

Sika Capital B.V.

Annual report

For the year ended 31 December 2022



KPMG Audit
Document to which our report
2458297/23W00187414AVN dated
17 April 2023
also refers.
KPMG Accountants N.V.

Contents

Report of the Board of Management	3
Financial statements for the year ended 31 December 2022.....	9
(i) Statement of financial position	10
(ii) Statement of profit or loss and Other Comprehensive Income Attributable to owners of the Company	11
(iii) Statement of changes in equity	12
(iv) Statement of cash flows	13
1 Corporate information	14
2 Accounting policies	14
3 Segment reporting	19
4 Loans to related companies.....	20
5 Cash and cash equivalents	21
6 Trade and other payables.....	21
7 Borrowings	21
8 Shareholder's equity.....	22
9 General administrative expenses	22
10 Net interest income:.....	23
11 Income taxes.....	24
12 Financial risk management.....	24
13 Fair value of financial assets and financial liabilities.....	26
14 Related party transactions	28
15 Workforce.....	29
16 Audit fees	29
17 Remuneration of the members of the board of management	30
18 Events after the end of the reporting period	30
19 Signatories to the financial statements	30
Other information	32
Independent Auditor's Report	32



Report of the Board of Management

Report of the Board of Management for the year ended 31 December 2022

The Board of Management herewith submits its report and the Financial Statements of Sika Capital B.V. (the Company) for the financial year ended 31 December 2022. These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union as well as with Part 9 of Book 2 of the Dutch Civil Code.

General

The Company is registered at Zonnebaan 56, 3542 EG, Utrecht, the Netherlands. The Company was founded on 12 March 2019 under the laws of the Netherlands. The Company is a 100% subsidiary of Sika AG, Baar, Switzerland. The Company acts as a finance company for the benefit of its sole shareholder Sika AG.

Overview of activities

The Sika AG Group needs access to the EU Capital Market. The company was founded to get full access to the EU Capital Market. The Company lends all funds from the Eurobonds and cash surplus to Sika AG. The main income of the Company is the interest income on the Loans to Sika AG. The main expense is the interest on the Bonds which were issued by the Company and which are listed on the Irish Stock Exchange. During the reporting period no new loan arrangements have been executed neither new bonds have been issued.

Objectives

The objectives of the Company, in accordance to article 2 of the Articles of Association, are to borrow money in any form, including via public offerings, to issue notes and bonds as a finance company for the benefit of Sika AG.

Risk management

The Board of Management is in charge of the management of the Company meaning that the responsibilities include the policy and business progress within the Company and with this achievement of the goals, strategy and profit development that are relevant for the Company.

All Euro bonds issues have been guaranteed by Sika AG. The Company's financial assets at amortized cost are considered to have a low credit risk and the loss allowance recognized during the period was therefore limited to 12 months expected credit losses (ECL). All transactions done within the Company are in Euro, therefore no significant foreign currency risks exist.

Risk Area	Risks	Accepted Risk level	Present Risk Level
Strategic Risk	Reputation damage	1	1
Operational Risk	Counterpart- and Credit risk	2	2
Financial Risk	Cash flow and liquidity risk	2	2
Legal and compliance risk	Tax risk	2	2

1 = very low risk level
2 = low risk level
3 = medium risk level
4 = high risk
5 = Very high risk

Risk Profile

In the overview above, the risks are presented that the Company's management believes are most relevant to the achievement of our strategy. The sequence of risks mentioned does not reflect an order of importance, vulnerability or materiality. The overview is not exhaustive and should be considered with forward looking statements. There may be risks not yet known to us or which currently are not deemed to be material. The Company is primarily exposed to financial risks that are directly and indirectly linked to the business



development of the Sika AG Group and the international financial markets. The Company has aligned its risk and opportunity management system with the Sika AG Group to identify business risks and opportunities at an early stage and to assess, control and manage them subsequently.

Reputation Damage

The fact the Company would not be able to fulfil the obligations may cause serious damage to the brand "Sika". This risk is seen as very low. The Company does not bear risks arising from mismatches in terms and conditions between the loans received and provided. These risks are covered by Sika AG. Under responsibility of the Management Board, a system for internal control and for the management of risks within the Company was set up, in corporation with Sika AG, to identify and subsequently manage the credit and interest risks. 4-eyes principle is implemented for the signing of all agreements and bank transactions.

Counterpart and credit risk

The Company's maximum exposure to credit risk resulting from financial activities is equal to the carrying value of the Company's financial assets. The Company's financial assets mainly consist of the intercompany loans to Sika AG.

Sika AG is engaged in the business of specialty chemicals for the construction industry. In this respect, the Sika AG makes decisions on whether borrowing from the Company is in line with its commercial objectives. In addition, Sika AG (as the guarantor) has the financial capacity to assume and actually manage the default risk associated with the bonds. The most representative risk under the Company's financing activities (i.e., most of the default risk) is contractually assumed by Sika AG. As long as Sika AG exercises control over and has the financial capacity to assume such risk, Sika AG can be considered as fully assuming that risk and, in consequence, be accordingly remunerated. The present credit rating for the Sika AG Group is:

The Sika AG Group's credit rating is assessed annually since 1997 by the rating agency Standard & Poor's. In its latest rating from the 19th of December 2022, Standard & Poor's attested Sika's strong financial standing as well as the Group's leading market position in the field of construction chemicals as well as in the industrial adhesives and sealants sector for the automobile and transportation industry.

A- / negative
A-2 (short-term)

Looking at the present credit rating of the Sika AG Group, we see this risk as low.

Cash flow and liquidity risk

The Company finances its operations through borrowings from a number of sources including the public markets as well as borrowing from the Company's related parties and share capital and share premium from its parent company. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company aims to maintain the level of cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities over the next 60 days except for the interest payments for which the cash outflow is matched by a cash inflow on the same day.

The Company has the option to match the maturity of its financial assets to the maturity of its financial liabilities.

The loan agreement between the Company and Sika AG also includes a 'gross-up' provision to ensure that, withholding taxes (if any) levied on the interest payments will not impact the Company's financial position. The Company maintains enough equity available to cover the limited default risk of EUR 10 million, as contractually agreed between the Company and Sika AG. In addition, the Company meets the Dutch operational substance requirements for financing companies as listed in the Decrees.

