16.5	16.3	17.1	18.4	17.9
Depreciation/amortization	91	141	154	153	142	44	78	82	81	96
Capital expenditures	114	89	48	54	85	46	41	36	47	71

in CHF mn	Asia/Pacific					Global Business				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Net sales	1,201	1,613	1,723	2,081	2,344	768	783	647	673	811
Operating profit	219	263	285	349	371	111	92	55	50	49
in % of net sales	18.2	16.3	16.5	16.8	15.8	14.5	11.7	8.5	7.4	6.0
Depreciation/amortization	25	59	76	78	89	19	25	25	25	28
Capital expenditures	29	35	27	44	68	19	17	11	14	18

in CHF mn	Other segments and activities					Total				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Net sales	0	0	0	0	0	7,085	8,109	7,878	9,252	10,492
Operating profit	-139	-144	-126	-145	-193	946	1,055	1,131	1,391	1,580
in % of net sales						13.4	13.0	14.4	15.0	15.1
Depreciation/amortization	25	29	30	30	31	204	332	367	367	385
Capital expenditures	6	11	10	12	25	214	193	132	171	266

The internal reporting practice was changed on January 1, 2021. The Advanced Resin business has been reallocated from the Global Business segment to the geographical regions. The prior years have been restated accordingly.

CONSOLIDATED BALANCE SHEET as at December 31

in CHF mn		2018	2019	2020	2021	2022
Cash and cash equivalents		914.0	995.1	1,318.7	1,175.0	1,873.3
Accounts receivable	a	1,322.7	1,441.9	1,361.8	1,576.8	1,719.6
Inventories	b	800.7	866.5	814.0	1,158.3	1,212.8
Other assets ¹		139.1	166.4	140.1	255.4	215.6
Current assets		3,176.5	3,469.9	3,634.6	4,165.5	5,021.3
Property, plant, and equipment		1,214.2	1,795.8	1,702.6	1,776.6	1,822.3
Intangible assets		1,693.9	4,351.0	4,172.3	4,379.9	4,229.1
Other assets ²		297.4	343.0	284.5	384.8	246.5
Non-current assets		3,205.5	6,489.8	6,159.4	6,541.3	6,297.9
ASSETS		6,382.0	9,959.7	9,794.0	10,706.8	11,319.2
Accounts payable	c	733.8	837.2	846.3	1,033.2	1,016.6
Financial liabilities		237.5	342.9	334.7	343.1	303.0
Other liabilities ³		435.5	632.9	644.1	719.9	721.8
Current liabilities		1,406.8	1,813.0	1,825.1	2,096.2	2,041.4
Financial liabilities		2,795.0	4,070.1	3,851.9	3,393.9	3,634.2
Non-current provisions, employee benefit obligations		316.8	414.9	417.8	418.5	317.9
Other liabilities ⁴		188.2	500.5	411.2	402.3	358.6
Non-current liabilities		3,300.0	4,985.5	4,680.9	4,214.7	4,310.7
LIABILITIES		4,706.8	6,798.5	6,506.0	6,310.9	6,352.1
Capital stock		1.4	1.4	1.4	1.4	1.5
Treasury shares		-11.1	-7.3	-5.2	-10.7	-15.1
Reserves		1,655.4	3,130.0	3,289.6	4,403.1	4,979.8
Equity attributable to Sika shareholders		1,645.7	3,124.1	3,285.8	4,393.8	4,966.2
Non-controlling interests		29.5	37.1	2.2	2.1	0.9
SHAREHOLDERS' EQUITY	d	1,675.2	3,161.2	3,288.0	4,395.9	4,967.1
LIABILITIES AND SHAREHOLDERS' EQUITY	e	6,382.0	9,959.7	9,794.0	10,706.8	11,319.2

1 Prepaid expenses and accrued income, other current assets, and assets classified as held for sale.

2 Investments in associated companies, deferred tax assets, and other non-current assets.

3 Accrued expenses and deferred income, income tax liabilities, current provisions, other current liabilities, and liabilities classified as held for sale.

