

SIKA
BUSINESS YEAR

2023

FINANCIAL REPORT

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

GROSS RESULT

+16.3%

OPERATING FREE CASH FLOW
IN CHF MILLION

1,372.7

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT for the year ended December 31

in CHF mn	Notes	%	2022	%	2023	Change in %
Net sales	1, 2	100.0	10,491.8	100.0	11,238.6	7.1
Material expenses	3	-50.6	-5,312.0	-46.4	-5,213.8	
Gross result		49.4	5,179.8	53.6	6,024.8	16.3
Personnel expenses	4	-16.3	-1,710.5	-17.8	-2,006.8	
Other operating expenses	5	-14.4	-1,505.1	-17.6	-1,973.3	
Operating profit before depreciation		18.7	1,964.2	18.2	2,044.7	4.1
Depreciation and amortization expenses	2, 15, 16	-3.6	-384.5	-4.3	-485.3	
Impairment	2, 15, 16	0.0	0.0	-0.1	-10.3	
Operating profit	2	15.1	1,579.7	13.8	1,549.1	-1.9
Interest income	7	0.2	19.0	0.3	30.9	
Interest expenses	6	-0.6	-59.4	-1.5	-165.7	
Other financial income		0.1	6.9	0.1	7.3	
Other financial expenses	6	-0.5	-48.4	-0.8	-86.3	
Income from associated companies	7, 17	0.0	0.4	0.0	1.1	
Profit before taxes		14.3	1,498.2	11.9	1,336.4	-10.8
Income taxes	8	-3.2	-335.7	-2.4	-273.8	
Net profit		11.1	1,162.5	9.5	1,062.6	-8.6
Profit attributable to Sika shareholders		11.1	1,162.5	9.5	1,062.0	
Profit attributable to non-controlling interests	24	0.0	0.0	0.0	0.6	
Basic earnings per share (in CHF)	9		7.57		6.82	-9.9
Diluted earnings per share (in CHF)	9		7.29		6.65	-8.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended December 31

in CHF mn	Notes	%	2022	%	2023	Change in %
Net profit		11.1	1,162.5	9.5	1,062.6	-8.6
Remeasurements of defined benefit plans	22	-0.7	-74.7	0.5	53.7	
Income tax effect	8	0.1	7.3	-0.1	-8.2	
Items that will not be reclassified to profit or loss		-0.6	-67.4	0.4	45.5	
Exchange differences taken to equity		-2.3	-237.2	-7.2	-806.7	
Income tax effect	8	0.0	2.2	0.0	5.4	
Items that may be reclassified subsequently to profit or loss		-2.2	-235.0	-7.1	-801.3	
Other comprehensive income		-2.9	-302.4	-6.8	-755.8	
Comprehensive income		8.2	860.1	2.7	306.8	-64.3
Attributable to Sika shareholders		8.2	859.8	2.7	307.2	
Attributable to non-controlling interests	24	0.0	0.3	0.0	-0.4	

CONSOLIDATED BALANCE SHEET as at December 31

in CHF mn	Notes	2022	2023
Cash and cash equivalents	10, 26	1,873.3	643.9
Accounts receivable	11, 26	1,719.6	2,009.1
Inventories	12	1,212.8	1,240.7
Prepaid expenses and accrued income	13	190.1	243.8
Other assets	14, 26	25.5	63.8
Current assets		5,021.3	4,201.3
Property, plant, and equipment	15	1,822.3	2,257.3
Intangible assets and goodwill	16	4,229.1	8,223.6
Investments in associated companies	17	9.5	19.1
Deferred tax assets	8	144.8	188.6
Other assets	14, 26	92.2	160.8
Non-current assets		6,297.9	10,849.4
ASSETS		11,319.2	15,050.7
Accounts payable	18, 26	1,016.6	1,108.2
Accrued expenses and deferred income	19	489.0	678.2
Financial liabilities	20, 26	303.0	1,217.9
Income tax liabilities		205.9	365.4
Provisions	21	26.9	46.3
Current liabilities		2,041.4	3,416.0
Financial liabilities	20, 26	3,634.2	4,732.0
Provisions	21	78.0	200.5
Deferred tax liabilities	8	322.5	404.7
Employee benefit obligations	22	239.9	328.6
Other liabilities	23	36.1	35.7
Non-current liabilities		4,310.7	5,701.5
LIABILITIES		6,352.1	9,117.5
Capital stock	24	1.5	1.6
Treasury shares	24	-15.1	-11.9
Reserves	24	4,979.8	5,930.7
Equity attributable to Sika shareholders	24	4,966.2	5,920.4
Non-controlling interests	24	0.9	12.8
SHAREHOLDERS' EQUITY	24	4,967.1	5,933.2
LIABILITIES AND SHAREHOLDERS' EQUITY		11,319.2	15,050.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF mn	Capital stock	Capital surplus	Treasury shares	Currency translation differences	Retained earnings	Equity attributable to Sika shareholders	Non-controlling interests	Total equity
January 1, 2022	1.4	437.4	-10.7	-995.2	4,960.9	4,393.8	2.1	4,395.9
Net profit					1,162.5	1,162.5	0.0	1,162.5
Other comprehensive income				-237.5	-65.2	-302.7	0.3	-302.4
Comprehensive income	0.0	0.0	0.0	-237.5	1,097.3	859.8	0.3	860.1
Transactions with treasury shares ¹			-4.4		-15.6	-20.0		-20.0
Share-based payments					10.5	10.5		10.5
Conversion of convertible bonds	0.1	1,441.4			-1,319.9	121.6		121.6
Dividends ²					-445.8	-445.8	-0.2	-446.0
Buyout of existing non-controlling interests ³					-5.1	-5.1	-1.3	-6.4
Inflation adjustment ⁴					51.4	51.4		51.4
December 31, 2022	1.5	1,878.8	-15.1	-1,232.7	4,333.7	4,966.2	0.9	4,967.1
January 1, 2023	1.5	1,878.8	-15.1	-1,232.7	4,333.7	4,966.2	0.9	4,967.1
Net profit					1,062.0	1,062.0	0.6	1,062.6
Other comprehensive income				-805.7	50.9	-754.8	-1.0	-755.8
Comprehensive income	0.0	0.0	0.0	-805.7	1,112.9	307.2	-0.4	306.8
Transactions with treasury shares ¹			3.2		-8.5	-5.3		-5.3
Share-based payments					9.7	9.7		9.7
Conversion of convertible bonds	0.1	1,264.2			-27.7	1,236.6		1,236.6
Dividends ⁵					-492.3	-492.3	-1.0	-493.3
Non-controlling interests from MBCC acquisition						0.0	73.8	73.8
Buyout of existing non-controlling interests ⁶					-170.7	-170.7	-60.5	-231.2
Inflation adjustment ⁴					69.0	69.0		69.0
December 31, 2023	1.6	3,143.0	-11.9	-2,038.4	4,826.1	5,920.4	12.8	5,933.2

1 Including income tax of CHF 0.1 million (CHF 1.3 million) in retained earnings.

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

3 Increase in shareholdings in Mortero Spa, Algeria.

4 Hyperinflation accounting concerns the subsidiaries in Argentina and Turkey.

5 Dividend per registered share (par value CHF 0.01): CHF 3.20.

6 Increase in shareholdings in Master Builders Solutions Saudi Arabia for Manufacturing LLC, Saudi Arabia, MBS Construction Chemicals Egypt (SAE), Egypt, and MBS Construction Chemicals Trading (SAE), Egypt.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	2022	2023
Profit before taxes		1,498.2	1,336.4
Depreciation and amortization expenses	15, 16	384.5	495.6
Increase (+)/decrease (-) in provisions/ employee benefit obligations and assets		-19.9	-10.3
Increase (-)/decrease (+) net working capital and accruals		-326.5	82.2
Non-liquidity-related financial expenses (+)/income (-) as well as cash flow from hedging transactions		46.4	85.6
Profit on divestment of the industrial coatings business		-166.5	0.0
Other adjustments	25	0.1	29.0
Income taxes paid		-316.5	-373.1
Cash flow from operating activities		1,099.8	1,645.4
Property, plant, and equipment: capital expenditures	15, 25	-238.0	-256.8
Property, plant, and equipment: disposals	15, 25	31.4	6.9
Intangible assets: capital expenditures	16, 25	-28.0	-23.1
Intangible assets: disposals	16, 25	0.0	0.3
Proceeds from divestment of businesses		211.7	0.0
Acquisitions less cash and cash equivalents		-142.7	-3,235.5
Acquisition and capital increase of associated companies		0.0	-10.3
Acquisitions (-)/disposals (+) of financial assets		-3.4	3.0
Cash flow from investing activities		-169.0	-3,515.5
Increase in financial liabilities	20	20.6	1,416.4
Repayment of financial liabilities	20	-42.0	-2,569.3
Repayment of lease liabilities	20	-95.5	-118.0
Repayment of a bond	20	-150.0	-200.0
Issue of bonds	20	598.9	2,854.1
Repayment liability component of mandatory convertible bond	20	-48.8	0.0
Repayment of convertible bond	20	0.0	-3.1
Purchase of treasury shares		-67.0	-44.9
Sale of treasury shares		46.2	39.2
Dividend payment to shareholders of Sika AG		-445.8	-492.3
Dividend payment to non-controlling interests		-0.2	-1.0
Buyout of existing non-controlling interests		-6.4	-186.2
Cash flow from financing activities		-190.0	694.9
Exchange differences on cash and cash equivalents		-42.5	-54.2
Net change in cash and cash equivalents		698.3	-1,229.4
Cash and cash equivalents at the beginning of the year	10	1,175.0	1,873.3
Cash and cash equivalents at the end of the year	10	1,873.3	643.9
Cash flow from operating activities contains:			
Dividends from associated companies		0.1	0.1
Interest received		16.9	30.0
Interest paid		-31.9	-98.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

Corporate Information

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

Accounting policies

BASIS OF PREPARATION

The financial statements of Sika have been prepared in conformity with the provisions of the International Accounting Standards Board (IASB). All standards (IAS/IFRS) and interpretations (IFRIC/SIC) applicable as of December 31, 2023, were considered. The consolidated financial statements have been prepared according to the going-concern principle. Generally, assets and liabilities are valued at historical cost except for financial assets and liabilities (including derivative instruments) at fair value through profit and loss and the defined benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed on p.208 of this report.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting standards applied conform to those standards that were valid in the prior year. Exceptions are the following revised and new standards, that Sika has applied since January 1, 2023. The application of these standards did not have any material impact on the consolidated financial statements of the Group:

- Amendments to IAS 1 – Disclosure of accounting policies
- Amendments to IAS 8 – Definition of accounting estimates
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

Sika has adopted the amendments to IAS 12 'Income Taxes' relating to 'International Tax Reform – Pillar Two Model Rules' issued by the International Accounting Standards Board (IASB) in May 2023. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

A number of new standards and amendments to standards and interpretations are effective for the financial year 2024 and later and have not been applied in preparing these consolidated financial statements. Their application is not expected to have a material impact on the Group's results and financial position.