Any costs incurred with respect to the bond issuance are not (ultimately) assumed by the Company but passed on to Sika AG

Interest rate risk

Interest rate risk results from changes in interest rates, which could have a negative impact on the Company's financial position, cash flow, and earnings situation.

Interest rate risk is limited through the issue of fixed-interest long-term bonds (see note 7) which are issued back to back with loans to related companies at fixed rates which are aligned with the long-term bonds (see note 4). A change in the rate of interest would therefore alter neither annual financial expenses nor shareholder's equity materially. Interest rate developments are closely monitored by management. The interest rate risk is limited through the issue of fixed interest long term bonds. Therefore the Company has made no sensitivity of the market risk.

Legal and compliance risk

Tax risk

The company operates in the Netherlands and therefore is subject to tax risks in the Netherlands (e.g. changes in international tax treaties). To mitigate these tax risks, the Company is advised by internal and external tax advisors on tax matters.

Analysis of the financial activities of the Company including transfer pricing impact has been analysed by an external advisor in July 2019. The income tax calculation is prepared by the Company with support from an external advisor. Also for the monitoring of the income tax calculation, the Company engages external support. As the income tax calculation is first prepared by the Company, then is checked by an external advisor, we have limited the risk of incorrect calculations. Therefore we have qualified this risk as low.

Integrity and Compliance

With support of the tax and legal department of Sika AG and external tax and legal advisors, the management of the Company continuously monitors current and upcoming changes in regulations, laws and policies. Therefore the impact on objectives and overall result of the Company is considered to be low. As part of the Sika AG Group organization, the Company has implemented all compliance principles, as set out in binding form in the Group's Integrity Code. This framework contains central corporate principles of behaviour that Sika AG Group expects all of its employees and business partners to adhere to out of a sense of conviction. Sika AG Group goal is to maintain a common understanding of ethical behaviour in order to reduce risks and help ensure the Group's sustained success. This also means acting in accordance with laws and regulations within the daily business activities. Among other things, the guideline includes the compliance with anti-corruption regulations, data protection laws, equal treatment rules, sanctions and the prevention of money laundering.

Risk and Internal control framework

The Company implemented the risk and internal control framework established in the Sika AG Group. The Company also continuously improves its risk management in alignment with Sika guidelines and standards. Fraud risk assessment is made by Internal audit team and corporate controlling team, including the identified (gross) fraud risks, internal controls at organizational level (such as codes of conduct, whistleblowing procedures, third party due diligence) internal control at a process level and procedures to mitigate the risks, and any follow-up of recommendations for remedial actions. The Company has implemented four eyes principle for all bank transactions and signing of agreements to limit the risk of fraud. The Corporate Governance Statement of Sika is published on www.sika.com.

Corporate responsibility

As the Company is a financing company, the effect of any actions of the Company with regards to corporate responsibility is limited.

Research and development

Looking at the nature of the Company, there are no Research and development activities planned.

Culture and Behavior

The Culture of the Company is strongly related to the culture of Sika Group AG. Sika's unique corporate culture can be defined as a Unique Selling Proposition. The constantly changing work environment requires proactive and dynamic management to migrate the risk of diluting the corporate culture. Factors that accelerate the immediate need for actions are, amongst others, an increasing digitalization of the workplace and business model (remote work, less traveling) the need to align working environments among various cultures and to engage different generations.



Code of Conduct

The code of Conduct is applicable to all employees of Sika worldwide and is filled in the Sika Management System (SMS) and in the personal portal of each employee.

Good Corporate Governance safeguards the sustainable development and performance of the Company. The Company is committed to openness and transparency and provides information on structures and processes, areas of responsibility and decision procedures, as well as rights and obligations of various stakeholders. Sika AG, headquartered in Baar, Switzerland, is a listed company. Sika AG's shares are listed on SIX Swiss Exchange.

Diversity of Board members

At the end of 2021, a law was passed to amend Book 2 of the Dutch Civil Code in connection with better balancing the ratio of men to women on the Management board and the Supervisory board of large NVs and large BVs. This law entered into force on 1 January 2022. The law contains measures to promote diversity at the top of the business community, in which the law has provisions for large NVs and large BVs. Plan is that if changes of Management board members or Supervisory board members are needed, the Company will focus on improvement balancing the ratio of men to women to 33% women. For now the Board of Management and the Supervisory Board are unbalanced since there are no female members in the respective boards. The Board members have been appointed based on qualifications and availability, irrespective of gender. In order to create more balance, the Boards will take these regulations into account to the extent possible for future appointments of Board members.

Business Review

The Company has issued an EUR 1 billion bond split up into a double tranche with payment date on April 29, 2019. One tranche with a fixed interest bond amounting EUR 0.5 billion for term of 2019 – 2027 and one tranche of EUR 0.5 billion for term 2019 – 2031. The EUR 1 billion bond borrowings have been on-lent to Sika AG. In line with the transfer pricing study, the Company is making an intercompany interest profit of 0,077%. The difference between the interest income and interest expense is the main driver for the realized EBIT. The other operating expenses are related to costs for external advisory and other office expenses. The Company started in March 2019 with an equity of EUR 10 million. As the Company does not need the full EUR 10 million cash for the daily operation, the Company has lent in March 2019 EUR 9.6 million to Sika AG. The Company received EUR 12.7 million (2021: EUR 12.5 million) interest from Sika AG and had to pay EUR 11.9 million (2021: EUR 11.9 million) for the Bonds. The Company has paid EUR 0.23 million (2021: EUR 0.34 million) to other payables and the parent company. The year ended 31 December 2022 closed with a consolidated net profit after tax of EUR 548 million (EUR 418 million profit in 2021). There were no cash dividends paid to the shareholders in 2022. There were no new bonds issued.

Consolidated net cash from the operating activities for the year is EUR 559 thousand (2021: EUR 112 thousand) and the cash flow from investing activities for the year is EUR 63 thousand (2021: nil) and cash flow from financing activities for the year is nil (2021: nil). Sika has sound cash management process in place and has access to cash, to meet the financing needs of the Company for 2022 and the future years.

	2022	2021
Current ratio ¹	2.5	2.4
Debt ratio ²	1.0	1.0

According to the current ratio the current liabilities are lower compared to the current assets, because of the nature of the Company. Debt ratio is high which is inherent to the nature of the Company and the position towards Sika AG.