4 Deferred tax liabilities and other non-current liabilities.

KEY BALANCE SHEET DATA

in CHF mn	Calculation	2018	2019	2020	2021	2022
Net working capital	(a+b-c)	1,389.6	1,471.2	1,329.5	1,701.9	1,915.8
Net working capital as % of net sales		19.6	18.1	16.9	18.4	18.3
Net debt ¹	f	2,114.1	3,407.8	2,855.8	2,547.1	2,051.6
Gearing in %	(f:d)	126.2	107.8	86.9	57.9	41.3
Equity ratio in %	(d:e)	26.2	31.7	33.6	41.1	43.9

1 Net debt: Financial liabilities (less derivatives) less interest-bearing current assets (cash and cash equivalents and securities).

VALUE-BASED KEY DATA

in CHF mn	Calculation	2018	2019	2020	2021	2022
Capital employed ¹		3,975.6	7,026.4	6,582.1	7,263.0	7,366.2
Annual average of capital employed	g	3,611.0	5,501.0	6,804.3	6,922.6	7,314.6
Operating profit	h	945.9	1,055.1	1,130.5	1,391.4	1,579.7
Return on capital employed (ROCE) in %	(h:g)	26.2	19.2	16.6	20.1	21.6

1 Capital employed: current assets, PPE, intangible assets less cash and cash equivalents, current securities, current liabilities (excluding bank loans and bond).

EMPLOYEES

	2018	2019	2020	2021	2022
EMEA (Europe, Middle East, Africa)¹	10,983	12,284	12,534	13,004	12,972
Germany	2,354	2,334	2,247	2,256	2,168
Switzerland	2,024	2,013	1,948	1,985	1,948
France	685	1,392	1,362	1,375	1,396
United Kingdom	864	951	890	972	1,013
America¹	4,867	6,271	5,936	6,820	7,394
USA	2,164	2,547	2,438	2,671	2,893
Mexico	525	499	476	1,061	1,046
Brazil	589	964	824	833	854
Asia/Pacific¹	4,210	6,586	6,378	7,235	7,342
China	1,181	2,753	2,806	3,414	3,480
Japan	673	682	672	988	930
Total	20,060	25,141	24,848	27,059	27,708
Personnel expenses (in CHF mn)					
Wages and salaries	1,095	1,257	1,235	1,328	1,399
Social charges, other	250	287	291	307	312
Personnel expenses	1,345	1,544	1,526	1,635	1,711
Personnel expenses as % of net sales	19.0	19.0	19.4	17.7	16.3
Key data per employee (in CHF thousands)					
Net sales	368	359	315	356	383
Net value-added ²	117	116	107	118	121

1 Does not correspond to the Sika segments. The employees of Global Business were assigned to the respective company locations.

2 See next page, five-year reviews, value-added statement.

VALUE-ADDED STATEMENT

in CHF mn	2018	2019	2020	2021	2022
Source of value-added					
Corporate performance (net sales)	7,085	8,109	7,878	9,252	10,492
Intermediate inputs	-4,619	-5,157	-4,819	-5,838	-6,806
Gross value-added	2,466	2,952	3,059	3,414	3,686
Non-liquidity-related expenses					
Depreciation and amortization	-204	-333	-367	-367	-385
Change in provisions	2	-6	-26	25	20
Net value-added	2,264	2,613	2,666	3,072	3,321
Distribution of value-added					
To employees					
Wages and salaries	1,095	1,257	1,235	1,328	1,399
Social charges	253	287	293	309	312
To governments	206	254	280	331	390
To lenders (interest expenses)	23	56	33	55	57
To shareholders (dividend payout, incl. non-controlling interests)	283	293	327	355	446
To the company					
Net profit for the year	687	759	825	1,049	1,163
Less dividend payout	-283	-293	-327	-355	-446
Net value-added	2,264	2,613	2,666	3,072	3,321
Number of employees					
End of year	20,060	25,141	24,848	27,059	27,708
Annual average	19,272	22,601	24,995	25,954	27,384
Net value-added per employee (in CHF thousands)	117	116	107	118	121

