NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NET SALES CHF 7,085.4 MN (CHF 6,248.3 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 months period. Revenue from these sales are 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.

Year-on-year net sales increased by 13.4%, in local currencies by 13.6%, including a growth from acquisitions of 6.8%.

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 nine years (nine years). In 2018, revenues of CHF 4.4 million (CHF 4.2 million) were recognized. The deferred revenue positions are included in accrued expenses and deferred income (see note 19) as well as in other liabilities (see note 23).

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 page 40 of the download version of this report.

The segments were adjusted this year. The former North America and Latin America segments are combined in the Americas segment. The aim is to achieve a more efficient supply chain and higher purchasing volumes in the economically closely interlinked segments of North America and Latin America. In addition, the globally managed Automotive business, previously not segmented, and the centrally managed Advanced Resins business (formerly Axson Technologies), previously allocated to the EMEA segment, were combined in the new Global Business segment. Further, minor structural adjustments led to insignificant shifts between the geographical segments and Global Business. The previous year's figures were adjusted accordingly.

Other segments and activities includes expenses for Group headquarter and income from services provided to Group companies. Research and development costs previously allocated to "Other segments and activities" have been reallocated to the segments and the prior year figures have been restated accordingly.

The centrally managed Faist ChemTec Group, a supplier of components and solutions for the automotive industry acquired in 2018, is assigned to Global Business. The newly acquired global concrete fibers business of Propex has been allocated to Americas. The acquired company Index S.p.A. Construction Systems and Products, Italy, and the Polypag group were allocated to the EMEA segment.

NET SALES

in CHF mn	2017 With third parties	2017 With other segments	2017 Total	2018 With third parties	2018 With other segments	2018 Total
EMEA	2,735.7	199.5	2,935.2	3,167.3	212.4	3,379.7
Americas	1,684.0	2.7	1,686.7	1,820.5	2.2	1,822.7
Asia/Pacific	1,121.4	13.8	1,135.2	1,177.2	18.7	1,195.9
Global Business	707.2	13.1	720.3	920.4	18.0	938.4
Eliminations		-229.1	-229.1		-251.3	-251.3
Net sales	**6,248.3**	**–**	**6,248.3**	**7,085.4**	**–**	**7,085.4**
Products for construction industry			4,905.4			5,472.8
Products for industrial manufacturing			1,342.9			1,612.6

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

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

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	2017	2018	Change compared to prior year (+/- in %) In Swiss francs	In local currencies	Currency impact
By region					
EMEA	2,735.7	3,167.3	15.8	14.1	1.7
Americas	1,684.0	1,820.5	8.1	11.7	-3.6
Asia/Pacific	1,121.4	1,177.2	5.0	5.5	-0.5
Global Business	707.2	920.4	30.1	29.2	0.9
Net sales	**6,248.3**	**7,085.4**	**13.4**	**13.6**	**-0.2**
Products for construction industry	4,905.4	5,472.8	11.6	12.0	-0.4
Products for industrial manufacturing	1,342.9	1,612.6	20.1	19.9	0.2

OPERATING PROFIT

in CHF mn	2017	2018	Change compared to prior year	(+/- in %)
By region				
EMEA	379.0	435.3	56.3	14.9
Americas	287.9	300.3	12.4	4.3
Asia/Pacific	206.4	216.7	10.3	5.0
Global Business	119.9	132.3	12.4	10.3
Other segments and activities	-96.9	-138.7	-41.8	n.a.
Operating profit	**896.3**	**945.9**	**49.6**	**5.5**

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	2017	2018
Operating profit	**896.3**	**945.9**
Interest income	1.9	1.9
Interest expenses	-18.3	-26.1
Other financial income	5.9	5.8
Other financial expenses	-24.0	-35.2
Income from associated companies	0.3	0.6
Profit before taxes	**862.1**	**892.9**
Income taxes	-213.1	-205.8
Net profit	**649.0**	**687.1**

		2017		2018
in CHF mn	Depreciation/ Amortization	Capital expenditures	Depreciation/ Amortization	Capital expenditures
EMEA	82.9	83.5	88.8	112.8
Americas	36.3	57.2	43.8	45.4
Asia/Pacific	24.8	24.8	24.5	29.0
Global Business	11.6	16.9	22.1	20.8
Other segments and activities	16.6	5.5	24.8	6.1
Total	**172.2**	**187.9**	**204.0**	**214.1**

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

				Net sales				Non-current assets[1]
in CHF mn	2017	%	2018	%	2017	%	2018	%
Switzerland	363.4	5.8	383.1	5.4	474.8	19.9	552.6	19.0
USA	1,131.0	18.1	1,315.6	18.6	499.3	20.9	612.4	21.0
Germany	668.0	10.7	793.2	11.2	252.9	10.6	388.9	13.3
All other	4,085.9	65.4	4,593.5	64.8	1,161.5	48.6	1,360.4	46.7
Total	**6,248.3**	**100.0**	**7,085.4**	**100.0**	**2,388.5**	**100.0**	**2,914.3**	**100.0**

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

3. MATERIAL EXPENSES CHF 3,333.7 MN (CHF 2,849.2 MN)

Material expenses increased as a percentage of net sales by 1.4 percentage points mainly due to higher raw material costs. The gross result decreased from 54.4% to 53.0%. Material expenses include the value adjustment expenses for unsaleable goods and depreciation and amortization due to inventory differences in the amount of CHF 28.4 million (CHF 25.5 million).

4. PERSONNEL EXPENSES CHF 1,345.4 MN (CHF 1,212.1 MN)

in CHF mn	2017	2018
Wages and salaries	990.9	1,095.1
Social charges	221.2	250.3
Personnel expenses	**1,212.1**	**1,345.4**

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.

Personnel expenses decreased in relation to sales from 19.4% to 19.0%, mainly due to further efficiency improvements and selective structural adjustments in some countries.

EMPLOYEE BENEFIT COSTS

in CHF mn	2017	2018
Employee benefit plans with defined benefits [1]	18.8	29.9
Other employee benefit plans	41.3	41.6
Employee benefit costs	**60.1**	**71.5**

1 Includes pension expense recognized in income statement (see note 22) without interest income/interest expenses.

EMPLOYEE PARTICIPATION PLAN – SHARE-BASED PAYMENTS
Sika operates the following share-based compensation plans. The total amount to be recognized in profit and loss is determined by reference to the fair value at grant date of the equity instrument. The expenses are recognized in personnel expenses over the vesting period. The number and the share price of the shares granted in the previous year were adjusted by a factor of 60 to ensure comparability due to the share split in 2018 (see note 24 for details).

PERFORMANCE BONUS (SHORT-TERM INCENTIVE). 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; 187 participants) and Group Management receive shares of Sika AG as a component of their variable compensation. The shares are granted at the average market price of the first five trading days in April of the subsequent business year. The allocated shares are subject to a blocking period of four years. The following different share plans are in place:

Sika Senior Managers may draw optionally 0%, 20% or 40% of the performance bonus in the form of shares of Sika AG. As remuneration for the services rendered by them in 2017, they drew 26,220 shares at a fair value of CHF 3.2 million in 2018 (CHF 123.25 per share). In 2017, the fair value of the compensation for 2016 amounted to CHF 3.6 million (35,460 shares at CHF 101.25).