Current and debt ratio:

		31 December 2022	31 December 2021 [*]
Current assets			
Cash and cash equivalents	5	1.773	1.214
Other assets		6	28
Loans to related companies	4,12,13	18.080	18.079
Total current assets		19.859	18.107
Current liabilities			
Trade and other payables	6,13	88	53
Borrowings	7,12	7.950	7.950
Current tax liabilities		-	7
Total current liabilities		8.038	8.010
current ratio		2,5	2,3
Total liabilities		1.004.404	1.003.788
Total equity and liabilities		1.015.978	1.014.813
Debt ratio		1,0	1,0

¹ Current ratio is calculated as: Total current assets / Total current liabilities.

² Debt ratio is calculated as: Total liabilities / Total equity and liabilities

* The comparative information is restated for comparison purposes. See Note 2.1.

Information on the capital structure, control rights and restriction thereof

The authorized share capital of the Company (EUR 10 thousands in total) comprises of shares of EUR 1.000 each of which 10.000.000 shares have been issued and fully paid up. During 2022 there have been no movements in the issued and paid-up capital. There are no restrictions on the capital of the Company.

Corporate governance

Based on the Act on the Supervision of Auditors and the Resolution on the Establishment Audit Committee, the Company is required to establish an audit committee. Per July 2022, the Company has installed a Supervisory Board. The Supervisory Board performs all the duties and tasks of an audit committee with focus on the effectiveness of the Company's internal risk management and control systems, the integrity and quality of the Company's financial reporting and the supervision of the Board of Management with respect to its corporation with the internal and external auditor, financing, ICT related risks and the tax policy.

Compliance with the Dutch Corporate Governance Code

As per article 2 of the Royal Decree, the Company has to comply with articles III 5.4 subs a, b, c, f, article III 5.7 and principles V.2 and V.4 of the Dutch Corporate Governance Code. Article III 5.4 describes the duties of the "audit committee". Article III 5.7 determines that at least one of the members should be a financial expert as described in article III 3.2. The principles V2 and V4 concern the relation between the audit committee and the external auditor. The Directors confirmed that the Company is in compliance with all mentioned articles and no issues have been noted during the reporting year, since this is covered by the Supervisory Board composition.



Remuneration of Managing and Supervisory directors

The Board members did not received a remuneration from the Company as they are employed by Sika Nederland B.V. and Sika AG. The members of the Sika AG audit committee do not receive a remuneration from the Company. The directors do not receive remuneration of the Company and are being paid in other Sika AG Group entities which is considered not a commercial basis.

Supervisory Board

As the Company has the intention to increase the number of issued Euro Bonds in the future, per 21 July 2022 a supervisory board is installed. Two of the three members of the supervisory board are coming from outside the Sika organization and one of the management board members has stepped down from the management board team and joint the supervisory board as third member.

Representation by the Management Board

Management declares that, the Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as well as with Part 9 of Book 2 of the Dutch Civil Code give a true and fair view of the assets, liabilities, financial position and results of the Company. The report of the Management Board includes a fair review of the development and performance of the business during the fiscal year, the position of the Company on the balance sheet date and a description of the material risks that the Company faces.

Other items

All personnel are employed by the regional company Sika Nederland B.V. and the sole shareholder Sika AG. The Company does not have any personnel on the payroll. The company is paying a monthly fee for office expenses. Part of the office expenses is related to the expenses of the two Dutch board members who are on the pay list of Sika Nederland B.V.

Future Outlook

Looking at the nature of the Company we expect an EBIT development for 2023 which will be in line with the present EBIT development. It is expected that the nature of the activities of the Company will remain unchanged in 2023. In 2023 we expect to issue a new Euro bond of about EUR 2.3 billion. We do not expected changes in personnel.

Post Balance Sheet Events

No subsequent post balance sheet events

Utrecht, 17 April, 2023

Sika Capital B.V.
The Board of Management



Financial statements for the year ended 31 December 2022



KPMG Audit
Document to which our report
2458297/23W00187414AVN dated
17 April 2023
also refers.
KPMG Accountants N.V.

(i) **Statement of financial position as at 31 December 2022**
In thousands of euros (before profit appropriation)

	Notes	31 December 2022	31 December 2021*
Assets			
Non-current assets			
Loans to related companies	4,12,13	996.051	995.398
Deferred tax asset	11	68	94
Total non-current assets		996.119	995.492
Current assets			
Cash and cash equivalents	5	1.773	1.214
Other assets		6	28
Loans to related companies	4,12,13	18.080	18.079
Total current assets		19.859	19.321
Total assets		1.015.978	1.014.813
Equity			
Share capital	8	10.000	10.000
Reserves		1.026	608
Unappropriated result	8	548	417
Total equity		11.574	11.025
Liabilities			
Non-current liabilities			
Borrowings	7,12	996.366	995.778
Total non-current liabilities		996.366	995.778
Current liabilities			
Trade and other payables	6,13	88	53
Borrowings	7,12	7.950	7.950
Current tax liabilities		-	7
Total current liabilities		8.038	8.010
Total liabilities		1.004.404	1.003.788
Total equity and liabilities		1.015.978	1.014.813

* The comparative information is restated for comparison purposes. See Note 2.1.

The notes on pages 14 to 29 are an integral part of these financial statements.



(ii) **Statement of profit or loss and other comprehensive income for the year ended 31 December 2022**
In thousands of euros

	Notes	For the year from 1 January 2022 to 31 December 2022	For the year from 1 January 2021 to 31 December 2021
Interest income	10	13.385	13.381
Interest expenses	10	(12.463)	(12.456)
Net interest income		922	925
Credit impairment release	12	63	-
General administrative expenses	9	(252)	(243)
Profit before income tax		733	682
Income taxes	11	(185)	(264)
Net profit for the year		548	418
Other comprehensive income for the year, net of tax			
Total comprehensive income for the year attributable to owners of the Company		548	418

The notes on pages 14 to 29 are an integral part of these financial statements.