SIKA AG, BAAR

FINANCIAL STATEMENTS

SIKA AG INCOME STATEMENT for the year ended December 31

in CHF mn	Notes	2021	2022
Dividend income	1	470.6	553.9
Financial income	2	135.5	133.3
Other income	3	41.3	135.3
Income		647.4	822.5
Financial expenses	4	-160.0	-159.8
Personnel expenses	5	-23.3	-14.7
Other operating expenses	6	-51.7	-139.6
Operating profit before depreciation		412.4	508.4
Impairment losses (-)/reversal of impairment losses (+) on investments		-9.9	-9.7
Depreciation and amortization expenses		-0.1	-0.1
Net profit before taxes		402.4	498.6
Direct taxes		-3.5	-6.5
Net profit for the year		398.9	492.1

SIKA AG BALANCE SHEET as at December 31

in CHF mn	Notes	2021	2022
Cash and cash equivalents	7	617.9	1,273.9
Securities		0.1	0.1
Other current receivables from third parties	8	2.1	3.0
Other current receivables from subsidiaries	8	2,677.9	2,526.5
Prepaid expenses and accrued income		13.2	12.1
Current assets		3,311.2	3,815.6
Financial assets		0.0	0.9
Investments	9	3,412.0	3,392.7
Property, plant, and equipment		0.3	0.2
Other non-current assets	10	18.0	13.8
Non-current assets		3,430.3	3,407.6
ASSETS		6,741.5	7,223.2
Accounts payable to third parties		1.2	2.7
Accounts payable to subsidiaries		13.7	10.5
Current interest-bearing liabilities to third parties	11	1,449.8	200.0
Current interest-bearing liabilities to subsidiaries	12	307.9	380.3
Other current liabilities to third parties		2.1	1.2
Accrued expenses and deferred income	13	88.0	58.6
Current liabilities		1,862.7	653.3
Non-current interest-bearing liabilities to third parties	11	2,129.0	2,387.3
Non-current interest-bearing liabilities to subsidiaries	12	1,043.0	994.2
Other non-current liabilities	14	2.9	2.9
Non-current provisions	15	4.3	2.5
Non-current liabilities		3,179.2	3,386.9
LIABILITIES		5,041.9	4,040.2
Share capital		1.4	1.5
Legal capital reserves		295.4	1,736.8
Legal retained earnings		4.0	4.0
Voluntary retained earnings		121.7	121.7
Profit brought forward		1,287.8	1,334.1
Treasury shares	16	-10.7	-15.1
Shareholders' equity	17	1,699.6	3,183.0
LIABILITIES AND SHAREHOLDERS' EQUITY		6,741.5	7,223.2

NOTES TO THE SIKA AG FINANCIAL STATEMENTS

Principles

GENERAL

The 2022 financial statements were prepared according to the Swiss Law on Accounting and Financial Reporting. The significant accounting and valuation principles applied are as described below.

SECURITIES

Securities are valued at historical costs.

RECEIVABLES

The receivables are recorded at nominal value. If necessary, an allowance for doubtful debts is made on receivables from third parties, whereas for receivables from subsidiaries no allowance for doubtful debts is considered.

INVESTMENTS

Investments are initially recognized at cost. On an annual basis, the investments are assessed individually and adjusted to their recoverable amount if required (individual value adjustment principle).

PROPERTY, PLANT, AND EQUIPMENT, AND INTANGIBLE ASSETS

Property, plant, and equipment, and intangible assets are valued at acquisition cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method based on the useful life of the asset.

CURRENT AND NON-CURRENT INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Discounts and issue costs for bonds are recognized as other non-current assets and amortized on a straight-line basis over the bond's maturity period. Premiums (less issue costs) are recognized in the other non-current liabilities and amortized on a straight-line basis over the bond's maturity period.

PROVISIONS

Provisions are recognized to cover general business risks based on the most probable cash outflow, considering the principle of prudence.

TREASURY SHARES

Treasury shares are recognized at acquisition cost and disclosed as a negative position within shareholders' equity. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expenses.

SHARE-BASED PAYMENTS

For treasury shares used for share-based payment programs, the difference between the acquisition cost and the value at vesting date is recognized as personnel expenses.

INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

1. Dividend income CHF 553.9 mn (CHF 470.6 mn)

Dividends from subsidiaries are recognized in this position.

2. Financial income CHF 133.3 mn (CHF 135.5 mn)

Financial income includes interest income and gains from foreign exchange transactions.

3. Other income CHF 135.3 mn (CHF 41.3 mn)

Other income includes income from the cost allocation to subsidiaries. In 2022, costs related to the planned acquisition of the MBCC Group were recharged to selected subsidiaries who will benefit from the planned acquisition.

4. Financial expenses CHF 159.8 mn (CHF 160.0 mn)

Financial expenses include the interest costs on bonds, foreign currency losses on loans to subsidiaries as well as other finance costs. In 2022, financial expenses were mainly impacted by lower interests on bonds (see note 11), but this was offset by higher foreign currency losses and commitment fees on the credit facilities.

5. Personnel expenses CHF 14.7 mn (CHF 23.3 mn)

Personnel expenses comprise all payments to persons in an employment relationship. Also included are expenses such as pension fund contributions, health insurance contributions, employee participation plan costs as well as taxes and levies directly related to personnel remuneration. In 2022, the decline in Sika's share price resulted in an income from the valuation of the employee participation plan.

6. Other operating expenses CHF 139.6 mn (CHF 51.7 mn)

This position includes the holding company's general expenses. Other operating expenses mainly include legal and consulting fees, costs related to management training, marketing expenses, as well as other operating expenses. In 2022, non-recurring costs related to the planned acquisition of the MBCC Group of CHF 78.3 million were incurred and recharged to the subsidiaries (see note 3). Furthermore, stamp taxes of CHF 14.3 million had to be paid due to the conversion of convertible bonds (see note 11).

7. Cash and cash equivalents CHF 1,273.9 mn (CHF 617.9 mn)

Bank deposits of CHF 1,216.7 million (CHF 571.0 million) are invested in Swiss francs and CHF 57.2 million (CHF 46.9 million) in foreign currencies. In November 2022, Sika placed bonds with a total amount of CHF 600 million (see note 11). These additional funds are part of the financing strategy for the planned acquisition of the MBCC Group.

8. Other current receivables from subsidiaries and third parties CHF 2,529.5 mn (CHF 2,680.0 mn)

Receivables consist of short-term loans to subsidiaries in the amount of CHF 2,460.6 million (CHF 2,612.4 million). In addition, Sika AG has receivables of CHF 65.9 million (CHF 65.5 million) from Sika subsidiaries and receivables from third parties in the amount of CHF 3.0 million (CHF 2.1 million).

9. Investments CHF 3,392.7 mn (CHF 3,412.0 mn)

The change in investments results from the formation of new companies and acquisitions, capital increases at subsidiaries, restructurings, and liquidations as well as changes in valuation. Major participations are summarized on the list of Group companies beginning on p.251 of this report.

10. Other non-current assets CHF 13.8 mn (CHF 18.0 mn)

The other non-current assets contain the discounts and issue costs for bonds as well as non-current receivables from subsidiaries.

11. Interest-bearing liabilities to third parties current CHF 200.0 mn (CHF 1,449.8 mn)/ non-current CHF 2,387.3 mn (CHF 2,129.0 mn)

Current interest-bearing liabilities are the following bonds.

OUTSTANDING BONDS – CURRENT

in CHF mn			2021	2022
	Coupon	Term	Book value	Book value
Straight bond	1.750%	2012-07/12/2022	150.0	0.0
Mandatory convertible bond	3.750%	2019-01/30/2022	1,299.8	0.0
Straight bond	1.875%	2013-11/14/2023	n.a.	200.0
Total			1,449.8	200.0

The mandatory convertible bond in the total amount of CHF 1,300.0 million due in January 2022 was placed by Sika AG in 2019. In 2022, bonds with a nominal value of CHF 1,299.8 million were mandatorily converted into registered shares of Sika at January 31, 2022 (conversion of CHF 0.2 million in the previous year).

The following bonds are disclosed in the non-current interest-bearing liabilities.