- Amendments to IAS 1 – Non-current liabilities with covenants (applicable as of January 1, 2024)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (applicable as of January 1, 2024)
- Amendments to IFRS 16 – Lease liability in a sale and leaseback (applicable as of January 1, 2024)
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements (applicable as of January 1, 2024)
- Amendments to IAS 21 – Lack of Exchangeability (applicable as of January 1, 2025)

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

Consolidation method

BASIS

The consolidated financial statements are based on the balance sheets and income statements of Sika AG, Baar (Switzerland) and its subsidiaries as of December 31, 2023, prepared in accordance with uniform standards.

SUBSIDIARIES

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

ASSOCIATED COMPANIES

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

INTRA-GROUP TRANSACTIONS

Transactions within the Group are eliminated as follows:

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

Conversion of foreign currencies

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

The financial statements of the foreign subsidiaries are translated into Swiss francs as follows. Balance sheet positions are translated using year-end rates, the income statement at average rates. The effects from the translation of the functional currency into Swiss francs are recognized in other comprehensive income.

The rates listed below were applied:

Country	Currency	Quantity	2022 Balance sheet ¹ CHF	2022 Income statement ² CHF	2023 Balance sheet ¹ CHF	2023 Income statement ² CHF
Argentina	ARS	100	0.5224	0.5224	0.1037	0.1037
Australia	AUD	1	0.6275	0.6625	0.5694	0.5967
Brazil	BRL	100	17.4600	18.4800	17.2700	18.0000
Canada	CAD	1	0.6819	0.7341	0.6324	0.6663
Chile	CLP	10,000	10.7800	10.9700	9.4800	10.7200
China	CNY	100	13.3800	14.1900	11.7900	12.7000
Colombia	COP	10,000	1.9037	2.2467	2.1699	2.0778
Czech Republic	CZK	100	4.0832	4.0867	3.7453	4.0525
Egypt	EGP	100	3.7300	4.9900	2.7100	2.9300
Eurozone	EUR	1	0.9847	1.0049	0.9260	0.9726
Great Britain	GBP	1	1.1102	1.1776	1.0655	1.1180
India	INR	100	1.1168	1.2157	1.0076	1.0895
Indonesia	IDR	100,000	5.9610	6.4340	5.4220	5.9040
Japan	JPY	100	0.7001	0.7272	0.5923	0.6398
Mexico	MXN	100	4.7214	4.7445	4.9458	5.0679
Poland	PLN	100	21.0400	21.4200	21.3400	21.3900
Romania	RON	1	0.1989	0.2036	0.1861	0.1966
Saudi Arabia	SAR	1	0.2462	0.2546	0.2235	0.2399
Sweden	SEK	100	8.8500	9.4500	8.3500	8.4600
Thailand	THB	100	2.6733	2.7245	2.4385	2.5839
Turkey	TRY	100	4.9300	4.9300	2.8400	2.8400
UAE	AED	100	25.1400	26.0000	22.8200	24.5000
USA	USD	1	0.9232	0.9555	0.8380	0.9001
Vietnam	VND	100,000	3.9100	4.0800	3.4540	3.7776

1 Year-end rates.

2 Average rates.

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

Significant accounting estimates

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

IMPAIRMENT OF GOODWILL

The Group tests for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units or groups of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates such as expected future cash flows and discount rates.

FAIR VALUE OF ACQUISITION

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

TRADEMARKS AND CUSTOMER RELATIONS

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

DEFERRED TAX ASSETS

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

EMPLOYEE BENEFIT OBLIGATIONS

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

PROVISIONS

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

SCOPE OF CONSOLIDATION AND ACQUISITIONS

The consolidated financial statements of the Group comprise the financial statements of Sika AG, Zugerstrasse 50, 6340 Baar (Switzerland) as well as its subsidiaries (see list starting on p.248 et seq. of this report) and associated companies (see note 17). In the year under review, the scope of consolidation was expanded to include the acquired companies (see the next pages) and the following newly founded companies:

- Sika (Zhejiang) Novel Material Co., Ltd., Jiaxing City (China).
- SikaDavco (Liaoning) New Materials Co., Ltd., Liaoning (China).

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

- Parex Construction Chemical Canada Inc., Anjou/QC (Canada) was merged with Sika Canada Inc., Pointe Claire/QC.
- Sika Automotive Hamburg GmbH, Hamburg (Germany) was merged with Sika Automotive Deutschland GmbH, Frankfurt am Main.
- Sika Hamatite Co. Ltd., Tokyo (Japan), Sika Hamatite Sales Co. Ltd., Tokyo (Japan), Dyflex Co. Ltd., Tokyo (Japan), and Dic Proofing Co. Ltd., Tokyo (Japan) were merged with Sika Japan Ltd., Minato-ku.
- Sika Automotive Kentucky LLC, Lyndhurst/NJ (USA) was merged with Sika Corporation, Lyndhurst/NJ.
- Apurva India Pvt Ltd., Mumbai (India) was merged with Sika India Private Ltd., Mumbai.
- Master Builders Solutions (Thailand) Ltd., Samutprakarn (Thailand) was merged with Sika (Thailand) Ltd., Chonburi.
- Bexel Internacional S.A. de C.V., Monterrey (Mexico), Bexel PI S.A. de C.V., Monterrey (Mexico), and Bexel Productos Innovadores en Acabados S.A. de C.V., Monterrey (Mexico) were merged with Sika Mexicana SA de CV, Corregidora.
- Master Builders Solutions Hongkong Ltd., Hong Kong (China) was merged with Parex (China) Ltd, Hong Kong.
- Supermassa do Brasil Ltda., Pedro Leopoldo (Brazil) was merged with Sika S/A, Osasco.

Acquisitions 2022

In 2022, Sika acquired the two companies Sable Marco Inc., Canada, as well as United Gilsonite Laboratories (UGL), USA. By the end of 2022, their purchase prices and allocations (PPAs) were still subject to uncertainties. Both PPAs were left unchanged and are now final.

ACQUIRED NET ASSETS AT FAIR VALUES

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

1 Sable Marco, Canada and UGL, USA.

Since the purchases, the acquired businesses have contributed sales in 2022 of CHF 59.7 million. The profit share was insignificant. If the acquisitions had occurred on January 1, 2022, consolidated pro forma net sales would have been CHF 10,515.7 million (+CHF 23.9 million). The net profit would have remained unchanged. The amounts have been calculated using the results of the acquired entities and adjusted for differences in the accounting policies and the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible assets had applied from January 1, 2022.

The directly attributable transaction costs of all acquisitions in 2022 amounted to CHF 1.4 million and were charged to other operating expenses.

Acquisitions 2023

In 2023, Sika acquired various companies or parts of companies.

Company	Type of transaction	Stake in %	Closing date
MBCC Group	Share deal	100.0	05/02/2023
Thiessen Team, USA	Share deal	100.0	07/06/2023

On May 2, 2023, Sika acquired MBCC Group, a leading global supplier of construction chemicals. With this highly complementary transaction, Sika strengthens its footprint across all regions, reinforces its range of products and services across the entire construction life cycle and drives the sustainable transformation of the construction industry further and faster.

Prior to the closure of the transaction, MBCC Group's chemical admixtures business in the UK, the USA, Canada, Europe, Australia, and New Zealand was sold to the private equity firm Cinven. In compliance with the regulatory anti-trust requirements Sika did not obtain control of these assets at any point in time during the close of the MBCC transaction and Sika did not obtain control over the sales proceeds paid by Cinven to the former owner. Consequently, these assets and the sales proceeds do not form part of the net assets acquired by Sika and are not part of Sika's consideration transferred to acquire MBCC Group.

Sika acquired all remaining business of MBCC Group, consisting of business in over 60 countries and 95 production facilities.

Since the purchase, MBCC has contributed sales of CHF 1,381.0 million, and a net profit of CHF 51.1 million. Accounts receivable had a gross value of CHF 532.2 million, CHF 49.1 mn were expected to be uncollectable at the date of acquisition.

On July 6, 2023, Sika acquired Thiessen Team USA, a US manufacturer of shotcrete and grouting products for the mining industry in the USA. The company serves the Western US mining industry which produces essential minerals for the growing electric vehicle industry among many other critical minerals. The acquisition will open up significant cross-selling potential and will support Sika's expansion in the US mining market. Since the purchase, Thiessen has contributed sales of CHF 7.8 million.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	MBCC Group	Thiessen Team USA
Cash and cash equivalents	94.8	0.8
Accounts receivable	483.1	1.8
Inventories	291.4	1.2
Prepaid expenses and accrued income	34.5	0.2
Property, plant, and equipment	475.7	3.2
Right-of-use assets	61.0	0.0
Intangible assets	1,321.4	2.1
Deferred tax assets	29.2	0.0
Other assets	17.5	0.0
Total assets	2,808.6	9.3
Accounts payable	276.8	0.9
Accrued expenses and deferred income	128.9	0.2
Financial liabilities	1,886.6	0.0
Income taxes payable	126.7	0.2
Provisions	160.9	0.0
Employee benefit obligation	98.7	0.0
Deferred tax liabilities	211.7	1.1
Total liabilities	2,890.3	2.4
Net assets	-81.7	6.9
Non-controlling interests	-73.8	0.0
Goodwill	3,475.5	4.2
Total purchase price	3,320.0	11.1
Cash in acquired assets	-94.8	-0.8
Net cash outflow	3,225.2	10.3

If the acquisitions had occurred on January 1, 2023, consolidated pro forma net sales would have been CHF 11,910.9 million (+CHF 672.3 million). The additional profit share would have been insignificant. The amounts have been calculated using the results of the acquired entities and adjusted for differences in the accounting policies and the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible assets had applied from January 1, 2023.

Since the purchase prices and the purchase price allocations for all acquisitions still entail some uncertainty, mainly due to the size and complexity of the acquisition structure, all positions except for "Cash and cash equivalents" are provisional. Product synergies as well as combined distribution channels and product portfolios justify the goodwill recognized. Goodwill is tax-deductible in the amount of CHF 191.8 million.

The directly attributable transaction costs of all acquisitions amounted to CHF 83.7 million in 2023 and were charged to other operating expenses.

SUPPORTING INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Net sales CHF 11,238.6 mn (CHF 10,491.8 mn)

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

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

Extended warranty contracts are sold for certain products on installed roofing systems. Revenue for separately priced extended warranties is deferred and recognized on a straight-line basis over the extended warranty period. The average warranty period is eleven years. In 2023, revenues of CHF 3.6 million (CHF 4.0 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 p.36 of the download version of this report.