Members of Group Management may draw optionally 0%, 20% or 40% of the performance bonus in the form of shares of Sika AG. As compensation for the services rendered by them in 2017, in 2018, they drew 10,560 shares at a fair value of CHF 1.3 million (CHF 123.25 per share). In 2017, the fair value of the compensation for 2016 amounted to CHF 0.6 million (6,180 shares at CHF 101.25).

LONG-TERM INCENTIVE (LTI-PLAN). The long-term incentive plan for members of the top management (extended Group Management) is granted in performance share units (PSU) that will be paid out in shares of Sika AG after a three-year vesting period. In 2018, 38,990 shares at a fair value of CHF 4.8 million (CHF 123.25 per share) were allocated to the members of the top management as part of the LTI. In 2017, the fair value of the allocated shares amounted to CHF 7.5 million (74,520 shares at CHF 101.25).

The long-term variable remuneration for Sika Senior Managers is granted in performance share units (PSU). The PSUs are paid out in cash after a three-year vesting period. For Senior Managers who are transferred to another country during the vesting period, a pro-rata payout is made immediately in form of shares for the time of the vesting period that has elapsed until the transfer. The shares are granted at the fair value of the grant date and are blocked until the end of the vesting period. In 2018, 3,710 shares at a fair value of CHF 0.5 million were allocated. In 2017, the fair value of the allocated shares amounted to CHF 0.5 million (3,780 shares).

COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS. Part of the compensation for members of the Board of Directors is paid in the form of Sika AG shares. The shares are subject to a blocking period of four years. Due to the takeover battle with Saint-Gobain, the Board of Directors was denied compensation for the years 2015 - 2017. At the Extraordinary General Meeting of Sika AG on June 11, 2018, all outstanding remuneration was approved. For the term of office April 2015 to April 2016 the members of the Board of Directors received 12,300 shares. For the period of office April 2016 to April 2017 10,980 shares were allocated and for the period of office April 2017 to April 2018 7'320 shares were allocated. The fair value of all shares allocated is CHF 4.4 million (CHF 143.60 per share). The expense of these share plans was fully recognized in other operating expenses in the year under review. The fair value of the shares allocated was CHF 0.7 million each at the beginning of the respective terms of office.

Share-based remuneration is made by means of the transfer of treasury shares of Sika AG. The personnel expenses recognized for services received in the year under review totaled CHF 32.1 million (CHF 30.1 million) of which CHF 12.9 million (CHF 5.4 million) was taken to equity and CHF 19.2 million (CHF 24.7 million) was recognized under liabilities.

No dilution effect has resulted because no additional shares have been issued.

5. OTHER OPERATING EXPENSES CHF 1,256.4 MN (CHF 1,118.5 MN)

in CHF mn	2017	2018
Production and operation [1]	398.8	449.9
Logistics and distribution	295.1	326.9
Sales, marketing, and travel costs	218.5	240.0
Administration and other costs [2]	206.1	239.6
Total	**1,118.5**	**1,256.4**

1 This position includes primarily rental and lease expenses as well as 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 were relatively constant compared to volume growth, despite one-off costs related to the resolution of the takeover battle with Saint-Gobain, with the cost ratio improving slightly from 17.9% to 17.7%.

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 189.5 million (CHF 184.6 million), roughly equivalent to 2.7% (3.0%) 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 61.3 MN (CHF 42.3 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 mainly of interest expenses for bond issues outstanding in the amount of CHF 18.0 million (CHF 10.4 million). Other financial expenses include foreign exchange gains and losses from the management of foreign currency as well as net gains and losses from hedging and revaluation of loans to Group companies denominated in foreign currencies. Other financial expenses increased to CHF 35.2 million (CHF 24.0 million).

7. INTEREST INCOME/OTHER FINANCIAL INCOME/INCOME FROM ASSOCIATED COMPANIES CHF 8.3 MN (CHF 8.1 MN)
Interest income is recognized pro rata temporis using the effective interest method. Short-term surpluses in liquidity in various countries led to interest income of CHF 1.9 million (CHF 1.9 million). Income from associated companies is CHF 0.6 million (CHF 0.3 million).

8. INCOME TAXES

in CHF mn	2017	2018
Income tax during the year under review	291.9	220.4
Deferred income tax	-81.0	-12.5
Income tax from prior years	2.2	-2.1
Total	**213.1**	**205.8**

RECONCILIATION BETWEEN EXPECTED AND EFFECTIVE TAX EXPENSE

in CHF mn	%	2017	%	2018
Profit before taxes		862.1		892.9
Expected tax expense	**23.4**	**201.7**	**20.8**	**185.8**
Non-taxable income/non-tax-deductible expenses	0.6	5.6	0.5	4.7
Change in expected tax rate	-0.1	-1.0	0.2	1.6
Adjusted tax expense from earlier periods	0.2	2.2	-0.2	-2.1
Valuation adjustment on deferred tax assets	0.2	1.7	-0.4	-3.1
Withholding tax on dividends, licenses, and interests	2.5	21.4	1.9	17.3
Other [1]	-2.1	-18.5	0.2	1.6
Tax expense as per consolidated income statement	**24.7**	**213.1**	**23.0**	**205.8**

1 In 2017, this included a net tax effect of CHF -16.3 million (income taxes of CHF 78.3 million and deferred tax income of CHF 94.6 million), resulting from the sale of intangible assets for CHF 1,000.0 million from Sika AG to Sika Technology AG.

Income tax expenses include income taxes based on current taxable income and deferred taxes. The tax rate decreased to 23.0% (24.7%).

The anticipated average Group income tax rate of 20.8% (23.4%) corresponds with the average tax on profits of the individual Group companies in their respective fiscal jurisdictions. The change in the anticipated tax rate is attributable to changing profits of the Group companies in their respective fiscal jurisdictions and to changes in their tax rates in some cases.

Tax liabilities include taxes due and accrued. 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 that are 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 taxes are reflected in the 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 NET DEFERRED TAX ASSETS

in CHF mn	2017	2018
January 1	**49.5**	**98.8**
Credited (+)/debited (-) to income statement	81.0	12.5
Credited (+)/debited (-) to other comprehensive income	-11.6	5.3
Credited (+)/debited (-) to equity	0.0	-3.4
Exchange differences	-0.4	-2.6
Acquisitions/divestments	-19.7	-41.6
December 31	**98.8**	**69.0**

ORIGIN OF DEFERRED TAX ASSETS AND LIABILITIES

			2017			2018
in CHF mn	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses brought forward	13.6		13.6	10.0		10.0
Current assets	22.1	-13.3	8.8	25.6	-14.2	11.4
Property, plant, and equipment	8.1	-28.8	-20.7	14.0	-42.8	-28.8
Other non-current assets	115.9	-70.3	45.6	103.7	-74.9	28.8
Liabilities	68.4	-7.7	60.7	69.7	-12.4	57.3
Withholding taxes on dividends	0.0	-9.2	-9.2	0.0	-9.7	-9.7
Total	**228.1**	**-129.3**	**98.8**	**223.0**	**-154.0**	**69.0**

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

in CHF mn	2017	2018
1 year or less	0.0	0.3
1–5 years	7.8	7.8
Over 5 years or non-expiring	6.0	15.7
Total	**13.8**	**23.8**

The underlying average tax rate is 30.6% (27.1%).