(iii) **Statement of changes in equity for the year ended 31 December 2022**
In thousands of euros

For the year from 1 January 2022 to 31 December 2022				
	Share capital	Reserves	Unappropriated result	Total equity
Balance at 1 January 2022, as previously reported	10.000	608	418	11.026
Appropriation income 2021	-	418	-418	-
Net result for the year	-	-	548	548
Balance at 31 December 2022	10.000	1.026	548	11.574

For the year from 1 January 2021 to 31 December 2021				
	Share capital	Reserves	Unappropriated result	Total equity
Balance at 1 January 2021, as previously reported	10.000	-	608	10.608
Appropriation income 2020	-	608	-608	-
Net result for the year	-	-	418	418
Balance at 31 December 2021	10.000	608	418	11.026

The notes on page 14 to 29 are an integral part of these financial statements.

(iv) **Statement of cash flows for the year ended 31 December 2022**
In thousands of euros

	Notes	For the year from 1 January 2022 to 31 December 2022	For the year from 1 January 2021 to 31 December 2021*
Cash flows from operating activities			
Profit before taxes		733	682
<i>Adjustments for:</i>			
Interest income	10	(13.385)	(13.381)
Interest expense	10	12.463	12.456
Credit impairment release	12	63	-
Operating profit		(859)	(925)
<i>Changes in:</i>			
Other current assets	5	45	(12)
Receivables to related companies for the cash pool	5	-	-
Trade and other payables	6	35	235
Movement in working capital		80	223
Interest received		12.653	12.525
Interest paid		(11.875)	(11.875)
Income taxes paid		(173)	(518)
Cash flow from operating activities		559	112
Cash flow from investing activities			
Issued loans to related companies	4	-	-
Cash flow from financing activities			
Proceeds from issuance of shares	8	-	-
Proceeds from borrowings	7,12	-	-
Cash flow from financing activities		-	-
Net change in cash and cash equivalents		559	112
Reconciliation of opening to closing cash and cash equipments:			
At 1 January		1.214	1.102
Net change in cash and cash equivalents		559	112
Cash and cash equivalents at 31 December		1.773	1.214

The notes on page 14 to 29 are an integral part of these financial statements.

* The comparative information is restated for comparison purposes. See Note 2.1.

Notes to the financial Statements

1 Corporate information

The registered office according to the Articles of Association of Sika Capital B.V. ("the Company") is Zonnebaan 56 3542 EG, Utrecht. The Company, incorporated on 12 March 2019 under the laws of the Netherlands, is registered in the Commercial Register of the Chamber of Commerce under the following file number: 74254545.

Sika AG, Baar, Switzerland, is the ultimate parent company of the Company and includes the financial information of the Company in its consolidated financial statements. Copies of these consolidated financial statements can be acquired from the website www.sika.com.

The principal business activities of the Company is to act as a finance company for the Sika AG Group.

The Company's objective is to raise funds in the debt capital market to fund the Sika AG Group activities and investment plans. The Company borrows funds from external market and lends the funds to Sika AG Group companies.

The financial statements comprise only the separate financial statements of the Company.

The financial statements relate to the reporting period 01 January 2022 up to 31 December 2022.
The financial statements have been approved for issue by the Board of Management on 17th of April 2023.

2 Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch civil code. All standards and interpretations applicable as of 31 December 2022, were taken into account.

The financial statements have been prepared according to the going-concern principle.

The preparation of financial statements in conformity with EU-IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The financial statements have been prepared in Euros and all values are rounded to the nearest thousand.

Reclassification for comparison purposes

The figures for 2021 have been reclassified in order to enable comparability with 2022. It concerns a reclassification relating to Cash & Cash equivalents.

The Company has reclassified the account 'Other receivables from group companies' to 'Cash & Cash equivalents' as the balance of the account is related to cash pool agreement between Sika Treasury and Sika Capital B.V. (refer note 5). According to this agreement, Sika Capital B.V. has full access to these funds without any restrictions. The cash pool balance of the Company is at the Company's free disposal and is therefore considered Cash and Cash equivalents.

Due to the above reclassification, the comparative figures in the cash flow statement have also been changed for comparison purposes.

2.2 New, revised or amended standards adopted by the Company

The following IFRS standards and interpretations have been issued and became effective as of 1 January 2022 but do not have an impact on the financial statements of the Company:

- Annual Improvements to IFRS Standards 2018-2020

2.3 New, revised or amended standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for reporting period ended 31 December 2022 and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

- IFRS Insurance contracts, effective 1 January 2023
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)

2.4 Standards not / not yet endorsed by the EU and not yet adopted by the Company

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

Interest Rate Benchmark Reform:

The Company does not have any interest rate hedging relationships, nor does the Company hold any variable interest rate exposures. The interest rate benchmark reform therefore has no impact on the financial statements of the Company.

2.5 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.

The critical accounting policies which involve significant estimates, assumptions or judgements, the actual outcome of which could have a material impact on the Company's results and financial position, relate to the following item:

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on existing market conditions, as well as forward-looking estimates at the end of the reporting period.

2.6 Financial instruments

Recognition and initial measurement

Financial assets primarily comprise the Receivables from Sika AG. The classification of the financial instrument is determined at initial recognition and depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The determination of the business model is made at the portfolio level and is based on management's intention and past transaction patterns. The assessments of the contractual cash flows are made on an instrument by instrument basis.

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Classification and subsequent measurement

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets with contractual cash flows that consist solely of payments of principal and interest on the nominal amount outstanding and which are held with the aim of collecting the contractual cash flows, such as the Receivables from Sika AG. The intergroup cash position is reflected in the Inhouse Bank position with Sika AG as Cash & Cash equivalents under note 5.

Subsequently, financial assets are fall within the scope of the IFRS 9 impairment approach, the impairment accounting expresses a financial assets expected credit loss as the projected present value of the estimated cash shortfalls over the expected life of asset.

The other current assets relate to other tax assets. The amortised cost of the other current assets approximate their nominal amount due to their short term nature.

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred;
 - or
 - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Impairment of financial assets

IFRS 9 introduced the expected credit loss impairment approach to be applied on all financial assets at amortized cost or at fair value through other comprehensive income. Under IFRS 9, the projections of the future are taken into consideration.

The expected credit loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually includes new acquisitions and contracts with fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to Stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over the expected life of a financial instrument.

Stage 3: expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit-impaired or in default, it is transferred to Stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date and other information about significant financial difficulties of the borrower.