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

The companies acquired in 2023 were allocated to the respective segments as follows:

- Thiessen Team USA, was allocated to the segment Americas.
- MBCC Group was allocated to the EMEA, Americas and Asia/Pacific geographical segments according to the respective country headquarters of the companies.

NET SALES

in CHF mn	2022			2023		
	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	4,143.5	264.8	4,408.3	4,499.2	251.4	4,750.6
Americas	3,193.5	4.2	3,197.7	3,423.5	4.9	3,428.4
Asia/Pacific	2,350.6	27.2	2,377.8	2,474.3	22.5	2,496.8
Global Business	804.2	14.0	818.2	841.6	12.8	854.4
Eliminations		-310.2	-310.2		-291.6	-291.6
Net sales	10,491.8	-	10,491.8	11,238.6	-	11,238.6
Products for construction industry			8,655.9			9,454.9
Products for industrial manufacturing			1,835.9			1,783.7

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

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

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	2022	2023	Change compared to prior year (in %)		
			In Swiss francs	In local currencies	Currency impact
By region					
EMEA	4,143.5	4,499.2	8.6	14.8	-6.2
Americas	3,193.5	3,423.5	7.2	14.9	-7.7
Asia/Pacific	2,350.6	2,474.3	5.3	15.1	-9.8
Global Business	804.2	841.6	4.7	10.0	-5.3
Net sales	10,491.8	11,238.6	7.1	14.5	-7.4
Products for construction industry	8,655.9	9,454.9	9.2	16.9	-7.7
Products for industrial manufacturing	1,835.9	1,783.7	-2.8	3.4	-6.2

OPERATING PROFIT

in CHF mn			Change compared to prior year	
	2022	2023	(in %)	
By region				
EMEA ¹	782.6	667.7	-114.9	-14.7
Americas	570.8	630.0	59.2	10.4
Asia/Pacific	370.5	426.2	55.7	15.0
Global Business	48.8	117.8	69.0	141.4
Other segments and activities ¹	-193.0	-292.6	-99.6	n.a.
Operating profit	1,579.7	1,549.1	-30.6	-1.9

1. Including gain on disposal of European industrial coating business in 2022: CHF 146.4 million in EMEA and CHF 20.1 million in other segments and activities.

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	2022	2023
Operating profit	1,579.7	1,549.1
Interest income	19.0	30.9
Interest expenses	-59.4	-165.7
Other financial income	6.9	7.3
Other financial expenses	-48.4	-86.3
Income from associated companies	0.4	1.1
Profit before taxes	1,498.2	1,336.4
Income taxes	-335.7	-273.8
Net profit	1,162.5	1,062.6

OTHER DISCLOSURES

in CHF mn	2022		2023	
	Depreciation/ Amortization/ Impairment	Capital expenditures	Depreciation/ Amortization/ Impairment	Capital expenditures
EMEA	141.6	84.8	185.2	77.3
Americas	95.6	71.1	126.8	87.0
Asia/Pacific	88.6	67.6	107.4	77.8
Global Business	27.8	17.8	26.4	13.2
Other segments and activities	30.9	24.7	49.8	24.6
Total	384.5	266.0	495.6	279.9

The following countries had a share of greater than 10% of at least one of the Group's key figures. Switzerland is listed as the country of domicile of Sika.

in CHF mn	Net sales				Non-current assets ¹			
	2022	%	2023	%	2022	%	2023	%
USA	2,253.5	21.5	2,411.3	21.5	1,051.3	17.3	2,808.2	26.7
China	1,303.4	12.4	1,303.6	11.6	1,228.4	20.3	1,488.0	14.2
France	650.9	6.2	670.0	6.0	608.4	10.0	588.1	5.6
Switzerland	389.5	3.7	392.4	3.5	556.5	9.2	944.4	9.0
All other	5,894.5	56.2	6,461.3	57.4	2,618.1	43.2	4,674.0	44.5
Total	10,491.8	100.0	11,238.6	100.0	6,062.7	100.0	10,502.7	100.0

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

3. Material expenses CHF 5,213.8 mn (CHF 5,312.0 mn)

Material expenses decreased as a percentage of net sales by 4.2 percentage points largely due to a global decrease in raw material costs. Sustained sales pricing in conjunction with positive input cost dynamics have led to an overall increase of the material margin from 49.4% to 53.6%.

Unsaleable goods are written down to their fair value less costs of disposal, missing inventory to zero. The related cost of CHF 62.9 million (CHF 49.7 million) are included in material expenses.

4. Personnel expenses CHF 2,006.8 mn (CHF 1,710.5 mn)

in CHF mn	2022	2023
Wages and salaries	1,400.4	1,637.9
Social charges	311.6	369.7
Government support	-1.5	-0.8
Personnel expenses	1,710.5	2,006.8

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

POST-EMPLOYMENT BENEFIT EXPENSES

in CHF mn	2022	2023
Defined benefit plans ¹	31.1	29.5
Defined contribution plans	50.8	59.3
Post-employment benefit expenses	81.9	88.8

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 cost of these compensation systems is recognized in personnel expenses over the period in which services are rendered by the employees.

The share-based payments are made by means of transfer of treasury stock of Sika AG or are settled in cash. Recognized personnel expenses for share-based compensation for the fiscal year 2023 totaled CHF 31.6 million (CHF 21.6 million), CHF 9.7 million (CHF 10.5 million) of which was recorded in equity and CHF 21.8 million (CHF 11.1 million) in liabilities. At year-end, liabilities from share-based compensation plans amounted to CHF 25.7 million (CHF 21.3 million). Thereof, CHF 19.4 million (CHF 12.3 million) is recognized in accrued expenses and deferred income and CHF 6.3 million (CHF 9.0 million) is included in employee benefit obligations.

PERFORMANCE BONUS (SHORT-TERM INCENTIVE)

Sika Senior Management (SSM)

Part of the performance bonus of Sika Senior Management (by definition, Sika Senior Management includes the management level reporting to Group Management, managing directors of subsidiaries, and heads of central and regional functions; 147 (149) participants) is paid in Sika AG shares. The allocated shares are subject to a four-year blocking period from allocation. Sika Senior Managers can choose to receive 0%, 20%, or 40% of their performance bonus in Sika AG shares plus one bonus share for every two shares chosen. The market value of the grant was CHF 4.8 million. In the prior year, the market value of the grant amounted to CHF 5.2 million.

LONG-TERM INCENTIVE (LTI PLAN)

Group Management

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

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

Senior Management

Sika introduced a new senior management layer in 2023 consisting of 284 managers with a high business and strategic impact called Regional Senior Management (RSM) and Corporate Senior Management (CSM), that complements the Sika Senior Management (SSM) group. Senior Management participates in long-term incentive plans, which are structured in the same way as that for Group Management (see above), except that they are settled in cash.

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

LONG-TERM INCENTIVE

	Number of PSUs granted	Fair value per PSU in CHF	Fair value of grant in CHF million
Group Management LTI 2022-2024	10,968	365.34	4.0
Senior Manager LTI 2022-2024	13,608	365.34	5.0
Granted in 2022			9.0
Group Management LTI 2023-2025	17,870	221.70	4.0
Senior Manager LTI 2023-2025	35,567	221.70	7.9
Granted in 2023			11.9

Board of Directors

Part of the compensation for Members of the Board of Directors is awarded in Sika AG shares. The entitlement to shares is allocated at the beginning of the term of office and converted into shares at the end of the term of office. The shares are subject to a three-year blocking period. For the term of office from April 2023 to April 2024, entitlements to 5,869 shares were granted at a market value of CHF 1.5 million (CHF 261.78 per share). The conversion into shares will take place in April 2024. For the term of office from April 2022 to April 2023, entitlements to 4,949 shares were granted with a market value of CHF 1.5 million (CHF 310.40 per share). The conversion into shares took place in April 2023.

5. Other operating expenses CHF 1,973.3 mn (CHF 1,505.1 mn)

in CHF mn	2022	2023
Production and operations ¹	498.5	573.5
Logistics and distribution	519.4	566.1
Sales, marketing, and travel costs	303.5	370.5
Administration and other costs ²	183.7	463.2
Total	1,505.1	1,973.3

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

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

Other operating expenses increased from 14.4% to 17.6% mainly as a result of acquisition- and integration-related costs of MBCC Group of CHF 109.3 million (CHF 78.3 million) and a prior-year gain of CHF 166.5 million for the sale of the European industrial coatings business, both included in "Administration and other costs". Furthermore, higher costs are driven by increased expenses for energy, travel, freight, and operations-related costs.

Other operating expenses include government support of CHF 5.5 million (CHF 6.6 million). Government grants are recognized where there is reasonable certainty that the grant will be received, and all attached conditions will be complied with. The grant is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Research and development expenses are not capitalized since the recognition criteria are not met. Expenditures on research and development in the Group during the year under review totaled CHF 270.5 million (CHF 232.0 million), roughly equivalent to 2.4% (2.2%) 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 252.0 mn (CHF 107.8 mn)

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

Interest expenses consist of interest expenses for outstanding bond issues in the amount of CHF 107.0 million (CHF 32.6 million), interests on lease liabilities of CHF 18.4 million (CHF 12.7 million), other interest expenses of CHF 36.2 million (CHF 12.4 million), as well as the interest component of pension expenses of defined benefit plans of CHF 4.2 million (CHF 1.7 million).

Other financial expenses include foreign exchange gains and losses from the management of foreign currency, net gains and losses from hedging and revaluation of loans to Group companies denominated in foreign currencies, as well as the result of the application of inflation accounting (see note 26). Other financial expenses increased to CHF 86.3 million (CHF 48.4 million).

7. Interest income/income from associated companies CHF 32.0 mn (CHF 19.4 mn)

Interest income is recognized pro rata temporis using the effective interest method. Short-term surpluses in liquidity in various countries resulted in interest income of CHF 30.9 million (CHF 19.0 million). Income from associated companies is CHF 1.1 million (CHF 0.4 million).

8. Income taxes

in CHF mn	2022	2023
Income tax during the year under review	365.0	380.6
Deferred income tax	-29.3	-116.5
Income tax from prior years	0.0	9.7
Total	335.7	273.8

RECONCILIATION BETWEEN EXPECTED AND EFFECTIVE TAX EXPENSE

in CHF mn	%	2022	%	2023
Profit before taxes		1,498.2		1,336.4
Expected tax expense	23.1	346.4	21.8	290.7
Non-taxable income/non-tax-deductible expenses	0.4	6.2	2.6	34.4
Effect of changes in tax rates	0.0	0.0	-0.1	-0.9
Adjusted tax expense from earlier periods	0.0	0.0	0.7	9.7
Valuation adjustment on deferred tax assets	-1.2	-18.0	-0.5	-6.5
Withholding tax on dividends, licenses, and interests	1.0	14.4	1.8	24.4
Other ¹	-0.9	-13.3	-5.8	-78.0
Tax expense as per consolidated income statement	22.4	335.7	20.5	273.8

1 Includes a decrease of CHF 66.9 million in 2023 for changes in estimates of deferred taxes related to Parex China and a decrease of CHF 23.2 million for a tax benefit on tax-deductible goodwill in Switzerland.