In the year under review, deferred tax assets from carried forward tax losses of CHF 2.5 million (CHF 5.6 million) were offset and deferred carried forward tax losses of CHF 2.0 million (CHF 0.7 million) were generated.

9. EARNINGS PER SHARE CHF 4.69 (CHF 4.23)

	2017	2018
Net profit attributable to Sika shareholders (in CHF mn)	643.5	682.9
Weighted average number of shares outstanding for calculation of basic earnings per share [1, 2]	152,296,410	145,486,609
Additional weighted number of shares upon exercise of all conversion rights	0	4,987,001
Weighted average number of shares used to calculate diluted earnings per share [2]	152,296,410	150,473,610
Undiluted earnings per share (in CHF)[2]	4.23	4.69
Diluted earnings per share (in CHF)[2]	4.23	4.58

1 Excluding treasury shares held in the Group.
2 Due to the share split, the earnings per share as of December 31, 2017, were adjusted for comparability. Our calculation takes into account the previous bearer shares with a factor of 60 and the previous registered shares with a factor of 10.

Undiluted earnings per share (EPS) amount to CHF 4.69 (CHF 4.23) and are calculated on the basis of net profit after non-controlling interests and the number of shares entitled to dividend, weighted over the course of the year. The share capital reduction of September 7, 2018 (see note 24), is also taken into account (weighted).

The convertible bond issued (see note 20) has a dilutive effect. For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted. It is assumed that all conversion rights were already exercised at the time of issue. In addition, the profit attributable to Sika shareholders will be increased by the interest costs for the convertible bond in the amount of CHF 6.0 million after consideration of the tax effect. Diluted earnings per share amount to CHF 4.58 (no dilution effect in prior year).

10. CASH AND CASH EQUIVALENTS CHF 914.0 MN (CHF 1,037.9 MN)
The cash management of the Group includes cash pooling, in which cash and cash equivalents available within the Group are pooled. The item "Cash and cash equivalents" includes cash and cash equivalents with a maturity of less than three months, bearing interest at a respectively valid rate.

11. ACCOUNTS RECEIVABLE CHF 1,322.9 MN (CHF 1,188.8 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 26.

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	2017[1]	2018
Net accounts receivable	**1,188.8**	**1,322.9**
Of which		
Not overdue	907.3	1,010.3
Past due < 31 days	172.0	182.0
Past due 31–60 days	47.9	56.9
Past due 61–180 days	44.7	51.1
Past due > 181 days	16.9	22.6

1 The age structure of trade receivables in the previous year was adjusted with the introduction of the new standard IFRS 9 - Financial Instruments to ensure comparability. The application of this revised allowance policy has no impact on the total amount of the allowance for doubtful accounts.

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL DEBTS

in CHF mn	2017	2018
January 1	65.9	68.5
Additions to or increase in allowances	18.2	15.3
Reversal of allowances	-7.0	-4.5
Utilization of allowances	-9.4	-7.7
Exchange differences	0.8	-3.4
December 31	**68.5**	**68.2**

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 800.7 MN (CHF 729.5 MN)

in CHF mn	2017	2018
Raw materials and supplies	227.6	257.3
Semi-finished goods	52.7	57.4
Finished goods	378.5	408.2
Merchandise	70.7	77.8
Total	**729.5**	**800.7**

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 112.0 MN (CHF 116.2 MN)

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

14. OTHER ASSETS CHF 95.3 MN (CHF 106.8 MN)

OTHER CURRENT ASSETS

in CHF mn	2017	2018
Derivatives (at fair value through profit and loss)	5.1	17.7
Loans (at amortized cost)	5.3	7.3
Securities (at fair value through profit and loss)	2.2	2.1
Other financial assets	**12.6**	**27.1**
Other non-financial assets	0.1	0.0
Other current assets	**12.7**	**27.1**

OTHER NON-CURRENT ASSETS

in CHF mn	2017	2018
Securities (at fair value through profit and loss)	45.3	49.9
Loans (at amortized cost)	1.5	1.6
Other financial assets	**46.8**	**51.5**
Employee benefit assets [1]	47.3	16.7
Other non-current assets	**94.1**	**68.2**

1 Includes the excess of assets for employee benefit plans with defined benefits, see note 22.

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 26.

15. PROPERTY, PLANT, AND EQUIPMENT CHF 1,214.2 MN (CHF 1,065.2 MN)

in CHF mn	Property	Plant	Equipment	Plants and buildings under construction	Total
At January 1, 2017					
Acquisition cost	125.3	692.5	1,582.6	53.4	2,453.8
Cumulative depreciation and impairment	-1.5	-409.3	-1,083.8	0.0	-1,494.6
Net values at January 1, 2017	**123.8**	**283.2**	**498.8**	**53.4**	**959.2**
Additions [2]	7.7	31.9	41.3	102.1	183.0
Acquired on acquisition	6.3	6.6	25.0	2.4	40.3
Exchange differences	1.7	4.8	6.6	0.1	13.2
Disposals	-2.6	-0.9	-2.7	0.0	-6.2
Reclassifications [1]	0.1	7.3	60.4	-67.8	0.0
Depreciation charge for the year	0.0	-21.2	-103.1	0.0	-124.3
At December 31, 2017	**137.0**	**311.7**	**526.3**	**90.2**	**1,065.2**
As January 1, 2018					
Acquisition cost	138.7	748.6	1,702.0	90.2	2,679.5
Cumulative depreciation and impairment	-1.7	-436.9	-1,175.7	0.0	-1,614.3
Net values at January 1, 2018	**137.0**	**311.7**	**526.3**	**90.2**	**1,065.2**
Additions [2]	0.1	43.6	61.1	104.1	208.9
Acquired on acquisition	23.8	27.7	60.6	2.1	114.2
Exchange differences	-5.0	-8.8	-16.0	-1.9	-31.7
Disposals	0.0	-2.0	-1.2	0.0	-3.2
Reclassifications [1]	2.7	27.2	71.3	-101.5	-0.3
Depreciation charge for the year	-0.3	-25.3	-113.3	0.0	-138.9
At December 31, 2018	**158.3**	**374.1**	**588.8**	**93.0**	**1,214.2**
Acquisition cost	160.2	828.6	1,836.4	93.0	2,918.2
Cumulative depreciation and impairment	-1.9	-454.5	-1,247.6	0.0	-1,704.0
Net values at December 31, 2018	**158.3**	**374.1**	**588.8**	**93.0**	**1,214.2**

1 Plants and buildings under construction are reclassified after completion within property, plant, and equipment as well as intangible assets.
2 The cash outflows from investments amounted in 2018 to CHF 233.4 million (CHF 158.5 million).

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.

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).