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The Company applies the low credit risk exemption allowing the Company to assume that there is no significant increase in credit risk since initial recognition of a financial instrument, if the instrument is determined to have low credit risk at the reporting date. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company measures loss allowances at an amount that represents credit losses resulting from default events that are possible within the next 12 months; unless the credit risk on a financial instrument has increased significantly since initial recognition. In the event of such significant increase in credit risk the Company's measures loss allowances for that financial instrument at an amount equal to its lifetime expected losses, i.e., at an amount equal to the expected credit losses that results from an possible default events over the expected life of that financial instrument. The risk of default is considered to be low, taking into account Sika AG's "investment grade" S&P credit rating, strong liquidity position and positive cash generation from operating activities in 2022.

Classification and measurement of financial liabilities

All financial liabilities are initially recognized at fair value less directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of profit or loss 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. Financial liabilities recognized at amortized costs include Borrowings and trade and other payables.

The trade and other payables amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting date.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset in the financial statements and the net amount is presented in the statement of financial position when and only when if and to the extent that:

- An enforceable legal right exists to offset the assets and liabilities and settle them simultaneously, and
- The Company intends to settle the assets and liabilities on a net basis or simultaneously.

2.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Dividends

A liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.8 Income taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI. The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax

Current tax is the tax expected to be paid on the taxable income for the reporting period, using tax rates enacted at the balance sheet date. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.



Deferred taxes are calculated using the liability method. According to this method, the effects on income taxes resulting from temporary differences between Company 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 profit or loss, or directly in equity.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

2.9 Other operating expenses

Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met.

2.10 Net interest income: interest income and interest expenses

Interest income and interest expenses from financial instruments measured at amortised cost are recognized in the statement of profit and loss account for all interest-bearing financial instruments on an accrual basis using the 'effective interest' method based on the fair value at inception. When a financial asset measured at amortised cost is credit-impaired, interest income is calculated by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset is no longer credit-impaired, the calculation of interest income reverts to the gross basis.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

2.11 Cash flow statement

Cash flows from operating activities, as included in the statement of cash flows, have been prepared in accordance with the indirect method. Due to the nature of the entity (as financing company), interest income and interest expenses are treated as operating activities in the cashflow statement.

Transactions for which no cash or cash equivalents are exchanged are not included in the cash flow statement.

2.12 Statement of financial position

Current assets and current liabilities mature in less than twelve months. Non-current assets and liabilities include positions for a term of more than one year.

3 Segment reporting

The Company's chief operating decision maker (CODM) is its Board of Management. The Board of Management is the group of individuals that is responsible for the allocation of resources, assessing the performance of the entity and deciding on the allocation of resources and funding to maximise dividend and interest income.

The CODM does not review financial information on an operational country specific or business sector specific basis. The Sika AG Group's financial information overall is taken into account and this information is used to make decisions about resources to be allocated and how the Company's operations should be conducted.

It is therefore management judgement that the Company comprises a single operating and reportable segment engaged in the investing and financing activities.

This is consistent with how the financial information is viewed for the purposes of evaluating performance, allocating resources, and planning and forecasting future periods and how the operations are managed by the CODM, being the Board of Management

4 Loans to related companies

Thousands Euros		31 December 2022	31 December 2021
Non-current			
Loan to related companies		996.361	995.770
Less: loss allowance	12	<u>(310)</u>	<u>(372)</u>
		996.051	995.398
Current			
Loan to related companies		9.600	9.600
Accrued interest		8.483	8.483
Less: loss allowance	12	<u>(3)</u>	<u>(4)</u>
		18.080	18.079
Total		1.014.131	1.013.477

The current 'loan to related companies' (loan number 3 amounting EUR 9.600 thousands) represents the loan agreement between the Company and Sika AG for the purpose of general financing needs of the day-to-day operational expenses and working capital. The loan is classified as a current asset as it includes a demand feature which is exercisable within 12 months.

The non-current 'loan to related companies' (loan number 1 and 2, amounting EUR 500.000 thousands nominal value each) represents the proceeds received by the Company from the placement of the Euro bonds which have been on-lent to Sika AG.

Further information regarding loans to related companies is set out in note 12 and the table below:

	Counterparty	Notional	Principal	Currency	Term	Maturity date	Interest rate
1)	Sika AG	500.000	497.160	EUR	2019 - 2031	29 April 2031	1,577%
2)	Sika AG	500.000	497.080	EUR	2019 - 2027	29 April 2027	0,952%
3)	Sika AG	9.600	9.600	EUR	2019 - 2031	29 April 2031	1,597%

The difference between the notional and principal amount relates to transaction costs. The interest rates on the loans are fixed and are received annually in arrears.

5 Cash and cash equivalents

Thousands Euros	31 December 2022	31 December 2021 *
Cash and cash equivalents	1.773	1.214
Total	1.773	1.214

* The comparative information is restated for comparison purposes. See Note 2.1.

Cash and cash equivalents represents the cash pooling of the Sika AG Group, according to the Target Balancing Agreement between Sika Finanz AG, Citibank NA London Branch and Sika Capital B.V. The cash pool balance of the Company is at the Company's free disposal.

6 Trade and other payables

The carrying amounts of trade and other payables approximate their fair value due to the short-term maturities.

Thousands Euros	31 December 2022	31 December 2021
Accrued audit and other advisory costs	88	53
Total	88	53

7 Borrowings

On 15 April 2019 the Company placed a Euro bond of EUR 1,000 million through a double tranche with a settlement date on 29 April 2019. The bonds are traded on the Irish Stock Exchange, under Euronext Dublin.

The details of the bond is set out below:

	Counterparty	Principal	Currency	Term	Interest rate
1)	Fixed interest bond	500.000	EUR	2019-2027	0,875%
2)	Fixed interest bond	500.000	EUR	2019-2031	1,500%

Thousands Euros	31 December 2022	31 December 2021
Non-current		
Bonds issued	996.366	995.778
	996.366	995.778
Current		
Accrued interest	7.950	7.950
	7.950	7.950
Total	1.004.316	1.003.728



Sika AG guarantees the Euro bonds issued by the Company to the bondholders per the agreement made on 5 August 2019 between Sika AG and the Company.

8 Shareholder's equity

The authorized share capital of the Company (EUR 10 million in total) comprises of shares of EUR 1.00 each of which 10 million shares have been issued and fully paid up. During 2022 there have been no movements in the issued and paid-up capital.