The effective tax rate decreased to 20.5% (22.4%). The expected average Group income tax rate of 21.8% (23.1%) corresponds with the average tax on profits of the individual Group companies in their respective fiscal jurisdictions. The expected average tax rate was calculated using absolute values. The decrease in the expected tax rate is mainly attributable to the extraordinary gain on the sale of the industrial coating business in Germany at a tax rate of 31.0% in 2022.

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

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

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

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES

in CHF mn	2022	2023
January 1	-223.8	-177.7
Credited (+)/debited (-) to income statement ¹	29.3	116.5
Credited (+)/debited (-) to other comprehensive income	9.5	-2.8
Credited (+)/debited (-) to equity	-0.9	-8.9
Exchange differences	12.3	40.4
Acquisitions/divestments	-4.1	-183.6
December 31	-177.7	-216.1

1 The credited amount to the income statement 2023 originates to CHF 66.9 million from temporary differences on investments, to CHF 40.2 million from tax losses/tax credits, and to CHF 9.4 million from other positions on the balance sheet.

ORIGIN OF DEFERRED TAX ASSETS AND LIABILITIES

in CHF mn	2022			2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses/tax credits	11.8		11.8	61.5		61.5
Current assets	32.8	-13.4	19.4	54.1	-12.8	41.3
Property, plant, and equipment	10.8	-134.5	-123.7	13.0	-171.0	-158.0
Other non-current assets	94.1	-171.7	-77.6	91.7	-329.8	-238.1
Liabilities	159.3	-16.8	142.5	189.9	-20.9	169.0
Temporary differences on investments ¹	0.0	-150.1	-150.1	0.0	-91.8	-91.8
Gross values	308.8	-486.5	-177.7	410.2	-626.3	-216.1
Offsetting	-164.0	164.0	0.0	-221.6	221.6	0.0
Total	144.8	-322.5	-177.7	188.6	-404.7	-216.1

1 This position includes expected withholding taxes of CHF 8.8 million (CHF 11.4 million) on undistributed dividends from Group companies. Deferred tax liabilities of CHF 55.1 million (CHF 138.7 million) and CHF 27.9 million (CHF 0.0 million) pertain to expected tax payments in connection with legal restructurings of the acquired Parex and MBCC companies, respectively, in the coming years.

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

in CHF mn	2022	2023
1 year or less	5.4	3.6
1-5 years	23.1	20.3
Over 5 years or non-expiring	0.7	1.5
Total	29.2	25.4

The underlying average tax rate of tax losses for which no deferred tax assets have been recognized is 25.8% (25.7%).

In the year under review, deferred tax assets from carried forward tax losses of CHF 6.6 million (CHF 3.0 million) were used and deferred carried forward tax losses of CHF 46.8 million (CHF 3.4 million) were capitalized.

There are deductible temporary differences of CHF 365.0 million (CHF 365.0 million). A deferred tax asset of CHF 2.8 million was recognized on CHF 65.0 million of this amount. The underlying average tax rate is 4.3% (5.2%). A further realization of these theoretical tax benefits is not expected. They result from the tax-free disclosure of hidden reserves in the tax balance sheet in Switzerland (so-called step-up).

PILLAR TWO INCOME TAXES

The Organization for Economic Co-operation and Development (OECD) has published Global Anti-Base Erosion (GloBE) Model Rules, which include a minimum tax of 15% by jurisdiction (Pillar Two). Various countries intend to enact or have enacted tax legislation to either fully or partially comply with Pillar Two. The Group is within the scope of the OECD's Pillar Two. The Group is in the process of assessing its exposure to Pillar Two, which did not impact the 2023 results but will impact the results from January 1, 2024 onwards. On December 22, 2023 the Swiss government decided to partially implement Pillar Two by introducing a Qualified Domestic Minimum Top-up Tax (QDMTT) to reach the required taxation level of 15% on Pillar Two qualifying profits of subsidiaries in Switzerland effective from January 1, 2024. The Swiss government did not introduce the Income Inclusion Rule (IIR), which would require Switzerland to levy taxes on Pillar Two qualifying profits of subsidiaries in other countries not reaching the 15%. Based on the assessment to date and the expected business development, this global minimum tax regime should not materially impact Group's tax rate in 2024.

9. Earnings per share CHF 6.82 (CHF 7.57)

BASIC EARNINGS PER SHARE

	2022	2023
Net profit used to calculate basic earnings per share (CHF mn)	1,162.5	1,062.0
Weighted average number of shares outstanding ¹	152,713,022	155,767,700
Weighted average number of potential shares of the 3.75%-mandatory convertible bond	814,049	0
Weighted average number of shares used to calculate basic earnings per share	153,527,071	155,767,700
Basic earnings per share (CHF)	7.57	6.82

1. Excluding treasury shares held in the Group.

DILUTED EARNINGS PER SHARE

	2022	2023
Net profit attributable to Sika shareholders (CHF mn)	1,162.5	1,062.0
Increase in profit assuming all conversion rights of the 0.15%-convertible bond have been exercised (CHF mn)	8.1	5.5
Net profit used to calculate diluted earnings per share (CHF mn)	1,170.6	1,067.5
Weighted average number of shares outstanding ¹	152,784,517	155,842,369
Weighted average number of potential shares of the 3.75%-mandatory convertible bond	814,049	0
Weighted average number of potential shares of the 0.15%-convertible bond	6,887,394	4,679,271
Weighted average number of shares used to calculate diluted earnings per share	160,485,960	160,521,640
Diluted earnings per share (CHF)	7.29	6.65

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

10. Cash and cash equivalents CHF 643.9 mn (CHF 1,873.3 mn)

The cash management of the Group includes cash pooling, in which cash and cash equivalents available within the Group are pooled. The item "Cash and cash equivalents" includes cash and cash equivalents with a maturity of less than three months from the date of acquisition, bearing interest at a respectively valid rate.

11. Accounts receivable CHF 2,009.1 mn (CHF 1,719.6 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	2022	2023
Not overdue	1,351.5	1,607.5
Past due <31 days	213.2	208.0
Past due 31-60 days	64.3	77.7
Past due 61-180 days	64.4	79.0
Past due 181-365 days	7.7	10.9
Past due >365 days	18.5	26.0
Net accounts receivable	1,719.6	2,009.1

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL DEBTS

in CHF mn	2022	2023
January 1	80.6	95.8
Additions to or increase in allowances	27.3	33.1
Reversal of allowances	-5.8	-7.1
Utilization of allowances	-1.3	-6.8
Exchange differences	-5.0	-13.7
December 31	95.8	101.3

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

12. Inventories CHF 1,240.7 mn (CHF 1,212.8 mn)

in CHF mn	2022	2023
Raw materials and supplies	495.6	491.0
Semi-finished goods	75.5	70.5
Finished goods	527.0	542.7
Merchandise	114.7	136.5
Total	1,212.8	1,240.7

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 243.8 mn (CHF 190.1 mn)

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

14. Other assets CHF 224.6 mn (CHF 117.7 mn)

OTHER CURRENT ASSETS

in CHF mn	2022	2023
Derivatives (at fair value through profit and loss)	6.8	47.2
Securities (at fair value through profit and loss)	2.8	4.3
Loans (at amortized cost)	15.9	12.3
Other financial assets	25.5	63.8
Other current assets	25.5	63.8

OTHER NON-CURRENT ASSETS

in CHF mn	2022	2023
Securities (at fair value through profit and loss)	59.5	67.8
Loans (at amortized cost)	14.3	14.5
Other financial assets	73.8	82.3
Employee benefit assets ¹	16.6	75.8
Other	1.8	2.7
Other non-financial assets	18.4	78.5
Other non-current assets	92.2	160.8

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 2,257.3 mn (CHF 1,822.3 mn)

in CHF mn	2022	2023
Own property, plant, and equipment	1,488.7	1,865.3
Right-of-use assets	333.6	392.0
Property, plant, and equipment	1,822.3	2,257.3

OWN PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is 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. Property and plants include land and buildings. Equipment and vehicles include machinery, vehicles, laboratory and other equipment, furnishings and IT hardware.

OWN PROPERTY, PLANT, AND EQUIPMENT

in CHF mn	Property	Plant	Equipment and motor vehicles	Plants and buildings under construction	Total
Acquisition cost	209.1	941.3	2,184.8	106.8	3,442.0
Cumulative depreciation and impairment	-1.0	-505.7	-1,479.9	0.0	-1,986.6
Net values at January 1, 2022	208.1	435.6	704.9	106.8	1,455.4
Additions	18.5	15.8	52.1	151.6	238.0
Acquired on acquisition	1.3	9.5	11.3	0.1	22.2
Exchange differences	-7.7	-9.0	-20.8	-5.0	-42.5
Disposals	-4.1	-0.9	-4.3	0.0	-9.3
Reclassifications ¹	2.1	23.1	74.8	-100.6	-0.6
Depreciation charge for the year	0.0	-31.6	-142.9	0.0	-174.5
December 31, 2022	218.2	442.5	675.1	152.9	1,488.7
Acquisition cost	219.1	958.3	2,218.5	153.2	3,549.1
Cumulative depreciation and impairment	-0.9	-515.8	-1,543.4	-0.3	-2,060.4
Net values at January 1, 2023	218.2	442.5	675.1	152.9	1,488.7
Additions	0.6	5.2	45.2	205.8	256.8
Acquired on acquisition	78.9	149.8	215.3	34.9	478.9
Exchange differences	-21.1	-35.0	-69.4	-16.5	-142.0
Disposals	-0.4	-1.6	-4.1	0.0	-6.1
Reclassifications ¹	1.1	27.5	146.2	-175.5	-0.7
Depreciation charge for the year	0.0	-37.0	-163.0	0.0	-200.0
Impairments	0.0	-0.7	-9.6	0.0	-10.3
December 31, 2023	277.3	550.7	835.7	201.6	1,865.3
Acquisition cost	277.9	1,080.2	2,413.6	201.6	3,973.3
Cumulative depreciation and impairment	-0.6	-529.5	-1,577.9	0.0	-2,108.0
Net values at December 31, 2023	277.3	550.7	835.7	201.6	1,865.3

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

DEPRECIATION SCHEDULE

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

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

CAPITAL COMMITMENTS

Significant capital expenditure for property, plant, and equipment contracted for as at December 31, 2023, but not recognized as liabilities is CHF 65.9 million (CHF 29.2 million).