LEASING. Payments for operating leases are recorded as operating expenses and are charged accordingly to the income statement. Rent and operating lease expenses in the amount of CHF 108.6 million (CHF 112.4 million) were recognized. In principle all plants are owned by subsidiaries. Some smaller plants as well as a Swiss logistics center are financed by operating leases. Operating leases also relate to forklifts, cars used by the sales force as well as data processing equipment and copiers. Leasehold contracts are insignificant.

		Operating leases
	2017	2018
in CHF mn	Minimum payments	Minimum payments
Within 1 year	88.8	82.1
1–5 years	151.2	157.3
Over 5 years	67.8	79.4
Total	**307.8**	**318.8**

Fixed assets acquired under lease agreements whereby the Group assumes substantively all risks and rewards, are classified as finance leases. However, Sika has not concluded any significant finance lease agreements.

CAPITAL COMMITMENTS. Significant capital expenditure for property, plant, and equipment contracted for as at December 31, 2018, but not recognized as liabilities is CHF 28.7 million (CHF 61.8 million).

16. INTANGIBLE ASSETS CHF 1,693.9 MN (CHF 1,317.1 MN)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangibles	Total
At January 1, 2017						
Acquisition costs	685.7	148.4	108.5	310.4	103.2	1,356.2
Cumulative amortization and impairment	-7.0	-114.3	-9.0	-140.3	-64.4	-335.0
Net values at January 1, 2017	**678.7**	**34.1**	**99.5**	**170.1**	**38.8**	**1,021.2**
Additions	0.0	4.4	0.3	0.0	0.2	4.9
Acquired on acquisition	192.2	0.1	19.0	87.7	13.5	312.5
Exchange differences	21.3	0.8	0.0	4.1	0.2	26.4
Amortization for the year	0.0	-9.2	-6.4	-24.7	-7.6	-47.9
At December 31, 2017	**892.2**	**30.2**	**112.4**	**237.2**	**45.1**	**1,317.1**
At January 1, 2018						
Acquisition costs	899.3	154.1	127.9	403.8	117.6	1,702.7
Cumulative amortization and impairment	-7.1	-123.9	-15.5	-166.6	-72.5	-385.6
Net values at January 1, 2018	**892.2**	**30.2**	**112.4**	**237.2**	**45.1**	**1,317.1**
Additions	0.0	5.2	0.0	0.0	0.0	5.2
Acquired on acquisition	356.0	1.3	11.1	61.7	35.5	465.6
Exchange differences	-24.9	-0.7	-0.1	-3.6	0.1	-29.2
Reclassifications (net)	0.0	0.3	0.0	0.0	0.0	0.3
Amortization for the year	0.0	-8.6	-8.8	-33.1	-14.6	-65.1
At December 31, 2018	**1,223.3**	**27.7**	**114.6**	**262.2**	**66.1**	**1,693.9**
Acquisition costs	1,229.6	155.0	138.1	454.0	128.6	2,105.3
Cumulative amortization and impairment	-6.3	-127.3	-23.5	-191.8	-62.5	-411.4
Net values at December 31, 2018	**1,223.3**	**27.7**	**114.6**	**262.2**	**66.1**	**1,693.9**

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 fulfill 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. Sika has created an SAP platform with standard processes that a number of companies have been using since 2010. The further rollout will take several years to complete. The capitalized costs are transferred to the companies in the year of first use.

AMORTIZATION SCHEDULE

Software	3–5 years [1]
Patents	5–10 years
Customer relations	1–20 years
Trademarks	3–10 years

1 Software is usually written off over three years with the exception of the SAP platform.

The intangible assets (except for goodwill and trademarks with indefinite useful lives) each have finite useful lives over which the assets are amortized. The internally developed SAP platform used since 2010 will be amortized on the basis of its effective use within the Group. The carrying value was CHF 17.4 million (CHF 20.4 million) as of December 31, 2018. The remaining useful life is estimated to be between three and six years.

Acquired trademarks are amortized insofar as a useful life can be determined. Otherwise trademarks are not amortized. The indefinite useful life assessment is reviewed annually. Trademarks may have an indefinite useful life because they are influenced by internal and external factors such as strategic decisions, competitive and customer behavior, technical development, and changing market requirements. The carrying value of trademarks with indefinite useful lives amounts to CHF 72.4 million (CHF 72.4 million) and is subject to an annual impairment test.

GOODWILL ITEMS TESTED FOR IMPAIRMENT. Impairment tests were performed on all goodwill items. The carrying amounts of trademarks with indefinite useful lives are allocated to the carrying amounts of the cash-generating units in accordance with the proportionate share of sales. 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. The forecasting horizon is three years as approved by the Board of Directors. The growth rates upon which the forecast is set correspond to the market expectations of the cash-generating units and range between 6.4% and 9.9% (4.5% and 9.8%) per year. The sensitivity analysis carried out shows that a realistic change in the key assumptions (-1% in growth rates or +0.5% of the discount rate) would not result in the realizable value falling below the book value. The discount rates are determined on the basis of the weighted average cost of capital of the Group, with country- and currency-specific risks within the context of cash flows taken into consideration. The segments constitute the cash-generating units.

The segments were adjusted in the year under review (for details see note 2). The former North America and Latin America segments have been combined into a new Americas segment. Global Business now includes the globally managed Automotive business and the two centrally managed businesses Advanced Resins (formerly Axson Technologies) and Faist. Industrial manufacturing now accounts for only a small proportion of the geographical segments and is not monitored separately. However, this aggregation has no impact on the impairment test. The goodwill items for industrial manufacturing EMEA arose from the acquisition of Axson Technologies in 2015 and are now allocated to the Global Business segment.

Goodwill assigned to cash-generating units

in CHF mn	Growth rates beyond the planning period (%)	Discount rates pre-tax (%)	Trademarks with indefinite useful lives	Goodwill
December 31, 2017				
Construction business EMEA	2.1	7.2	27.7	465.8
Industrial manufacturing EMEA	2.2	7.4		20.9
Construction business North America	2.3	9.8	44.7	241.9
Construction business Latin America	3.9	17.7		22.3
Construction business Asia/Pacific	2.5	9.8		90.1
Automotive	2.0	8.7		51.2
Total			**72.4**	**892.2**
December 31, 2018				
EMEA	2.4	8.1	27.4	569.6
Americas	2.4	11.1	45.0	264.9
Asia/Pacific	2.4	9.9		88.5
Global Business	2.2	8.4		300.3
Total			**72.4**	**1,223.3**

17. INVESTMENTS IN ASSOCIATED COMPANIES CHF 6.2 MN (CHF 6.2 MN)

The following associated companies are included in the consolidated Financial Statements as of December 31, 2018: Condensil SARL, France (Sika stake 40%), Part GmbH, Germany (50%), Sarna Granol AG, Switzerland (50%), Hayashi-Sika Automotive Ltd., Japan (50%), Chemical Sangyo Ltd., Japan (50%), and Seven Tech Co. Ltd., Japan (50%). The stakes are unchanged compared to the prior year.

The following amounts represent the Group's stake in net sales, and net income of associates.