Appropriation of profit of 2021

The financial statements for the reporting year 2021 have been adopted by the General Meeting on 25 August 2022. The General Meeting has adopted the appropriation of profit after tax for the reporting year 2021 as proposed by the Board of Management.

Proposed appropriation of the profit of 2022

The Board of Management proposes to add the unappropriated Net profit 2022 to the Reserves. Following the appropriation of result proposed by the Board of Management and pursuant to article 11.1 of the articles of association, an amount of EUR 548.000 of the profit 2022 will be at the disposal of the Annual general Meeting.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Board of Management monitors the return on capital as well as the level of dividends to the shareholder. The Board of Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's objective when managing capital at the Company level is to safeguard its ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company may issue new shares or adjust the amount of dividends paid to shareholder to steer the capital structure. The Company has no prescribed dividend policy. The Company's equity, as shown in the Statement of Financial Position, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operations requirements. In view of the Company's borrowings or debt, the capital level as at the end of the reporting periods is deemed adequate by the Board of Management. There were no changes in the Company's approach to capital management during the relevant years.

9 General administrative expenses



Thousands Euros	For the year 1 January 2022 to 31 December 2022	For the year 1 January 2021 to 31 December 2021
Audit and Advisory costs	75	91
Office and other operating expenses	152	152
Supervisory Board	25	-
Total	252	243

10 Net interest income

Thousands Euros	For the year 1 January 2022 to 31 December 2022	For the year 1 January 2021 to 31 December 2021
Interest income		
Loans to related companies - amortised cost	13.385	13.381
Other	-	-
	<u>13.385</u>	<u>13.381</u>
Interest expense		
Bonds - amortised cost	(12.463)	(12.456)
	<u>(12.463)</u>	<u>(12.456)</u>
Total	922	925

11 Income taxes

Thousands Euros	For the year 1 January 2022 to 31 December 2022	For the year 1 January 2021 to 31 December 2021
Income tax during the year	169	264
Deferred income tax	16	-
Total	185	264
Reconciliation between expected and effective tax expense		
Profit before tax from continuing operations	733	682
Income tax using the domestic corporate tax rate	173	171
Non-taxable income/non-tax-deductible expenses	54	36
Effect of changes in tax rates	(42)	(26)
Adjusted tax expense from earlier periods	-	83
Tax expense as per income statement	185	264
Origin of deferred tax assets and liabilities		
Other non-current assets	68	94
Total	68	94

The applicable tax rate in the Netherlands for the financial statements is 25.8% (2021: 25%), while the effective tax rate is 25.2%. (2021 38.7%) Effect of changes in tax rates is caused by the fact that over the first EUR 395 profit (2021: EUR 245), the tax rate is 15% (2021: 16.5%) and over the profit more than EUR 395, the tax rate is 25.8%. Non-tax-deductible expenses is related to limitation of G&A costs according to the transfer pricing report.

Movement in deferred tax balances

thousands Euros	2022	Net balance at 1 January	Recognised in profit or loss	Net balance at 31 December	Deferred tax assets
Loans and borrowings		94	(26)	68	68
thousands Euros	2021	Net balance at 1 January	Recognised in profit or loss	Net balance at 31 December	Deferred tax assets
Loans and borrowings		94	-	94	94

12 Financial risk management

Basic principles

The Company's activities expose it to a variety of financial risks: market risks (primarily interest rate risks), credit risks, and liquidity risks. Management identifies, evaluates, and hedges financial risks, where appropriate.

Interest rate risk

Interest rate risks result from changes in interest rates, which could have a negative impact on the Company's financial position, cash flow, and earnings situation.

Interest rate risk is limited through the issue of fixed-interest long-term bonds (see note 7) which are issued back to back with loans to related companies at fixed rates which are aligned with the long-term bonds (see note 4). A change in the rate of interest would therefore alter neither annual financial expenses nor shareholder's equity materially. Interest rate developments are closely monitored by management. The interest rate risk is limited

through the issue of fixed interest long term bonds. Therefore the company has made no sensitivity of the market risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables on Sika AG.

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 Company to suffer a financial loss. Counterparty risks are minimized by only concluding contracts with reputable business partners and banks. The loan assets are localized to a single counterparty, Sika AG (credit rating: A-/ negative, according to rating agency Standard & Poor's).

In order to limit Sika Capital B.V.'s exposure to aggregate risks related to the intercompany loan agreement, Sika Capital B.V. and Sika AG have entered into a Limitation of Recourse Agreement. Per this agreement, Sika Capital B.V. will assume risks up to the higher of (i) either 1% of the aggregate amount of outstanding loans to Sika AG or (ii) an aggregate amount of EUR 2 million. Consequently, any additional risks above the risks assumed by Sika Capital B.V. will be absorbed by Sika AG. As a result, the credit risk of intergroup financial receivables is effectively mitigated to the default risk of Sika AG.

The Company has financial assets carried at amortised cost (loans to related companies) that are subject to the expected credit loss model.

A significant increase in credit risk since initial recognition is presumed when financial assets are 30 days past due. The Credit risk mainly applies to the receivables with Sika AG which is presented in Note 4.

Financial assets carried at amortised cost – Loans to related companies

The company's financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognized during the period was therefore limited to 12 months' expected losses.

The loss allowance for financial assets at amortised cost as at 31 December reconciles to the opening loss allowance as follows:

31 December Thousands Euros	For the year 1 January 2022 to 31 December 2022		For the year 1 January 2021 to 31 December 2021	
	Loans to Sika	Total	Loans to Sika	Total
Opening loss allowance as at 1 January	376	376	376	376
Decrease in the allowance recognised in profit or loss during the period	(63)	(63)	-	-
Total closing loss allowance at 31 December	313	313	376	376

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity risk refers to the risk of the Company 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. Management monitors the Company's liquidity reserve on the basis of expected cash flows.

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

Thousands Euros	For the year 1 January 2022 to 31 December 2022				For the year 1 January 2021 to 31 December 2021			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Borrowings	-	498.393	497.973	996.366	-	-	995.778	995.778
Accrued interest	7.950	-	-	7.950	7.950	-	-	7.950
Trade and other payables	88	-	-	88	53	-	-	53
Current tax liabilities	-	-	-	-	7	-	-	7
Total financial liabilities measured at amortised cost	8.038	498.393	497.973	1.004.404	8.010	-	995.778	1.003.788

13 Fair value of financial assets and financial liabilities

The Company measures all financial assets and financial liabilities subsequently at amortised cost using the effective interest method. In this section the fair value of those instruments are disclosed.