OUTSTANDING BONDS – NON-CURRENT

in CHF mn			2021	2022
	Coupon	Term	Book value	Book value
Straight bond	1.875%	2013-11/14/2023	200.0	n.a.
Straight bond	1.600%	2022-05/28/2024	n.a.	100.0
Straight bond	0.625%	2018-07/12/2024	250.0	250.0
Convertible bond	0.150%	2018-06/05/2025	1,409.0	1,267.3
Straight bond	1.900%	2022-11/28/2025	n.a.	200.0
Straight bond	0.600%	2018-03/27/2026	140.0	140.0
Straight bond	1.125%	2018-07/12/2028	130.0	130.0
Straight bond	2.350%	2022-11/28/2028	n.a.	300.0
Total			2,129.0	2,387.3

The convertible bond in the amount of CHF 1,650.0 million due in 2025 was placed by Sika AG in 2018. The shares to be delivered upon conversion will be provided by existing shares or by issuing new shares from the conditional capital. At the end of December 2022, the conversion price per share is CHF 188.45. The convertible bond can be converted early or redeemed early in accordance with the general bond conditions. In the reporting period, bonds with a nominal value of CHF 141.7 million were converted (CHF 241.0 million).

12. Interest-bearing liabilities to subsidiaries current CHF 380.3 mn (CHF 307.9 mn) / non-current CHF 994.2 mn (CHF 1,043.0 mn)

The current interest-bearing liabilities consist of loans to subsidiaries resulting from the worldwide cash management concept.

Non-current interest-bearing liabilities are a loan liability to Sika Capital B.V., Netherlands. Sika Capital B.V. transferred the funds from the placement of the euro bonds (nominal EUR 1,000.0 million) to Sika AG.

13. Accrued expenses and deferred income CHF 58.6 mn (CHF 88.0 mn)

Accrued expenses and deferred income include pro rata interest on bonds issued of CHF 4.5 million (CHF 49.7 million). With the conversion of the mandatory convertible bond end of January 2022, no further interest is due. Also included are employee-related accruals and other accruals, thereof for outstanding invoices of CHF 28.4 million related to professional fees for the planned acquisition of the MBCC Group.

14. Other non-current liabilities CHF 2.9 mn (CHF 2.9 mn)

The other non-current liabilities mainly include the premium, less issue costs of the bonds.

15. Non-current provisions CHF 2.5 mn (CHF 4.3 mn)

The non-current provisions contain accruals for long-term employee retention and bonus programs as well as jubilee payments.

16. Treasury shares CHF 15.1 mn (CHF 10.7 mn)

In general, treasury shares are used for a Group-wide employee participation program and for liquidity investments. The shares are traded on the stock exchange at current market prices.

in CHF mn	Units	Share value
January 1, 2021	22,795	5.2
Reductions	-208,397	-56.0
Additions	228,779	65.2
Conversion of bonds into shares	-12,052	-3.7
December 31, 2021	31,125	10.7
January 1, 2022	31,125	10.7
Reductions	-221,313	-62.6
Additions	254,634	67.0
December 31, 2022	64,446	15.1

In the year under review, the average share price was CHF 258.37 (CHF 300.27).

17. Shareholders' equity CHF 3,183.0 mn (CHF 1,699.6 mn)

The ratio of shareholders' equity to balance sheet amounts to 44.1% (25.2%).

in CHF mn	Capital stock	Legal capital reserves ¹	Retained earnings ²	Treasury shares	Shareholders' equity
January 1, 2021	1.4	56.5	1,369.1	-5.2	1,421.8
Dividend payment			-354.5		-354.5
Increase from conditional capital		238.9			238.9
Transactions with treasury shares				-5.5	-5.5
Net profit for the year			398.9		398.9
December 31, 2021	1.4	295.4	1,413.5	-10.7	1,699.6
January 1, 2022	1.4	295.4	1,413.5	-10.7	1,699.6
Dividend payment			-445.8		-445.8
Increase from conditional capital	0.1	1,441.4			1,441.5
Transactions with treasury shares				-4.4	-4.4
Net profit for the year			492.1		492.1
December 31, 2022	1.5	1,736.8	1,459.8	-15.1	3,183.0

1 Including capital contribution reserves.

2 Retained earnings: legal retained earnings, voluntary retained earnings, and profit brought forward.

The higher profit in 2022 is mainly due to higher dividend income. In April 2022, the dividend of CHF 445.8 million from profit brought forward for 2021 was paid out to shareholders.