ASSOCIATED COMPANIES (PARTICIPATIONS BETWEEN 20% AND 50%)

in CHF mn	2017	2018
Sales	21.7	19.4
Profit	0.3	0.4

18. ACCOUNTS PAYABLE CHF 733.8 MN (CHF 730.9 MN)

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

19. ACCRUED EXPENSES AND DEFERRED INCOME CHF 265.5 MN (CHF 253.4 MN)

Accrued expenses and deferred income relate to outstanding invoices and liabilities for the past financial year, including performance-based compensation payables to employees and social security expenses in the following year. In addition, deferred revenues for warranty extensions in the amount of CHF 4.2 million (CHF 4.0 million) are included (see note 1).

20. FINANCIAL LIABILITIES CHF 3,032.5 MN (CHF 755.6 MN)

			2017			2018
in CHF mn	Current	Non-current	Total	Current	Non-current	Total
Derivatives	5.7	0.0	5.7	2.3	0.0	2.3
Bank loans	22.6	0.9	23.5	13.8	0.0	13.8
Bonds	150.0	549.0	699.0	199.9	2,792.9	2,992.8
Other financial liabilities	24.0	3.4	27.4	21.5	2.1	23.6
Total	**202.3**	**553.3**	**755.6**	**237.5**	**2,795.0**	**3,032.5**

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.

A number of Group companies have their own credit lines. The total amount is insignificant in scale. The credit lines are used in individual cases when intra-Group financing is not permitted or there are benefits from local financing.

Sika AG has the following bonds outstanding:

				2017		2018
in CHF mn	Coupon	Term	Nominal	Book value	Nominal	Book value
Straight bond	1.000%	2012–07/12/2018	150.0	150.0		
Straight bond	1.125%	2013–11/14/2019	200.0	199.8	200.0	199.9
Straight bond	0.000%–0.050%	2018–03/27/2020			160.0	160.4
Straight bond	0.125%	2018–07/12/2021			170.0	170.1
Straight bond	1.750%	2012–07/12/2022	150.0	149.9	150.0	149.9
Straight bond	1.875%	2013–11/14/2023	200.0	199.3	200.0	199.4
Straight bond	0.625%	2018–07/12/2024			250.0	250.6
Convertible bond	0.150%	2018–06/05/2025			1,650.0	1,591.5
Straight bond	0.600%	2018–03/27/2026			140.0	140.0
Straight bond	1.125%	2018–07/12/2028			130.0	131.0
Total			**700.0**	**699.0**	**3,050.0**	**2,992.8**

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

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

On May 15, 2018, Sika also placed an unsecured convertible bond in the amount of CHF 1,650.0 million due in 2025 with payment date on June 5, 2018. The issue price and the redemption prices are set at 100%. The convertible bond has a coupon of 0.15% p.a. The shares to be delivered upon conversion will be made available by existing shares or by the issue of new shares from the conditional capital. The conversion price per share is CHF 190.3579. This corresponds to a conversion premium of 40.0% over the share price when the bond was placed.

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

in CHF mn	**0.15% convertible bond 2018–2025**
Liability component upon issue at fair value	1,605.4
Proportional issue costs	-18.9
Net liability component upon issue	**1,586.5**
Interest expense recognized in the year under review (amortized cost)	5.0
Net liability component as of December 31, 2018	**1,591.5**
Open par value	1,650.0
Carrying amount of equity component	44.6
Proportional issue costs	-0.5
Deferred taxes	-3.4
Net equity component upon issue	**40.7**

No rights were converted in the reporting period.

Furthermore, Sika AG placed a bond with a total amount of CHF 550.0 million through a triple tranche with payment date on July 12, 2018:

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

In summary, financial liabilities changed as follows:

in CHF mn	Bank loans	Bonds	Other financial liabilities	Total financial liabilities
At January 1, 2017	**19.8**	**698.7**	**33.2**	**751.7**
Proceeds	14.4	0.0	2.6	17.0
Repayments	-46.9	0.0	-8.5	-55.4
Cash flow	**-32.5**	**0.0**	**-5.9**	**-38.4**
Acquired on acquisition	37.2	0.0	5.0	42.2
Exchange differences	-1.0	0.0	0.4	-0.6
Other changes	0.0	0.3	0.4	0.7
Non-cash movements	**36.2**	**0.3**	**5.8**	**42.3**
At December 31, 2017	**23.5**	**699.0**	**33.1**	**755.6**
As January 1, 2018	**23.5**	**699.0**	**33.1**	**755.6**
Proceeds	2,103.9	2,483.0	2.8	4,589.7
Repayments	-2,183.4	-150.0	-22.9	-2,356.3
Cash flow	**-79.5**	**2,333.0**	**-20.1**	**2,233.4**
Acquired on acquisition	71.0	0.0	16.2	87.2
Exchange differences	-1.2	0.0	-0.4	-1.6
Net equity component on convertible bond (see above)	0.0	-40.7	0.0	-40.7
Other changes	0.0	1.5	-2.9	-1.4
Non-cash movements	**69.8**	**-39.2**	**12.9**	**43.5**
At December 31, 2018	**13.8**	**2,992.8**	**25.9**	**3,032.5**

The transaction with Schenker-Winkler Holding AG in May 2018 (see further information on significant shareholders) was funded with a bridge loan. The issue of bonds fully replaced the bridge financing.

The classification and valuation principles for financial liabilities are described in note 26.

21. PROVISIONS CHF 70.2 MN (CHF 76.4 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 but only for acquisitions. Potential losses due to future incidents are not recognized in the balance sheet.

in CHF mn	Warranties	Sundry risks	Provisions Total
Current provisions	13.7	8.4	22.1
Non-current provisions	19.7	28.4	48.1
Provisions	**33.4**	**36.8**	**70.2**
Reconciliation			
At January 1, 2018	**42.3**	**34.1**	**76.4**
Additions	11.9	10.3	22.2
Assumed on acquisition	1.8	6.5	8.3
Exchange differences	-0.5	-0.8	-1.3
Utilization	-17.3	-5.2	-22.5
Reversal	-4.8	-8.1	-12.9
At December 31, 2018	**33.4**	**36.8**	**70.2**

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

From the sum of provisions, CHF 48.1 million (CHF 56.4 million) are shown as non-current liabilities, since an outflow of funds is not expected within the next twelve months.

For provisions of CHF 22.1 million (CHF 20.0 million), an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

CONTINGENT LIABILITIES. Given the Group's international operations, there are inherent tax risks which cannot be conclusively estimated. 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. In addition, their probability of occurrence lies below 50%.

22. EMPLOYEE BENEFIT OBLIGATIONS

in CHF mn	Assets	Liabilities	2017 Net	Assets	Liabilities	2018 Net
Employee benefit plans with defined benefits	47.3	184.5	137.2	16.7	190.5	173.8
Other employee commitments	-	75.5	75.5	-	78.2	78.2
Total	**47.3**	**260.0**	**212.7**	**16.7**	**268.7**	**252.0**

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.