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. The fair values for the loans to related companies are determined using quoted prices for similar assets or liabilities in active markets.
- Level 3: procedures applied 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. The Company does not hold any financial instruments requiring evaluation according to level 3 procedures.

The fair values of other assets and trade and other payables approximate their carrying value due to their short term nature. Due to the nature of the loans to related companies, no adjustments have been taken into account compared to the quoted prices of the similar liabilities in active markets.

The fair value is based on the listed price for Eurobonds per 31 December 2022 (source Reuter). The listed price for 2019 – 2031 bonds is EUR 82.833 (2021: EUR 106.973). The listed price for 2019 – 2027 bonds is EUR 88.689 (2021 EUR: 102.566)

31 December 2022			
Thousands Euros	Level	Carrying amount	Fair value
Non-current financial assets			
Loans to related companies	2	996.051	857.297
current financial assets			
Loans to related companies	2	9.600	9.600
Total financial assets measured at amortised cost	2	1.005.651	866.897

Thousands Euros	Level	Carrying amount	Fair value
Financial liabilities			
Borrowings	1	996.366	857.610
Total financial liabilities measured at amortised cost	1	996.366	857.610

31 December 2021			
Thousands Euros	Level	Carrying amount	Fair value
Non-current financial assets			
Loans to related companies	2	995.398	1.047.320
current financial assets			
Loans to related companies	2	9.600	9.600
Total financial assets measured at amortised cost	2	1.004.998	1.056.920

Thousands Euros	Level	Carrying amount	Fair value
Financial liabilities			
Borrowings	1	995.778	1.047.695
Total financial liabilities measured at amortised cost	1	995.778	1.047.695

14 Related party transactions

Parent entity

The company is controlled by the following entity:

Company	Type	Place of incorporation	Ownership Interest for the year January 2022 to 31 December 2022
Sika AG	Parent entity	Switzerland	100%

Transactions with other related companies – Sika Nederland B.V.

Thousands Euros	For the year 1 January to 31 December 2022	For the year 1 January to 31 December 2021
Sales and purchases of goods and services		
Purchase of management services from Sika Nederland BV	153	151
Total	153	151

The Company, through the payment of management services, acquired professional services, IT services and the use of general office equipment and office space from Sika Nederland B.V. These expenses are included in the 'other operating expenses' in the statement of profit or loss.

Outstanding balances arising from loans to/from related companies.

The following balances are outstanding at the end of the year in relation to transactions with related companies:

Loans to/from related companies

Loans receivable to Sika AG - ultimate parent entity

Thousands Euros	31 December 2022	31 December 2021
Non current		
Loans advanced	996.361	995.774
Current		
Loans advanced	9.600	9.600
Interest Receivable	8.483	8.483
	1.014.444	1.013.857

Besides the above loans the Company is making use of a cash pool of Sika AG as disclosed in note 5.

A loss allowance of EUR 313.000 (2021: EUR 376.000) is deducted from the loans to related companies, see note 12 for further information.

The above transactions caused accrued interests income, see note 4 for further information and for the interest income recorded in the statement of profit or loss see note 10.

Terms and conditions

The related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Refer to note 4 for further details on the loan terms.

Key management personnel remuneration

During the reporting period presented, we considered the Board of Management of Sika Capital B.V. to be the key management personnel as defined in IAS 24 'Related parties'. The Board of Management comprises of three Directors up to 21 July 2022 and from 22 July 2022 comprises of two Directors. The Directors do not receive remuneration of the Company and are being paid in other Sika AG Group entities which is considered not a commercial basis. One Director is compensated via Sika AG and two Directors are compensated via Sika Nederland B.V.

For the year 1 January to 31 December 2022

Total spend for 3 directors 1-1-2022 up to 21-7-22	40.734
Total spend for 2 directors 22-7-22 up to 31-12-2022	<u>65.472</u>
Total in EUR.	106.206

The Supervisory Board comprises of three members. Total remuneration paid for 3 Supervisory Board Members for the period of 22 July 2022 up to 31 December 2022 amounts to EUR 25.000.

One Supervisory Board member did not receive remuneration of the Company and is being paid in other Sika AG Group entities which is considered not a commercial basis.

15 Workforce

The average number of staff (FTE) employed by the Company in 2022 was nil (prior year: nil).

16 Audit fees

KPMG has acted as external auditor for the company for the book year started per 1st of January 2022 (the audit of the financial year 2021 was performed by EY Netherlands). With reference to Section 2:382 a (1) and (2) of the Dutch Civil Code, the fees related to professional services rendered by the Company's independent auditor were EUR 40.000 (2021: EUR 50.000).

The fees mentioned in the table for the audit of the financial statements (and other audit engagements) are related to the work performed during the reporting period by the external auditor.



in Euro	KPMG Accountants N.V. 2022	EY Accountants N.V. 2021
Audit of the financial statements	40.000	50.000
Other audit engagements	-	-
Tax-related advisory services	-	-
Other non-audit services	-	-
Total	40.000	50.000

17 Remuneration of the members of the board of management

The Board remuneration is disclosed in Note 14 of the financial statements.

18 Events after the end of the reporting period

No subsequent post balance sheet events

19 Signatories to the financial statements

Utrecht, April 17, 2023

The Board of Management:

R. van der Wilt

H.H. Lunneker



The Supervisory Board:

A. Prins

A. Hofmeijer

P. Baumann



Other information

Provisions in the articles of association governing the appropriation of profit

Under article 11.1 of the Company's articles of association, the profit is at the disposal of the General Meeting, which can allocate said profit either wholly or partly to the formation of - or addition to - one or more general or special reserve funds.

Independent Auditor's Report

The Independent Auditor's Report is set out on the next pages.





Independent auditor's report

To: the Annual General Meeting of Shareholders and the Supervisory Board of Sika Capital B.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Sika Capital B.V. as at 31 December 2022 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2022 of Sika Capital B.V. (the "Company") based in Utrecht, the Netherlands.