RIGHT-OF-USE ASSETS

After the inception of a contract, Sika assesses whether the contract is or contains a lease. Sika recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of twelve months or less, low-value asset leases of CHF 5,000 or less, and variable lease payments, which are expensed in the income statement over the lease term. The following expenses were recorded in other operating expenses:

in CHF mn	2022	2023
Expenses relating to leases of low-value assets	10.4	16.4
Expenses relating to short-term leases	29.0	28.5
Expenses relating to variable lease payments not included in lease liabilities	2.7	3.1

The cash-outflow of all lease payments amount to CHF 166.0 million (CHF 137.6 million) of which CHF 118.0 million (CHF 95.5 million) is included in financing activities and the residual amount in operating activities in the statement of cash flows.

For the asset class “motor vehicles”, the non-leasing components (e.g., services included in the lease payments) are accounted for separately and are directly expensed in the income statement. For all other asset classes, Sika does not account for the non-lease components separately.

At the commencement date of the lease, the lease liability, measured at the present value of the lease payments to be made over the lease term, is recognized. The lease payments include fixed payments, variable payments that depend on an index or rate, extension options, and exercise price of a purchase options reasonably certain to be exercised as well as payments of penalties for terminating a lease. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments. Lease liabilities are recognized under financial liabilities (current and non-current).

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

At the commencement date of the lease, the ROU asset comprises the initial lease liability and initial direct costs. ROU assets are depreciated on a straight-line basis over the lease term. If Sika is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over their estimated useful life. If there is a change in future lease payments, the liability is revalued (with corresponding adjustment of the ROU asset).

Leases contractually committed but not yet commenced amount to CHF 6.7 million (CHF 4.9 million) as of December 31, 2023.

RIGHT-OF-USE ASSETS

in CHF mn	Right-of-use production sites	Right-of-use offices and warehouses	Right-of-use equipment and motor vehicles	Total
Net values at January 1, 2022	115.8	140.6	64.8	321.2
Additions	20.0	48.0	36.5	104.5
Acquired on acquisition	5.2	0.0	0.0	5.2
Exchange differences	-4.7	-5.9	-2.8	-13.4
Remeasurements	3.7	10.1	2.2	16.0
Disposals	-7.8	-2.8	-2.5	-13.1
Reclassifications ¹	-0.9	0.2	0.0	-0.7
Depreciation charge for the year	-18.4	-34.2	-33.5	-86.1
December 31, 2022	112.9	156.0	64.7	333.6
Acquisition cost	169.4	245.0	138.2	552.6
Cumulative depreciation and impairment	-56.5	-89.0	-73.5	-219.0
Net values at January 1, 2023	112.9	156.0	64.7	333.6
Additions	17.1	46.6	56.3	120.0
Acquired on acquisition	13.6	30.0	17.4	61.0
Exchange differences	-13.8	-14.6	-5.7	-34.1
Remeasurements	5.8	16.9	1.5	24.2
Disposals	-1.3	-2.1	-5.1	-8.5
Reclassifications ¹	1.7	0.0	0.1	1.8
Depreciation charge for the year	-19.9	-44.5	-41.6	-106.0
December 31, 2023	116.1	188.3	87.6	392.0
Acquisition cost	179.5	300.1	170.1	649.7
Cumulative depreciation and impairment	-63.4	-111.8	-82.5	-257.7
Net values at December 31, 2023	116.1	188.3	87.6	392.0

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

16. Intangible assets and goodwill CHF 8,223.6 mn (CHF 4,229.1 mn)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangibles	Total
Acquisition costs	3,301.4	175.9	385.8	996.2	194.6	5,053.9
Cumulative amortization and impairment	-4.8	-133.6	-91.0	-323.7	-120.9	-674.0
Net values at January 1, 2022	3,296.6	42.3	294.8	672.5	73.7	4,379.9
Additions	0.0	28.0	0.0	0.0	0.0	28.0
Acquired on acquisition	56.4	0.0	13.5	34.5	1.0	105.4
Exchange differences	-127.3	-0.9	-9.0	-23.2	-0.9	-161.3
Disposals	0.0	-0.3	0.0	0.0	0.0	-0.3
Reclassifications	0.0	1.3	0.0	0.0	0.0	1.3
Amortization for the year	0.0	-11.2	-29.7	-60.7	-22.3	-123.9
December 31, 2022	3,225.7	59.2	269.6	623.1	51.5	4,229.1
Acquisition costs	3,230.1	197.8	388.7	996.6	191.4	5,004.6
Cumulative amortization and impairment	-4.4	-138.6	-119.1	-373.5	-139.9	-775.5
Net values at January 1, 2023	3,225.7	59.2	269.6	623.1	51.5	4,229.1
Additions	0.0	22.2	0.0	0.2	0.7	23.1
Acquired on acquisition	3,479.7	2.0	103.1	960.1	258.3	4,803.2
Exchange differences	-505.0	-3.1	-15.3	-125.1	-2.7	-651.2
Disposals	0.0	0.0	0.0	0.0	-0.2	-0.2
Reclassifications	0.0	0.1	0.0	0.0	-1.2	-1.1
Amortization for the year	0.0	-14.2	-39.1	-96.4	-29.6	-179.3
December 31, 2023	6,200.4	66.2	318.3	1,361.9	276.8	8,223.6
Acquisition costs	6,204.4	208.3	469.8	1,799.3	408.8	9,090.6
Cumulative amortization and impairment	-4.0	-142.1	-151.5	-437.4	-132.0	-867.0
Net values at December 31, 2023	6,200.4	66.2	318.3	1,361.9	276.8	8,223.6

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

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

AMORTIZATION SCHEDULE

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

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

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

GOODWILL ITEMS TESTED FOR IMPAIRMENT

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

The impairment tests are based on the discounted cash flow method. The calculation of the value in use is based on the target figures and cash flow forecasts, which were approved by the Board of Directors. The sales growth rates used in the impairment test correspond to market expectations of the segments. The forecasting horizon extends to 2025.

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

GOODWILL ASSIGNED TO CASH-GENERATING UNITS

in CHF mn	Growth rates beyond the planning period (%)	Discount rates pre-tax (%)	Goodwill
EMEA	3.1	9.2	1,163.7
Americas	4.3	11.1	738.3
Asia/Pacific	2.3	9.7	1,045.1
Global Business	2.6	8.5	278.6
December 31, 2022			3,225.7
EMEA	3.0	11.9	2,072.0
Americas	2.6	14.0	2,129.5
Asia/Pacific	2.3	9.8	1,739.4
Global Business	2.4	11.2	259.5
December 31, 2023			6,200.4

17. Investments in associated companies CHF 19.1 mn (CHF 9.5 mn)

The following associated companies are included in the consolidated financial statements as of December 31, 2023: HPS North America, LLC, USA (Sika stake 49%, prior year 20%), Condensil SARL, France (40%), Chemical Sangyo Ltd., Japan (50%), Seven Tech Co. Ltd., Japan (50%), and Concria Oy, Finland (30%). The stake in Concria Oy was acquired this year.

STAKE IN NET SALES AND NET INCOME OF ASSOCIATES

in CHF mn	2022	2023
Sales	8.1	18.9
Profit (+)/loss (-)	0.4	1.1

18. Accounts payable CHF 1,108.2 mn (CHF 1,016.6 mn)

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

19. Accrued expenses and deferred income CHF 678.2 mn (CHF 489.0 mn)

Accrued expenses and deferred income relate to outstanding invoices and liabilities for the past financial year, including performance-based compensation payable to employees and social security expenses in the following year, as well as refund liabilities for expected volume discounts. In addition, deferred revenues for warranty extensions in the amount of CHF 3.8 million (CHF 4.6 million) are included (see note 1).

20. Financial liabilities CHF 5,949.9 mn (CHF 3,937.2 mn)

in CHF mn	2022			2023		
	Current	Non-current	Total	Current	Non-current	Total
Derivatives	9.1	0.4	9.5	82.0	0.0	82.0
Bank loans	11.1	0.0	11.1	4.3	669.6	673.9
Lease liabilities	78.1	256.1	334.2	112.0	287.0	399.0
Straight bonds	199.9	2,099.9	2,299.8	1,012.6	3,752.6	4,765.2
Convertible bond	0.0	1,249.7	1,249.7	0.0	0.0	0.0
Other financial liabilities	4.8	28.1	32.9	7.0	22.8	29.8
Total	303.0	3,634.2	3,937.2	1,217.9	4,732.0	5,949.9

Furthermore, Sika has the following credit facilities:

- Revolving credit facility of CHF 1,100.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on December 13, 2028. As of December 31, 2023, Sika has utilized CHF 389.6 million under this credit line.
- Revolving credit facility of CHF 1,100.0 million, drawable in CHF, EUR, USD, or GBP. The term ends on August 10, 2028. As of December 31, 2023, Sika has utilized CHF 280.0 million under this credit line.

OUTSTANDING STRAIGHT BONDS

in CHF mn						2022	2023
Issuer	Bond	Nominal	Coupon	Term	Book value	Book value	
Sika AG, Baar, Switzerland	Straight bond	CHF 200.0	1.875%	2013-11/14/2023	199.9	0.0	
	Straight bond	CHF 100.0	1.600%	2022-05/28/2024	99.9	100.0	
	Straight bond	CHF 250.0	0.625%	2018-07/12/2024	250.2	250.0	
	Straight bond	CHF 200.0	2.125%	2023-10/11/2024	0.0	199.9	
	Straight bond	CHF 200.0	1.900%	2022-11/28/2025	199.6	199.5	
	Straight bond	CHF 140.0	0.600%	2018-03/27/2026	140.0	140.0	
	Straight bond	CHF 200.0	2.250%	2023-04/13/2026	0.0	200.1	
	Straight bond	CHF 130.0	1.125%	2018-07/12/2028	130.6	130.5	
	Straight bond	CHF 300.0	2.350%	2022-11/28/2028	299.4	299.5	
	Straight bond	CHF 250.0	2.250%	2023-04/13/2029	0.0	249.6	
Sika Capital B.V., Utrecht, Netherlands	Straight bond	EUR 500.0	4.168% ¹	2023-11/01/2024	0.0	462.7	
	Straight bond	EUR 1,000.0	3.750%	2023-11/03/2026	0.0	922.2	
	Straight bond	EUR 500.0	0.875%	2019-04/29/2027	490.6	461.7	
	Straight bond	EUR 750.0	3.750%	2023-05/03/2030	0.0	688.7	
	Straight bond	EUR 500.0	1.500%	2019-04/29/2031	489.6	460.8	
Total					2,299.8	4,765.2	

1 Three-month Euribor plus 20 basis points, reoffered quarterly. The rate indicated is applicable as at December 31, 2023.