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 at 41 Group companies. The biggest plans are in Switzerland, accounting for 79.0% (78.5 %) of Sika's entire defined benefit pension obligations and 96.1% (96.2%) 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 enactment and implementation of the pension fund regulations, the financing of benefits and the investment of assets. The investment strategy is defined in such a way that the 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. Last year the benefits of the insurance plan were adjusted by reducing the conversion rate and increasing the savings contributions. This led to an adjustment in the pension plan and is therefore recognized in the income statement as a gain on a plan curtailment (CHF 9.9 million).

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

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, 2017	**-888.6**	**694.4**	**0.0**	**-194.2**
Current service cost	-28.7			-28.7
Interest expense/interest income	-8.4	5.3		-3.1
Past service cost and gains and losses on settlements and curtailments	9.9			9.9
Total expense recognized in income statement	**-27.2**	**5.3**		**-21.9**
thereof Switzerland	-16.8	4.7		-12.1
thereof others	-10.4	0.6		-9.8
Return on plan assets, excluding amounts included in interest income		61.1		61.1
Gains (+)/losses (-) from change in financial assumptions	4.2			4.2
Gains (+)/losses (-) from change in demographic assumptions	-0.1			-0.1
Experience gains (+)/losses (-)	0.3			0.3
Change in asset ceiling			-1.6	-1.6
Total remeasurement recognized in other comprehensive income	**4.4**	**61.1**	**-1.6**	**63.9**
thereof Switzerland	0.3	62.3	-1.6	61.0
thereof others	4.1	-1.2	0.0	2.9
Exchange differences	-12.9	1.7		-11.2
Contributions by employers		19.1		19.1
Contributions by plan participants	-13.2	13.2		0.0
Benefits paid	40.7	-32.0		8.7
Settlements paid	0.1	0.0		0.1
Acquired in a business combination and others	-1.7	0.0		-1.7
At December 31, 2017	**-898.4**	**762.8**	**-1.6**	**-137.2**
thereof Switzerland	-705.6	734.0	-1.6	26.8
thereof others	-192.8	28.8	0.0	-164.0

in CHF mn	Present value of obligation	Fair value of plan assets	Impact of asset ceiling	Total
At January 1, 2018	**-898.4**	**762.8**	**-1.6**	**-137.2**
Current service cost	-29.7			-29.7
Interest expense/interest income	-8.8	5.8		-3.0
Past service cost and gains and losses on settlements and curtailments	-0.2			-0.2
Total expense recognized in income statement	**-38.7**	**5.8**		**-32.9**
thereof Switzerland	-27.1	5.2		-21.9
thereof others	-11.6	0.6		-11.0
Return on plan assets, excluding amounts included in interest income		-36.1		-36.1
Gains (+)/losses (-) from change in financial assumptions	10.8			10.8
Gains (+)/losses (-) from change in demographic assumptions	-1.7			-1.7
Experience gains (+)/losses (-)	-2.7			-2.7
Change in asset ceiling			-0.3	-0.3
Total remeasurement recognized in other comprehensive income	**6.4**	**-36.1**	**-0.3**	**-30.0**
thereof Switzerland	4.8	-36.0	-0.3	-31.5
thereof others	1.6	-0.1	0.0	1.5
Exchange differences	6.4	-0.9		5.5
Contributions by employers		20.7		20.7
Contributions by plan participants	-14.8	14.8		0.0
Benefits paid	36.4	-29.1		7.3
Settlements paid	0.3	-0.2		0.1
Acquired in a business combination and others	-15.5	8.2		-7.3
At December 31, 2018	**-917.9**	**746.0**	**-1.9**	**-173.8**
thereof Switzerland	-725.0	717.2	-1.9	-9.7
thereof others	-192.9	28.8	0.0	-164.1

The contributions that are expected to be paid into the defined benefit pension plans for 2019 amount to CHF 19.5 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 145.0 million (CHF 146.9 million). Schemes in Germany, in particular, do not have segregated assets. For the Swiss pension plans the result is a deficit of CHF 9.7 million (surplus of CHF 26.8 million).

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in CHF mn	Switzerland	Others	2017 Total	Switzer-land	Others	2018 Total
Cash and cash equivalents	45.7	6.4	52.1	38.0	5.9	43.9
Equity instruments	308.1	2.5	310.6	302.6	2.5	305.1
Debt instruments	230.7	1.9	232.6	215.7	2.3	218.0
Real estate investments	126.7	10.2	136.9	130.2	0.0	130.2
Other assets	22.8	7.8	30.6	30.7	18.1	48.8
Total	**734.0**	**28.8**	**762.8**	**717.2**	**28.8**	**746.0**

Most of the plan assets of the pension schemes are invested in assets with quoted market prices. In the year under review, 11.1% (10.6%) of the investments in real estate and 26.6% (8.5%) of the other assets did not have a quoted market price.

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	Switzer-land	2017 Others	Switzer-land	2018 Others
Shares Sika AG [1]	31.7	0.0	30.6	0.0
Own property occupied by Sika	11.0	0.0	11.1	0.0
Total	**42.7**	**0.0**	**41.7**	**0.0**

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

ACTUARIAL ASSUMPTIONS (WEIGHTED AVERAGE)

	Switzer-land	2017 Others	Switzer-land	2018 Others
Discount rate in the year under review (%)	0.7	2.1	0.8	2.0

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

in CHF mn	Change in assumption	Impact on defined benefit obligation Switzerland	Others
Discount rate	+0.25%	-27.1	-6.9
Discount rate	-0.25%	29.3	7.3

NUMBER OF PLANS

	Switzer-land	2017 Others	Switzer-land	2018 Others
Total number of defined benefit plans	5	38	6	37
thereof number of defined benefit plans funded	4	10	5	10
thereof number of defined benefit plans unfunded	1	28	1	27
Average weighted duration in years	15.9	16.2	15.6	16.0

23. OTHER LIABILITIES CHF 34.2 MN (CHF 32.1 MN)
Other liabilities consist of deferred revenue for warranty extensions that will not be realized within the next twelve months.

24. SHAREHOLDERS' EQUITY CHF 1,675.4 MN (CHF 3,411.1 MN)

in CHF mn	2017	2018
Capital stock	1.5	1.4
Capital surplus	203.1	203.1
Treasury shares	-6.6	-11.1
Currency translation differences	-537.4	-614.2
Retained earnings	3,724.1	2,066.7
Equity attributable to Sika shareholders	**3,384.7**	**1,645.9**
Non-controlling interests	26.4	29.5
Shareholders' equity	**3,411.1**	**1,675.4**

Equity accounts for 26.3% (58.9%) of the balance sheet total. The reduction is attributable to the transaction with Schenker-Winkler Holding AG (SWH) in May 2018 (see further information on significant shareholders). The financing of this transaction is shown in note 20.

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

The Sika registered shares bought back by SWH (10,629,520 registered shares with a nominal value of CHF 0.01) were cancelled by means of a capital reduction on September 7, 2018. The corresponding reduction of CHF 106,295.20 in share capital was approved at the Extraordinary General Meeting on June 11, 2018.