SHARE CAPITAL

The share capital corresponds to the nominal capital of all issued shares, is fully paid up, and is structured as follows:

	Units	Par value in CHF
At January 1, 2021	141,781,160	1,417,812
Capital increase from conditional capital	1,263,807	12,638
At December 31, 2021	143,044,967	1,430,450
At January 1, 2022	143,044,967	1,430,450
Capital increase from conditional capital	10,690,084	106,901
At December 31, 2022	153,735,051	1,537,351

1 Includes treasury shares which do not carry voting and dividend rights.

CONDITIONAL CAPITAL

As of December 31, 2022, there is a conditional capital of CHF 68,354.29, divided into 6,835,429 registered shares with a par value of CHF 0.01 each (CHF 143,255.13, divided into 14,325,513 registered shares). These shares are reserved for the exercise of option or conversion rights. In the reporting year, 10,690,084 new shares were issued from conditional capital, which were used for the conversion of the issued bonds (see note 11).

In addition, Sika AG has issued convertible bonds (see note 11). The shares to be delivered upon conversion are provided by existing shares or by the issuance of new shares from conditional capital. In the year under review, convertible bonds of CHF 1,441.5 million were converted into existing shares of Sika AG.

RESERVES FROM CAPITAL CONTRIBUTIONS

The reserves from capital contributions include the premium from capital increases less the distributions to shareholders.

in CHF mn	2021	2022 ¹
January 1	0.3	239.2
Premium from conversion of bonds	238.9	1,441.4
December 31	239.2	1,680.6

1 Not yet approved by the Swiss Federal Tax Administration.

Due to existing different practices regarding the accounting of the stamp duties and other issue costs incurred in connection with the increase in share capital, there is a deviation of CHF 2.4 million between the reserves from capital contributions stated in the statutory financial statements of Sika AG and the amount the Swiss Federal Tax Administration recognizes at December 31, 2021.

Other information

FULL-TIME EQUIVALENTS

The number of full-time equivalents for the reporting year is 44 (47) employees.

CONTINGENT LIABILITIES

Letters of guarantee are issued to finance business transactions. Sika AG guarantees for euro bonds issued by Sika Capital B.V., Netherlands (a 100% subsidiary of Sika AG), in 2019 in the total amount of nominal EUR 1,000.0 million. No guarantees are required for the established zero-balance cash pooling.

Letters of comfort are issued to subsidiaries, e.g., to secure rents for buildings, obligations to customers, or when required by local regulations.

in CHF mn	2021	2022
Letters of guarantee		
Issued	1,034.5	986.1
Used	0.0	0.0
Letters of comfort		
Issued	p.m.	p.m.
Used	0.0	0.0

Sika AG is part of Sika Schweiz AG's value-added tax group and is jointly liable to the tax authorities for the value-added tax obligations of the tax group.

NET RELEASE OF HIDDEN RESERVES

There was no net release of hidden reserves in the current year or in the previous year.

SIGNIFICANT SHAREHOLDERS

On December 31, 2022, the company had 42,240 (30,226) registered shareholders. Information regarding significant shareholders can be found on p.249 of this report.

PARTICIPATIONS IN SIKA AG

Members of the Board of Directors and Group Management hold the following participations in Sika AG:

	Number of shares	
	2021	2022
Board of Directors		
Paul Hälg, Chair of the board	55,925	57,569
Viktor Waldemar Balli	1,669	2,126
Lucrèce Foufopoulos-De Ridder, since April 2022	n.a.	0
Justin Marshall Howell	2,019	2,476
Gordana Landén, since April 2022	n.a.	270
Monika Ribar	8,329	8,786
Daniel J. Sauter, until April 2022	50,586	n.a.
Paul Schuler	107,633	104,036
Christoph Tobler, until April 2022	8,089	n.a.
Thierry F.J. Vanlancker	2,829	3,286
Group Management		
Thomas Hasler	26,280	30,323
Mike Campion	7,500	9,987
Christoph Ganz	28,400	22,473
Patricia Heidtman	768	891
Philippe Jost	2,803	2,803
Raffaella Marzi	1,783	1,783
Ivo Schädler	9,947	12,885
Adrian Widmer	28,360	31,511
Total	342,920	291,205