On April 13, 2023, Sika AG completed an offering of CHF 650 million fixed rate bonds issued in three tranches:

- CHF 200.0 million 2023 – Oct. 2024 with a fixed coupon of 2.125% p.a. The bond was issued at 100.091%
- CHF 200.0 million 2023 – Apr. 2026 with a fixed coupon of 2.25% p.a. The bond was issued at 100.338%.
- CHF 250.0 million 2023 – Apr. 2029 with a fixed coupon of 2.25% p.a. The bond was issued at 100.111%.

On May 3, 2023, Sika Capital B.V., Utrecht, completed an offering of EUR 2,250 million bonds issued in three tranches:

- EUR 500.0 million 2023 – Nov. 2024 with a floating coupon of 3mE+20bps payable quarterly.
- EUR 1,000.0 million 2023 – Nov. 2026 with a fixed coupon of 3.75% p.a. The bond was issued at 99.93%.
- EUR 750.0 million 2023 – May 2030 with a fixed coupon of 3.75% p.a. The bond was issued at 99.451%.

CONVERTIBLE BONDS

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

In May 2018, Sika placed a convertible bond in the amount of CHF 1,650.0 million due in 2025. The convertible bond had a coupon of 0.15% p.a. On August 24, 2023, Sika notified the bondholders that it has exercised the early redemption option. As a result, by September 25, 2023, all outstanding bonds were either converted into new shares from the conditional capital of Sika AG or repaid. In the reporting year, bonds with a nominal value of CHF 1,264.2 million were converted (CHF 141.7 million), and bonds with a nominal value of CHF 3.1 million were repaid to the bondholders.

RECONCILIATION LIABILITY COMPONENT 0.15%-CONVERTIBLE BOND 2018-2025

in CHF mn	2022	2023
January 1	1,381.9	1,249.7
Interest expense (amortized cost)	7.2	5.9
Conversion of bond into registered shares	-139.4	-1,252.5
Redemption	0.0	-3.1
December 31	1,249.7	0.0
Open par value	1,267.3	0.0

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

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

CHANGE IN FINANCIAL LIABILITIES

in CHF mn	Bank loans	Bonds	Lease liabilities	Derivatives and other financial liabilities	Total financial liabilities
January 1, 2022	18.0	3,329.1	317.6	72.3	3,737.0
Proceeds	11.4	598.9	0.0	9.2	619.5
Repayments	-22.3	-198.8	-95.5	-19.7	-336.3
Cash flow	-10.9	400.1	-95.5	-10.5	283.2
Acquired on acquisition	5.8	0.0	5.2	0.0	11.0
Exchange differences	-1.9	-48.1	-12.8	-2.7	-65.5
New leases	0.0	0.0	104.6	0.0	104.6
Conversion of bonds into shares	0.0	-139.4	0.0	0.0	-139.4
Other changes	0.1	7.8	15.1	-16.7	6.3
Non-cash movements	4.0	-179.7	112.1	-19.4	-83.0
December 31, 2022	11.1	3,549.5	334.2	42.4	3,937.2
January 1, 2023	11.1	3,549.5	334.2	42.4	3,937.2
Proceeds	1,416.4	2,854.1	0.0	0.0	4,270.5
Repayments	-2,565.8	-203.1	-118.0	-3.5	-2,890.4
Cash flow	-1,149.4	2,651.0	-118.0	-3.5	1,380.1
Acquired on acquisition	1,812.6	0.0	67.3	6.7	1,886.6
Exchange differences	-0.7	-192.3	-33.9	-4.0	-230.9
New leases	0.0	0.0	115.8	0.0	115.8
Conversion of bonds into shares	0.0	-1,252.5	0.0	0.0	-1,252.5
Other changes	0.3	9.5	33.6	70.2	113.6
Non-cash movements	1,812.2	-1,435.3	182.8	72.9	632.6
December 31, 2023	673.9	4,765.2	399.0	111.8	5,949.9

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

21. Provisions and contingent liabilities CHF 246.8 mn (CHF 104.9 mn)

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

in CHF mn	Warranties	Sundry risks	Total
Current provisions	17.9	28.4	46.3
Non-current provisions	60.8	139.7	200.5
Provisions	78.7	168.1	246.8
Reconciliation			
January 1, 2023	44.0	60.9	104.9
Additions	9.0	29.1	38.1
Assumed on acquisition	48.1	112.8	160.9
Exchange differences	-5.4	-7.2	-12.6
Utilization	-4.6	-11.5	-16.1
Reversal	-12.4	-16.0	-28.4
December 31, 2023	78.7	168.1	246.8

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

From the sum of provisions, CHF 200.5 million (CHF 78.0 million) are shown as non-current liabilities, since an outflow of funds is not expected within the next twelve months. For provisions of CHF 46.3 million (CHF 26.9 million), an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

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

CONTINGENT LIABILITIES

In ongoing business activity, the Group may be involved in legal proceedings such as lawsuits, claims, investigations, and negotiations due to product liability, mercantile law, environmental protection, health and safety, etc.

Sika AG acts as guarantor in the share and purchase agreement (SPA) regarding certain subsidiaries of the MBCC Group between Sika International GmbH, acting as seller, and the purchaser. Further to the obligations in the SPA, and as between the Sika entities, Sika AG agreed to accept all of the rights, claims, title, benefit and interest to, in and under the SPA, whether current or future, actual or contingent of Sika International GmbH. The recognition of risks embedded in the business acquired (mainly fiscal), as well as the fair value measurement of the contingent liabilities related thereto, led to the recognition of additional contingent liabilities at fair value for an amount of CHF 85.6 million (included in sundry risks).

Sika is part of antitrust investigations announced by the European, UK, US and Turkish competition authorities in relation to certain activities in the construction chemical industry. Sika is fully cooperating with the investigations which are still at an early stage. It is therefore too early to draw any conclusion on the likely outcome as these type of investigations are normally lengthy and it is not expected that any decision would be issued in the near future.

The Group is active in countries in which political, economic, social, and legal developments could impair business activity. The effects of such risks which can occur in the normal course of business is unforeseeable, but their probability of occurring is below 50%.

22. Employee benefit obligations

in CHF mn	2022			2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Employee benefit plans with defined benefits	16.6	138.9	122.3	75.8	211.6	135.8
Other employee commitments	-	101.0	101.0	-	117.0	117.0
Total	16.6	239.9	223.3	75.8	328.6	252.8

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 plans are considered only to the extent of possible future reimbursement or reduction of contributions.

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

DEFINED CONTRIBUTION PENSION PLANS

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 PLANS

Defined benefit pension plans for staff exist within 55 (45) Group companies. The biggest plans are in Switzerland, accounting for 78.6% (83.2%) of Sika's entire defined benefit pension obligations and 96.1% (96.8%) 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 plan 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 plan is the responsibility of the board of trustees as the supreme body, which is composed of the same number of employee and employer representatives. It is responsible for the implementation of the pension fund regulations, the financing of benefits, and the investment of assets. The investment strategy is structured so that benefits can be paid when they fall due. The Sika pension fund as well as the welfare foundation bear the investment risks and the longevity risk themselves. The pension fund has taken out congruent reinsurance for the risks of death and disability. The insurance-related and investment risks of the management pension scheme are fully reinsured.

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

MOVEMENT IN THE NET DEFINED BENEFIT OBLIGATION

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

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, 2023	-920.6	897.8	-99.5	-122.3
Current service cost	-28.6			-28.6
Past service cost (-) and gains (+)/losses (-) on settlements and curtailments	-0.9			-0.9
Interest expense (-)/interest income (+)	-25.5	20.5	-2.2	-7.2
Total expense recognized in income statement	-55.0	20.5	-2.2	-36.7
thereof Switzerland	-41.7	19.2	-2.2	-24.7
thereof others	-13.3	1.3	0.0	-12.0
Return on plan assets, excluding amounts included in interest income		17.2		17.2
Actuarial gains (+)/losses (-) from change in financial assumptions	-69.0			-69.0
Actuarial gains (+)/losses (-) from change in demographic assumptions	-3.7			-3.7
Experience gains (+)/losses (-)	7.5			7.5
Change in asset ceiling			101.7	101.7
Total remeasurement recognized in other comprehensive income	-65.2	17.2	101.7	53.7
thereof Switzerland	-55.5	16.0	101.7	62.2
thereof others	-9.7	1.2	0.0	-8.5
Exchange differences	17.8	-2.2		15.6
Contributions by employers		26.3		26.3
Contributions by plan participants	-17.8	17.8		0.0
Benefits paid	43.2	-31.5		11.7
Acquired in a business combination	-105.5	21.4		-84.1
At December 31, 2023	-1,103.1	967.3	0.0	-135.8
thereof Switzerland	-867.0	929.7	0.0	62.7
thereof others	-236.1	37.6	0.0	-198.5

The contributions expected to be paid into the defined benefit pension plans for 2024 amount to CHF 24.3 million.

The Group's total expenses for employee benefits are included in the consolidated financial statements under "Personnel expenses", excluding net interest that is recognized under interest expenses.

The stated deficit results mainly from the defined benefit obligation of the unfunded benefit plans of CHF 178.6 million (CHF 104.4 million). Schemes in Germany, in particular, do not have segregated assets. For the Swiss pension plan, the result is a surplus of CHF 62.7 million (surplus of CHF 4.5 million).

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in CHF mn	2022			2023		
	Switzerland	Others	Total	Switzerland	Others	Total
Cash and cash equivalents	17.3	6.8	24.1	15.0	6.5	21.5
Equity instruments	337.7	0.7	338.4	388.9	0.5	389.4
Debt instruments	307.8	2.7	310.5	322.4	12.5	334.9
Real estate investments	204.3	0.0	204.3	203.4	0.0	203.4
Other assets	2.4	18.1	20.5	0.0	18.1	18.1
Total	869.5	28.3	897.8	929.7	37.6	967.3

Most of the plan assets of the pension schemes are invested in assets with quoted market prices. In the year under review, 8.3% (7.8%) of the investments in real estate did not have a quoted market price.

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2022		2023	
	Switzerland	Others	Switzerland	Others
Shares Sika AG ¹	24.9	0.0	32.1	0.0
Property occupied by Sika	11.1	0.0	11.5	0.0
Total	36.0	0.0	43.6	0.0

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

ACTUARIAL ASSUMPTIONS - WEIGHTED AVERAGE

	2022		2023	
	Switzerland	Others	Switzerland	Others
Discount rate in the year under review (%)	2.20	3.56	1.50	3.61

Significant actuarial assumptions for pension plans in Switzerland are the above stated discount rate in the year under review, interest rate on retirement savings capital of 1.5% (2.2%) as well as the life expectancy of plan participants for which the mortality table BVG 2020 GT (BVG 2020 GT) is applied. Actuarial assumptions for pension plans outside Switzerland are individually not significant.