The capital stock is equal to the par value of all issued registered shares and is structured as follows:

CAPITAL STOCK

in CHF mn	Number	2017	2018
Registered shares, nominal value CHF 0.10	2,333,874	0.2	–
Bearer shares, nominal value CHF 0.60	2,151,199	1.3	–
Registered shares, nominal value CHF 0.01	141,781,160	–	1.4
Capital stock		**1.5**	**1.4**

The share capital structure changed this year as follows (no changes in the previous year):

	Bearer shares [1]		Registered shares [2]		Total	
	Units	Par value in CHF	Units	Par value in CHF	Units	Par value in CHF
At January 1, 2018	**2,151,199**	**1,290,720**	**2,333,874**	**233,387**	**4,485,073**	**1,524,107**
Share split (par value CHF 0.01)	126,920,741	-	21,004,866	-	147,925,607	-
Conversion into single-class registered share	-129,071,940	-1,290,720	129,071,940	1,290,720	-	-
Capital reduction			-10,629,520	-106,295	-10,629,520	-106,295
At December 31, 2018	**-**	**-**	**141,781,160**	**1,417,812**	**141,781,160**	**1,417,812**

1 Includes treasury shares, 1,098 bearer shares as of December 31, 2017, which do not carry voting and dividend rights.
2 Includes treasury shares, 270 registered shares as of December 31, 2017 and 90,730 registered shares as of December 31, 2018, which do not carry voting and dividend rights. The increase is due to the share split.

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 2.05 per registered share, in the total amount of CHF 290.6 million, to the shareholders of Sika AG.

NON-CONTROLLING INTERESTS. Non-controlling interests are accounted for at the corresponding share of the respective company. The most important companies with non-controlling interests are:

- Sika Arabia Holding Co. WLL, Bahrain (49%)
- Sika UAE LLC, UAE (49%)
- Sika Saudi Arabia Co. Ltd., Saudi Arabia (49%)
- Sika Gulf B.S.C., Bahrain (49%)
- Sika Qatar LLC, Qatar (49%)

25. CASH FLOW STATEMENT

DETAILS TO THE CASH FLOW STATEMENT. Compared to previous year, cash flow was influenced by:

- a higher net profit before taxes (CHF 30.8 million)
- an increase in net working capital (CHF -75.1 million)
- a change of non-cash financial income as well as cash flows from hedging transactions (CHF 73.8 million)
- lower tax payments (CHF 22.4 million)
- an increased investment activity mainly due to the buyback of leased assets (CHF -74.9 million) and an increased acquisition activity (CHF -150.8 million)
- a net borrowing of CHF 2,333.0 million through the issue and repayment of bonds
- the purchase of treasury shares with subsequent cancellation of CHF -2,082.9 million
- a higher dividend payment (CHF -38.1 million)

in CHF mn	2017	2018
Cash flow from operating activities	651.9	744.0
Cash flow from investing activities	-478.2	-705.2
Cash flow from financing activities	-289.2	-149.6
Exchange differences	-1.6	-13.1
Net change in cash and cash equivalents	**-117.1**	**-123.9**

FREE CASH FLOW AND OPERATING FREE CASH FLOW

in CHF mn	2017	2018
Cash flow from operating activities	651.9	744.0
Net investment in		
Property, plant, and equipment	-150.2	-225.6
Intangible assets	-4.9	-5.2
Acquisitions less cash and cash equivalents	-320.4	-471.2
Acquisitions (-)/disposals (+) of financial assets	-2.7	-3.2
Free cash flow	**173.7**	**38.8**
Acquisitions/disposals less cash and cash equivalents	320.4	471.2
Acquisitions (+)/disposals (-) of financial assets	2.7	3.2
Operating free cash flow	**496.8**	**513.2**

OTHER ADJUSTMENTS. Included in “Other adjustments” are:

in CHF mn	2017	2018
Non-liquidity-related interest expenses (-)/income (+)	0.0	3.1
Profit (-)/loss (+) from disposals of non-financial assets	-2.1	-4.6
Bargain purchase	0.0	-7.7
Personnel expenses settled through treasury shares	5.4	12.6
Others	2.6	3.5
Total	**5.9**	**6.9**

26. 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 also 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	909.1	1.8
Past due < 31 days	174.7	2.7
Past due 31–60 days	50.5	2.6
Past due 61–180 days	53.8	9.1
Past due > 181 days	69.2	52.3
December 31, 2017	**1,257.3**	**68.5**
Not overdue	1,012.1	1.8
Past due < 31 days	184.5	2.5
Past due 31–60 days	59.7	2.8
Past due 61–180 days	60.2	9.1
Past due > 181 days	74.6	52.0
December 31, 2018	**1,391.1**	**68.2**

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 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	2017 Book value	2017 Fair value	2018 Book value	2018 Fair value
Financial assets					
Cash and cash equivalents		1,037.9		914.0	
Accounts receivable		1,188.8		1,322.9	
Loans (at amortized cost)		6.8		8.9	
Securities (at fair value through profit and loss)	1	47.5	47.5	52.0	52.0
Derivatives (at fair value through profit and loss)	2	5.1	5.1	17.7	17.7
Total		**2,286.1**		**2,315.5**	
Financial liabilities					
Bank loans		23.5		13.8	
Bonds	2	699.0	736.6	2,992.8	3,115.2
Accounts payable		730.9		733.8	
Other financial liabilities		27.4		23.6	
Financial liabilities measured at amortized cost		**1,480.8**		**3,764.0**	
Derivatives (at fair value through profit and loss)	2	5.7	5.7	2.3	2.3
Total		**1,486.5**		**3,766.3**	

The book value of cash and cash equivalents, accounts receivable, loans, bank loans, accounts payable, and other financial liabilities almost equals 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 0.8 million (CHF 1.1 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 (+)	Replacement value (-)	Contractual value upon maturity: Contract value	Up to 3 months	3 to 12 months
Open derivatives 2017					
Forward contracts (foreign exchange)	0.3	-1.7	166.9	90.8	76.1
Swaps (foreign exchange)	4.8	-4.0	1,013.0	335.8	677.2
Total derivatives	**5.1**	**-5.7**	**1,179.9**	**426.6**	**753.3**
Open derivatives 2018					
Forward contracts (foreign exchange)	1.3	-0.8	168.9	51.2	117.7
Swaps (foreign exchange)	16.4	-1.5	1,382.0	295.2	1,086.8
Total derivatives	**17.7**	**-2.3**	**1,550.9**	**346.4**	**1,204.5**

Losses from currency differences recognized in the income statement amounted to CHF 49.6 million (gain CHF 24.4 million). They were recognized in the corresponding expense items. The currency differences arise from purchases and sales as well as financing activities in foreign currencies. In addition, a net gain of CHF 12.0 million (net loss of CHF 56.0 million) was generated from currency hedging transactions, which is included in other financial expenses.

Sika carries out a sensitivity analysis for the dominant foreign currencies 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 demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. All other variables are held constant. The impact on shareholders' equity is insignificant.