Sika AG granted the following number of shares as part of employee participation plans. The shares were issued in April 2022 at a market price of CHF 306.90 (CHF 271.80).

in CHF thousands	2021		2022	
	Units	Nominal	Units	Nominal
Board of Directors	8,458	2,298.9	4,843	1,486.3
Group Management	11,400	3,098.5	9,494	2,913.6
Employees	2,840	771.9	2,516	772.0
Total	22,698	6,169.3	16,853	5,171.9

Proposed appropriation of profit brought forward

The Board of Directors proposes to the Annual General Meeting the following appropriation of profit brought forward:

in CHF mn	2021	2022
Composition of the profit brought forward		
Net profit for the year	398.9	492.1
Results carried forward from prior year	888.9	842.0
Profit brought forward	1,287.8	1,334.1
Dividend payment		
Dividend payment out of the profit brought forward ¹	445.8	513.5
Results carried forward	842.0	820.6

¹ Corresponds for the current year to the maximum possible distribution amount assuming potential exercise of all conversion rights (see note 11).

As the general statutory reserve currently exceeds 20% of shareholders' equity, a further allocation to the reserve was waived.

On approval of this proposal, the following payment will be made:

in CHF	2021	2022
Registered share¹ par value CHF 0.01		
Gross dividend	2.90	3.20
35% withholding tax on gross dividend	1.02	1.12
Net dividend	1.88	2.08

¹ Registered shares, held by Sika AG, are non-voting shares and do not qualify for a dividend.

The Board of Directors proposes to the Annual General Meeting that a dividend of CHF 3.20 per single-class registered share be distributed to shareholders. The dividend for 2021 was CHF 2.90 per single-class registered share.

Payment of the dividend is tentatively scheduled for Monday, April 3, 2023. Registered shareholders will receive payment of the dividend at the address provided to the company for the purposes of dividend distribution.

The Annual General Meeting of Sika AG will be held on Tuesday, March 28, 2023.

Baar, February 14, 2023

For the Board of Directors
The Chair of the Board:
Dr. Paul Hälgi



Statutory Auditor's Report

To the General Meeting of Sika AG, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sika AG (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 266 to 275) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



VALUATION OF INVESTMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



VALUATION OF INVESTMENTS

Key Audit Matter

As of 31 December 2022, the financial statements of Sika AG include investments in subsidiaries in the total amount of CHF 3'392.7 million.

On an annual basis, the Company assesses whether there is a need for impairment on investments in subsidiaries. The assessment of the recoverability is based on a comparison of the carrying amount with the value in use. The value in use is calculated based on EBITDA multiples whereas the EBITDA used is an average of historical and forecasted EBITDAs. This requires the use of assumptions by management.

In relation to total assets and net assets as per 31 December 2022, investments in subsidiaries are of material importance.

In the financial year 2022, an impairment expense on investments in the amount of CHF 9.7 million was recognized.

There is a risk that a potential impairment of investments is not or not adequately identified due to inappropriate assumptions.

For further information on the valuation of investments refer to the following:

- Notes to the Sika AG financial statements: Principles on page 268
- Information on balance sheet and income statement items, 9. Investments on page 270

Other Matter

The financial statements of Sika AG for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 15 February 2022.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our response

Amongst others, we have performed the following audit procedures:

- We evaluated the methodical and mathematical accuracy of the model used for the impairment tests.
- We agreed historical EBITDAs used in the impairment tests to the numbers reported in the consolidation tool.
- We agreed forecasted EBITDAs used in the impairment tests to the business plans approved by the Board of Directors
- We challenged the multiples used and compared them with publicly available data if possible. Our valuation specialists supported us with our procedures.



Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zug, 14 February 2023