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

in CHF mn	Change in assumptions	DBO increase (+)/decrease (-)	
		Switzerland	Others
Discount rate	+0.25%	-28.2	-6.6
Discount rate	-0.25%	30.1	6.4
Life expectancy	one year increase	18.1	
Interest rate on retirement savings capital	+0.25%	8.2	
Interest rate on retirement savings capital	-0.25%	-8.1	

FURTHER INFORMATION

	2022		2023	
	Switzerland	Others	Switzerland	Others
Total number of defined benefit plans	3	41	3	58
thereof number of defined benefit plans funded	2	12	2	19
thereof number of defined benefit plans unfunded	1	29	1	39
Average weighted duration in years	12.8	12.7	13.6	12.2

23. Other liabilities CHF 35.7 mn (CHF 36.1 mn)

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

24. Shareholders' equity CHF 5,933.2 mn (CHF 4,967.1 mn)

in CHF mn	2022	2023
Capital stock	1.5	1.6
Capital surplus	1,878.8	3,143.0
Treasury shares	-15.1	-11.9
Currency translation differences	-1,232.7	-2,038.4
Retained earnings	4,333.7	4,826.1
Equity attributable to Sika shareholders	4,966.2	5,920.4
Non-controlling interests	0.9	12.8
Shareholders' equity	4,967.1	5,933.2

Equity accounts for 39.4% (43.9%) of the balance sheet total.

CAPITAL STOCK

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

	Units ¹	Par value in CHF
At January 1, 2022	143,044,967	1,430,450
Capital increase from conditional capital	10,690,084	106,901
At December 31, 2022	153,735,051	1,537,351
At January 1, 2023	153,735,051	1,537,351
Capital increase from conditional capital	6,744,242	67,442
At December 31, 2023	160,479,293	1,604,793

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

CAPITAL SURPLUS

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

TREASURY SHARES

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

CURRENCY TRANSLATION DIFFERENCES

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

RETAINED EARNINGS

Retained earnings mainly comprise accumulated retained earnings of the Group companies that are not distributed to shareholders, profit/loss of treasury shares, as well as remeasurements of defined benefit plans recognized in other comprehensive income. Profit distribution is subject to local legal restrictions.

The Board of Directors proposes to the Annual General Meeting a distribution to the shareholders in the total amount of CHF 3.30 per single-class registered share. This corresponds to a maximum possible payout of CHF 529.6 million. The dividend for 2022 was CHF 3.20 per single-class registered share.

NON-CONTROLLING INTERESTS

Non-controlling interests are accounted for at the corresponding share of the respective company. There are no material companies with non-controlling interests. The capital shares of all companies are disclosed in the list of group companies (p.248 et seq. of this report).

25. Cash flow statement

CASH FLOW ANALYSIS

in CHF mn	2022	2023
Cash flow from operating activities	1,099.8	1,645.4
Cash flow from investing activities	-169.0	-3,515.5
Cash flow from financing activities	-190.0	694.9
Exchange differences	-42.5	-54.2
Net change in cash and cash equivalents	698.3	-1,229.4

FREE CASH FLOW AND OPERATING FREE CASH FLOW

in CHF mn	2022	2023
Cash flow from operating activities	1,099.8	1,645.4
Net investment in		
Property, plant, and equipment	-206.6	-249.9
Intangible assets	-28.0	-22.8
Acquisitions less cash and cash equivalents	-142.7	-3,235.5
Proceeds from divestment of businesses	211.7	0.0
Acquisition of associated companies	0.0	-10.3
Acquisitions (-)/disposals (+) of financial assets	-3.4	3.0
Free cash flow	930.8	-1,870.1
Acquisitions (+)/disposals (-) less cash and cash equivalents	-69.0	3,245.8
Acquisitions (+)/disposals (-) of financial assets	3.4	-3.0
Operating free cash flow	865.2	1,372.7

OTHER ADJUSTMENTS

in CHF mn	2022	2023
Profit (-)/loss (+) from disposals of non-financial assets	-21.8	-0.9
Personnel expenses settled through treasury shares	10.5	9.7
Hyperinflation adjustment	7.0	11.4
Others	4.4	8.8
Total	0.1	29.0

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 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 considered uncollectible.

PROVISION MATRIX OF ACCOUNTS RECEIVABLE

in CHF mn	Estimated total gross carrying amount at default	Expected credit losses
Not overdue	1,353.8	2.3
Past due <31 days	216.3	3.1
Past due 31–60 days	67.4	3.1
Past due 61–180 days	76.7	12.3
Past due 181–365 days	23.9	16.2
Past due >365 days	77.3	58.8
December 31, 2022	1,815.4	95.8
Not overdue	1,610.6	3.1
Past due <31 days	210.9	2.9
Past due 31–60 days	81.5	3.8
Past due 61–180 days	92.0	13.0
Past due 181–365 days	23.0	12.1
Past due >365 days	92.4	66.4
December 31, 2023	2,110.4	101.3

Classification and measurement of financial liabilities

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

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

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

Fair Value of financial assets and financial liabilities

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

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

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

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

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

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

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

in CHF mn	Level	2022		2023	
		Book value	Fair value	Book value	Fair value
Cash and cash equivalents		1,873.3		643.9	
Accounts receivable		1,719.6		2,009.1	
Loans (at amortized cost)		30.2		26.8	
Securities (at fair value through profit and loss)	1	62.3	62.3	72.1	72.1
Derivatives (at fair value through profit and loss)	2	6.8	6.8	47.2	47.2
Financial assets at December 31		3,692.2		2,799.1	
Bank loans		11.1		673.9	
Accounts payable		1,016.6		1,108.2	
Lease liabilities		334.2		399.0	
Bonds	2	3,549.5	3,749.5	4,765.2	4,764.0
Other financial liabilities		32.9		29.8	
Financial liabilities measured at amortized cost		4,944.3		6,976.1	
Derivatives (at fair value through profit and loss)	2	9.5	9.5	82.0	82.0
Financial liabilities at December 31		4,953.8		7,058.1	

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

MANAGEMENT OF FINANCIAL RISKS

BASIC PRINCIPLES

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

The corporate finance department identifies, evaluates, and hedges financial risks in close cooperation with the Group's operating units. Property, plant, and equipment of CHF 0.8 million (CHF 0.6 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	Fair value		Contract value	Contractual value upon maturity		
	(+)	(-)		Up to 3 months	3 to 12 months	Over 12 months
Forward contracts (foreign exchange)	1.3	-4.2	271.7	66.5	205.2	0.0
Swaps (foreign exchange)	5.5	-4.9	991.2	224.7	766.5	0.0
Swaps (interest rate)	0.0	-0.4	100.0	0.0	0.0	100.0
Open derivatives 2022	6.8	-9.5	1,362.9	291.2	971.7	100.0
Forward contracts (foreign exchange)	8.0	-3.5	300.0	84.2	215.8	0.0
Swaps (foreign exchange)	39.2	-78.1	4,106.0	1,256.9	2,849.1	0.0
Swaps (interest rate)	0.0	-0.4	100.0	0.0	100.0	0.0
Open derivatives 2023	47.2	-82.0	4,506.0	1,341.1	3,164.9	0.0

Losses from currency differences recognized in the income statement amounted to CHF 52.2 million (loss CHF 49.8 million), including a net loss of CHF 8.2 million (net gain of CHF 12.0 million) from currency hedging transactions, which is included in other financial expenses. The currency differences arise from purchases and sales as well as financing activities in foreign currencies and are recognized in the corresponding income statement account.

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

SENSITIVITY ANALYSIS ON EXCHANGE RATES

Impact in CHF mn on	2022		2023	
	Profit before tax	Comprehensive income	Profit before tax	Comprehensive income
EUR: +10%	-3.6	0.0	5.6	0.0
EUR: -10%	3.6	0.0	-5.6	0.0
USD: +10%	-14.1	10.6	15.6	46.6
USD: -10%	14.1	-10.6	-15.6	-46.6

PRICE RISKS

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

INTEREST RATE RISK

Interest rate risk arises from movements in interest rates which could affect the Group's financial result or the value of the Group equity. Interest rate risk is limited through the issue of fixed-interest long-term bonds (see note 20). The Group uses interest rate derivatives to manage its interest-rate-related exposure and financial result. Local bank loans and mortgages are moderate compared to the Group's total borrowing. 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 1% of the Group's net sales. The Group held no securities for loans and accounts receivable at year-end 2022 nor at year-end 2023. The largest possible risk represented by these items is the carrying amount of the accounts receivable and any warranties granted.

LIQUIDITY RISK

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

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

MATURITY PROFILE OF FINANCIAL LIABILITIES

in CHF mn	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Bank loans	11.1	0.0	0.0	11.1
Accounts payable	1,016.6	0.0	0.0	1,016.6
Lease liabilities	86.6	191.3	129.7	407.6
Bonds	233.7	2,543.9	955.5	3,733.1
Other financial liabilities	4.7	16.0	12.2	32.9
Financial liabilities measured at amortized cost	1,352.7	2,751.2	1,097.4	5,201.3
Financial liabilities at fair value through profit and loss	9.1	0.4	0.0	9.5
December 31, 2022	1,361.8	2,751.6	1,097.4	5,210.8
Bank loans	4.3	669.6	0.0	673.9
Accounts payable	1,108.2	0.0	0.0	1,108.2
Lease liabilities	122.5	230.5	153.4	506.4
Bonds	1,042.1	2,440.0	1,424.7	4,906.8
Other financial liabilities	7.1	5.2	17.5	29.8
Financial liabilities measured at amortized cost	2,284.2	3,345.3	1,595.6	7,225.1
Financial liabilities at fair value through profit and loss	82.0	0.0	0.0	82.0
December 31, 2023	2,366.2	3,345.3	1,595.6	7,307.1

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios to support its business. The Group manages its capital structure and adjusts it considering changes in economic conditions. No changes were made in the objectives, policies, or processes during the years ended December 31, 2023, and December 31, 2022. The Group monitors its equity using the equity ratio, which is shareholders' equity divided by total capital.

TAX RISK MANAGEMENT

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

Other disclosures

SIGNIFICANT SHAREHOLDERS

At December 31, 2023, based on information supplied to the Group, there are four significant shareholders whose voting rights exceed 3%: (1) BlackRock Inc., which owned 7.7% of all voting rights. (2) William H. Gates and Melinda French Gates, who held 5.3% of all voting rights via Cascade Investment L.L.C. and Bill & Melinda Gates Foundation Trust. (3) The Capital Group Companies, who held 5% of all voting rights via Capital Research and Management Company, Capital Bank and Trust Company, Capital International Limited, Capital International, Inc., and Capital International Sarl. (4) Norges Bank (the Central Bank of Norway), which held 3.01% of all voting rights. Compared to December 31, 2022, there are no changes in significant shareholding.