SENSITIVITY ANALYSIS ON EXCHANGE RATES

Impact on profit before tax in CHF mn	2017	2018
EUR: +10%	-6.0	0.5
EUR: -10%	6.0	-0.5
USD: +10%	-12.1	-8.8
USD: -10%	12.1	8.8

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 risks result from changes in interest rates, which could have a negative impact on the Group's financial position, cash flow, and earnings situation. Interest rate risk is limited through the issue of fixed-interest long-term bonds (nominal CHF 3,050.0 million). A change in the rate of interest would therefore alter neither annual financial expenses nor shareholders' equity materially. 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 3.0% of the Group's net sales. The Group held no securities for loans and accounts receivable at year-end 2017 nor at year-end 2018. 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 on the basis of 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
December 31, 2017				
Bank loans	22.6	0.9	0.0	23.5
Bonds	160.1	377.8	203.7	741.6
Accounts payable	730.9	0.0	0.0	730.9
Other financial liabilities	24.0	2.7	0.7	27.4
Financial liabilities measured at amortized cost	**937.6**	**381.4**	**204.4**	**1,523.4**
Financial liabilities at fair value through profit and loss	5.7	0.0	0.0	5.7
Total	**943.3**	**381.4**	**204.4**	**1,529.1**
December 31, 2018				
Bank loans	13.8	0.0	0.0	13.8
Bonds	215.2	728.7	2,186.3	3,130.2
Accounts payable	733.8	0.0	0.0	733.8
Other financial liabilities	21.5	1.4	0.7	23.6
Financial liabilities measured at amortized cost	**984.3**	**730.1**	**2,187.0**	**3,901.4**
Financial liabilities at fair value through profit and loss	2.3	0.0	0.0	2.3
Total	**986.6**	**730.1**	**2,187.0**	**3,903.7**

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 in order to support its business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies, or processes during the years ended December 31, 2018, and December 31, 2017. The Group monitors its equity using the equity ratio, which is shareholders' equity divided by total capital.

OTHER INFORMATION

SIGNIFICANT SHAREHOLDERS

On May 10, 2018, Sika, the Burkard family and Compagnie de Saint-Gobain ("Saint-Gobain") signed agreements which terminate and resolve their disputes and legal proceedings. Under these agreements, Saint-Gobain acquired from the Burkard family all shares in Schenker-Winkler Holding AG ("SWH") and Sika acquired from SWH 1,062,952 registered shares in Sika with a par value of CHF 0.10 (which represented at that time 6.97% of the capital and 23.7% of the voting rights) for a total consideration of CHF 2.08 billion. Sika and Saint-Gobain have agreed on certain lock-up and stand-still obligations with regard to SWH's remaining stake in Sika. In case of an intended sale, SWH's shares in Sika (up to 10.75%) will first be offered to Sika. On June 11, 2018, an Extraordinary General Meeting of Sika resolved, among others, to convert all shares of Sika into a single class of registered shares with a par value of CHF 0.01 and to cancel the treasury shares acquired from SWH by way of a capital reduction. The capital reduction was completed as of September 7, 2018. Upon completion of the capital reduction, Saint-Gobain (through SWH) now holds 10.75% of the votes and capital interest in Sika.

As of the balance sheet date of December 31, 2018, Sika had received notification of four significant shareholders whose voting rights exceed 3%: (1) Compagnie de Saint-Gobain which held 10.75% of all voting rights via Schenker-Winkler Holding AG. (2) BlackRock, Inc., which owned 7.7% of all voting shares. (3) William H. Gates III and Melinda French Gates who held 5.3% of all voting rights via Cascade Investment L.L.C. and Bill & Melinda Gates Foundation Trust. (4) Massachusetts Financial Services Company which owned 3.03% of all voting shares.

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

A list of changes in significant shareholdings reported to the Disclosure Office of SIX Swiss Exchange during the year under review can be found at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

As of the balance sheet date of December 31, 2017, Sika had received notification of three significant shareholders whose voting rights exceed 3%: (1) The Burkard-Schenker family, who, according to information provided by the family, held 52.92% of all voting rights via Schenker-Winkler Holding AG (SWH) as of December 31, 2017. (2) A group consisting of Threadneedle Asset Management Limited, Threadneedle Investment Services Limited, Threadneedle Management Luxembourg S.A., FIL Limited, William H. Gates III and Melinda French Gates as well as Bill & Melinda Gates Foundation Trust, which owned 4.77% of all voting rights on the balance sheet date. (3) BlackRock, Inc., which owned 3.41% of all voting shares on the balance sheet date.

RELATED PARTIES

ASSOCIATED COMPANIES. In the year under review, goods and services totaling CHF 9.3 million (CHF 10.4 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 27.5 million (CHF 24.0 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 2018 amounted to CHF 0.6 million (CHF 0.6 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	2017	2018
Current benefits	8.1	15.5
Share-based payments[1]	6.4	12.1
Pension benefits	1.2	1.2
Total	**15.7**	**28.8**

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

In the year under review the remuneration of CHF 10.3 million to the Board of Directors for the terms of office 2015 to 2018 is included. Part of the compensation is paid in the form of Sika AG shares. The fair value of the shares allocated was CHF 0.7 million each at the beginning of the respective term of office. Due to the increase in the share price the fair value at the time of payment increased to CHF 4.4 million. In the previous year, the Board of Directors did not receive any compensation. Detailed information regarding remuneration of the Board of Directors and Group Management are included in the compensation report (as of page 68 of the download version of this report). Information regarding participations of the Board of Directors and Group Management of Sika AG can be found in the Sika AG's financial statements (on page 157 of the download version 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 20, 2019. The financial statements will be submitted for approval to the Annual General Meeting on April 9, 2019.

EVENTS AFTER THE BALANCE SHEET DATE

The following events occurred between December 31, 2018, and the release of these consolidated financial statements:

ACQUISITIONS. In December 2018, Sika agreed to acquire Arcon Membrane Srl, a leading manufacturer of waterproofing systems for buildings and roofs in Romania. With this acquisition Sika strengthens its position in the Romanian market and significantly expands its product range to meet the increasing demand for complete solutions for roof and structural waterproofing. The transaction is subject to approval by the antitrust authorities. The exact amount and distribution of the assets are not yet known. The amounts are also immaterial from the Group's perspective. Arcon generated annual sales of approximately CHF 23 million in 2018.

PLANNED ACQUISITION. On January 8, 2019, Sika made a binding offer to acquire Parex. Parex is a leading mortar manufacturer, including facade mortars, tile adhesives, waterproofing, and technical mortars with annual sales of approximately CHF 1.2 billion. Parex has a particularly strong presence in the distribution channels, combining recognized brands with R&D expertise and technical excellence. The transaction is subject to regulatory approval. The transaction is expected to be completed in the second or third quarter of 2019.

FINANCING. On January 22, 2019, Sika placed a mandatory convertible bond in the amount of CHF 1,300.0 million with maturity in 2022 and payment date January 30, 2019. The issue price is 100%. The convertible bond has a coupon of 3.75% p.a. The shares to be delivered upon conversion will be provided by existing shares or by the issue of new shares from conditional capital. The initial minimum conversion price was set at CHF 130.00 and the initial maximum conversion price at CHF 146.25. The maximum conversion premium corresponds to a premium of 12.5% in relation to the lower minimum conversion price. Sika intends to use the proceeds of the mandatory convertible bond to finance the recently announced acquisition of Parex and for general corporate purposes.