The financial statements comprise:

- 1 the statement of financial position as at 31 December 2022;
- 2 the following statements for 2022: the profit or loss and other comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Sika Capital B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matter was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

2458297/23W00187414AVN

KPMG Accountants N.V., a Dutch limited liability company registered with the trade register in the Netherlands under number 33263683, is a member firm of the global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



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

Information in support of our opinion

Summary

Materiality

- Materiality of EUR 7.5 million
- 0.75% of total assets

Fraud/Noclar and Going concern related risks

- Fraud & Non-compliance with laws and regulations (Noclar) related risks: presumed risk of management override of controls identified
- Going concern related risks: no going concern risks identified

Key audit matter

- Recoverability of loans and related interest to Sika AG (Parent Company)

Opinion

Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 7.5 million. The materiality is determined with reference to total assets (0.75%). We consider total assets as the most appropriate benchmark because assets of the Company generate the cash flows required to service the bonds issued. The Company's bond holders – as the primary stakeholders of the entity – are likely to focus primarily on the appropriate accounting (including valuation) of these assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 375,000 would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.



Audit response to the risk of fraud and non-compliance with laws and regulations

In section 'integrity and compliance' of the report of the Board of management, the Board of Management of Sika Capital B.V. describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Company and its business environment, and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, whistleblowing procedures and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, those charged with governance and other relevant functions, such as external Legal Counsel. As part of our audit procedures, we:

- made inquiries with the Board of Management about possible other positions held by its members and/or other employees and paid special attention to procedures and governance/compliance in view of possible conflicts of interest
- evaluated correspondence with supervisory authorities and regulators as well as legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and did not identify areas that likely have a material effect on the financial statements.

We, together with our forensic specialists, evaluated the fraud and non-compliance risk factors to consider whether those factors by themselves would cause the existence of a reasonable possibility of a risk of material misstatement in the financial statements.

Further, we assessed the presumed fraud risk on revenue recognition as irrelevant, since the Company's sole significant source of income is finance income. Such finance income is derived from long term loan agreements with Sika AG, including fixed terms and conditions in respect of interest. As a consequence, we did not identify an incentive or pressure for the management to achieve certain results or specific financial income targets and there appears to be limited perceived opportunity to commit a material fraud in this area.

Based on the above and on the auditing standards, we identified the following fraud risk that is relevant to our audit and responded as follows:

Management override of controls (a presumed risk)

Risk:

- Board of Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.



Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries and post-closing adjustments.
- We performed an analysis of high-risk journal entries and evaluated estimates and judgments, in relation to the valuation of loans granted to Sika AG, for bias by the Company's management. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We examined all minutes and resolutions of the Company to search for indications of fraud and for significant transactions that are outside the Company's normal course of business, or are otherwise unusual.
- We incorporated elements of unpredictability in our audit, including a full reconciliation of all bank transactions for the financial year with the bank statements of the Company.

Our evaluation of procedures performed related to fraud did not result in an additional key audit matter.

We communicated our risk assessment, audit responses and results to Management and the Supervisory Board.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The Board of Management performed its going concern assessment, in which amongst others the Company's high dependency of the Parent Company's ability to fulfill its obligations towards the Company was considered. The Board of Management did not identify any going concern risks.

To assess the Board of Management's assessment, we performed, inter alia, the following procedures:

- we considered whether the Board of Management's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we analysed the Company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks;
- we considered whether the outcome of our audit procedures, as described in the key audit matter to determine the recoverability of loans and related interest to the Parent Company, could indicate a going concern risk.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on the Board of Management's going concern assessment.



Our key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Supervisory Board. The key audit matter is not a comprehensive reflection of all matters discussed.

Recoverability of loans to and interest receivables from Sika AG (Parent Company)

Description

As included in note 4 and 12 of the financial statements the Company's exposure, in terms of credit risk, to Sika AG (Parent Company) may have a pervasive effect on the Company's financial statements, in the event that it can no longer fulfil its financial obligations towards the Company. The Company's ability to meet its financial obligations to bond holders depends on the cash flow generated from the repayment of (accrued) interest and principal by the Parent Company and available cash & cash equivalents. The outstanding balances as at 31 December 2022 amounts to EUR 1 billion.

As the loans and interest receivables from the Parent Company are material to the Company's balance sheet, we therefore consider the recoverability of the loans provided to the Parent Company and their related interest income receivable to be a key audit matter. The Board of Management evaluates the intercompany receivables against IFRS 9 requirements, by estimating intercompany probability of default on the basis of the creditworthiness of the Parent Company and the applicable market data.

Our response

Our main procedures with respect to the Board of Management's assessment of the recoverability of the loans and their related interest receivables from Parent Company are:

- we inquired with the Board of Management of the Company about their assessment of the recoverability of the loans to the Parent Company and interest receivables, based upon their knowledge of the developments in the financial position and cash flows of the Parent Company and about their evaluation with respect to the recoverability of the loan receivables and of the interest receivable from the Parent Company;
- we inspected the terms and conditions of the loan agreements between the Parent Company and the Company and we analysed the Parent Company's ability to meet its obligations under the loan agreements and the financial position of the Parent Company by evaluating the respective financial figures for the year 2022. In addition, we evaluated the Parent Company's ability to meet their respective obligations towards the Company by evaluating their audited financial statements as at 31 December 2022.



Furthermore, we requested and evaluated certain working papers of the auditor of the Parent Company, supporting this evaluation;

- we evaluated the long-term credit ratings and outlook of the Parent Company from Standard and Poor's credit agency;
- as part of our analysis on recoverability we assessed whether the Parent Company defaulted on loans and interest payments during 2022;
- finally, we evaluated the appropriateness of the accounting principles applied based on IFRS 9 requirements and the adequacy of the Company's related disclosures as presented in the notes to the financial statements.

Our observation

The results of our audit procedures relating to the recoverability of the loan receivables and interest receivables from the Parent Company were satisfactory. We consider the disclosures relating to credit risk as included in the credit risk paragraph in Notes 4 and 12 of the financial statements to be adequate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the Board of Management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Annual General Meeting of Shareholders as auditor of Sika Capital B.V. on 27 September 2022, as of the audit for the year 2022.



No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of Board of Management and the Supervisory Board for the financial statements

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Management is responsible for such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Board of Management, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.



A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at [eng_oob_01.pdf \(nba.nl\)](#). This description forms part of our auditor's report.

Amstelveen, 17 April 2023

KPMG Accountants N.V.

G.L. Brewster RA
Partner