A list of changes in significant shareholdings reported to the Disclosure Office of SIX Swiss Exchange during the year under review can be found at <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/>. There are no cross-shareholdings exceeding 3%, either in terms of capital or votes.

RELATED PARTIES

EMPLOYEE BENEFIT PLANS

In Switzerland, employee benefit plans are handled through independent foundations, to which a total of CHF 34.4 million (CHF 29.1 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 2023 amounted to CHF 0.7 million (CHF 0.7 million).

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	2022	2023
Current benefits	15.1	14.8
Share-based payments ¹	5.5	5.5
Pension benefits	1.3	1.4
Total	21.9	21.7

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

Information regarding participations of the Board of Directors and Group Management of Sika AG can be found in the Compensation Report (p.196 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 13, 2024. The financial statements will be submitted for approval to the Annual General Meeting on March 26, 2024.

LIST OF GROUP COMPANIES

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
EMEA (Europe, Middle East, Africa)					
Albania	❖ Sika Albania SHPK, Tirana	ALL	96,831	100	
Algeria	○ Sika El Djazair SpA, Les Eucalyptus	DZD	313,400	100*	◆★★
	○ Mortero Spa, Béjaia	DZD	60,000	100*	
	❖ Sika Trading DZ Sarl, Algiers	DZD	43,000	49 ^{2*}	
	○ Master Builder Solution Algeria SARL, Sidi Mousa	DZD	30,000	100*	
Angola	○ Sika Angola (SU), Limitada, Luanda	AOA	172,596	100	
Austria	○ Sika Österreich GmbH, Bludenz	EUR	2,500	100	◆★
	❖ TPH Bausysteme GmbH, Zwettl	EUR	43	100*	
Azerbaijan	○ Sika Limited Liability Company, Baku	AZN	5,311	100	◆
	○ Master Builders Solutions Azerbaijan LLC, Baku	AZN	448	100	
Bahrain	○ Sika Gulf B.S.C., Adliya	BHD	1,000	100*	◆★★
	▲ Sika Arabia Holding Company WLL, Manama	BHD	6,000	100	
Belarus	○ BellNECO LLC, Brest	BYN	49,742	100	◆
Belgium	○ Sika Belgium NV, Nazareth	EUR	10,264	100	◆★
	❖ Sika Automotive Belgium S.A., Saintes	EUR	1,649	100	
	○ Master Builders Solutions Belgium NV, Ham	EUR	21,964	100*	◆★
Bosnia- Herzegovina	❖ Sika BH d.o.o., Sarajevo	BAM	795	100	◆
Bulgaria	○ Sika Bulgaria EOOD, Sofia	BGN	340	100	◆★
Cameroon	○ Sika Cameroon SARL, Douala	XAF mn	1,058	100	◆*
Croatia	❖ Sika Croatia d.o.o., Zagreb	EUR	531	100	◆★
Czech Republic	○ Sika CZ s.r.o., Brno	CZK	30,983	100	◆★★
	○ Krkonošské vápenky Kunčice, a.s., Kunčice nad Labem	CZK	25,000	100*	◆★
	○ Master Builders Solutions CZ s.r.o., Chrudim	CZK	28,000	100*	◆★
Denmark	○ Sika Danmark A/S, Farum	DKK	6,000	100	◆★
Djibouti	❖ Sika Djibouti FZE, Djibouti City	USD	300	100	
Egypt	○ Sika Egypt for Construction Chemicals S.A.E., Cairo	EGP	246,025	100	◆★★
	○ Sika Manufacturing for Construction S.A.E., Cairo	EGP	2,000	99.81	◆★★
	○ Modern Waterproofing Company S.A.E., Cairo	EGP	119,000	98.89	◆★★
	○ MBS Construction Chemicals Egypt (SAE), Menoufa- Sadat City	EGP	6,000	100	◆★★
	❖ MBS Construction Chemicals Trading (SAE), New Cairo	EGP	5,000	100*	
Estonia	❖ Sika Estonia Oü, Tallinn	EUR	3	100	
Ethiopia	○ Sika Abyssinia Chemicals Manufacturing PLC, Addis Ababa	ETB	170,720	100	◆★★
Finland	○ Oy Sika Finland Ab, Espoo	EUR	850	100	◆★
France	○ Sika France SAS, Paris	EUR	468,018	100	◆★★
	○ Sika Automotive France SAS, Cergy-Pontoise Cedex	EUR	1,343	100*	◆★★
	○ ParexGroup SAS, Issy-Les-Moulineaux	EUR	4,065	100*	◆★★
	○ Dixel SAS, Les Salles du Gardon	EUR	37	100*	
	○ MBCC France S.A.S, Courcouronnes	EUR	1	100	◆★
Germany	▲ Sika Holding CH AG & Co KG, Stuttgart	EUR	26,000	100*	
	○ Sika Deutschland GmbH, Stuttgart	EUR	75	100*	◆★
	○ Sika Manufacturing Deutschland GmbH, Troisdorf	EUR	4,000	100*	◆★

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ Sika Automotive Deutschland GmbH, Frankfurt am Main	EUR	1,000	100*	◆ ★ *
	▲ Sika Frankfurt Grundstücksgesellschaft mbH, Worms	EUR	25	100*	
	▲ Sika Worms Grundstücksgesellschaft mbH, Worms	EUR	25	100*	
	○ Hago PU GmbH, Munich	EUR	1,000	100	◆ ★
	○ PCI Augsburg GmbH, Augsburg	EUR	10,000	100*	◆
	○ Wolman Wood and Fire Protection GmbH, Sinzheim	EUR	2,100	100*	◆ ★
	▲ MBS Oldenburger Grundbesitz GmbH, Oldenburg	EUR	25	100*	◆ ★
	○ TPH Bausysteme GmbH, Norderstedt	EUR	75	100*	
	○ MBCC Investments GmbH, Mannheim	EUR	25	100*	◆
Ghana	○ Sika Chemicals Ghana Ltd., Accra	GHS	41,767	100	
Greece	○ Sika Hellas ABEE, Kryoneri	EUR	9,000	100	◆ ★ *
Hungary	○ Sika Hungária Kft., Biatorbágy	HUF	483,000	100	◆ ★
Iran	○ Sika Parsian P.J.S. Co., Tehran	IRR mn	293,229	100	
Iraq	○ Sika Company for General Trading LLC, Erbil	IQD	1,000	100	
Ireland	❖ Sika Ireland Ltd., Dublin	EUR	635	100	◆ ★
Italy	○ Sika Italia S.p.A., Peschiera Borromeo	EUR	5,000	100	◆ ★ *
	○ Sika Engineering Silicones S.r.l., Peschiera Borromeo	EUR	1,600	100*	◆ ★
	○ Sika Polyurethane Manufacturing S.r.l., Cerano	EUR	1,600	100	◆ ★ *
	○ Index Construction Systems and Products S.P.A., Castel d'Azzano	EUR	7,740	100*	◆ ★
Ivory Coast	○ Sika Côte d'Ivoire SARL, Abidjan	XOF mn	1,942	100	◆ ★
Jordan	○ Jordanian Swiss Company for Manufacturing and Marketing Construction Chemicals Limited, Amman	JOD	372	80*	
Kazakhstan	○ Sika Kazakhstan LLP, Almaty	KZT mn	1,413	100	◆ ★
	○ Master Builders Solutions Central Asia LLP, Almaty	KZT	8,158,000	100	◆
Kenya	○ Sika Kenya Limited, Nairobi	KES	50,000	100	◆ ★ *
	○ MB Solutions Kenya Ltd., Nairobi Machakos	KES	202,900	100*	
Kuwait	❖ Sika Kuwait for Construction Materials & Paints Co WLL, Shuwaikh Industrial Area	KWD	1,080	100*	
Latvia	○ Sika Baltic SIA, Riga	EUR	1,237	100	
Lebanon	○ Sika Near East s.a.l., Beirut	LBP mn	1,340	100	◆
Luxemburg	▲ Sika HoldCo S.à.r.l., Luxembourg	EUR	12	100*	
	▲ Sika Investments S.à.r.l., Luxembourg	EUR	12	100*	
Mauritius	○ Sika (Mauritius) Ltd., Plaine Lauzun	MUR	2,600	100*	◆
Morocco	○ Sika Maroc, Casablanca	MAD	264,000	100	◆ ★ *
	○ Master Builders Solutions Maroc S.A.R.L, Ain Sebaa Casablanca	MAD	16,010	100*	◆
Mozambique	○ Sika Moçambique Limitada, Maputo Province	MZN	410,535	100	
Netherlands	○ Sika Nederland B.V., Utrecht	EUR	1,589	100	◆ ★ *
	▲ Sika Capital B.V., Utrecht	EUR	10,000	100	
Nigeria	○ Sika Manufacturing Nigeria Limited, Lagos	NGN mn	2,705	100	
	○ MB Construction Chemicals Solutions Nigeria LLC, Lagos	NGN mn	2,843	100	
Norway	○ Sika Norge AS, Skjetten	NOK	42,900	100	◆ ★ *
Oman	❖ Sika LLC, Muscat	OMR	150	100*	
	○ Master Builders Solutions LLC, Muscat Misfah	OMR	150	70*	◆ ★
Pakistan	○ Sika Pakistan (Pvt.) Limited, Lahore	PKR	824,786	100	◆ ★ *

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ Master Builders Solutions Pakistan Ltd., Karachi	PKR	904,000	100	
Poland	○ Sika Poland Sp. z o.o., Warsaw	PLZ	12,188	100	◆★★
	○ Sika Automotive Zlotoryja Sp. z o.o., Zlotoryja	PLZ	6,001	100	◆★★
Portugal	○ Sika Portugal – Produtos Construção e Indústria SA, Vila Nova de Gaia	EUR	1,500	100	◆★★
Qatar	○ Sika Qatar LLC, Doha	QAR	200	100	◆
	○ Parex Group WLL, Doha	QAR	200	97*	◆
Romania	○ Sika Romania s.r.l., Brasov	RON	665,138	100	◆★★
	○ Adeplast S.R.L., Ploiești City	RON	157,632	100*	◆★★
Russia	○ Sika LLC, Lobnya	RUB	535,340	100	◆★
	○ Kreps Limited Liability Company, St. Petersburg	RUB	338,379	100	
	○ MBS Building Systems LLC, Podolsk	RUB	100,000	100*	
Saudi Arabia	○ Sika Saudi Arabia Limited (A Single Shareholder Limited Liability Company), Jeddah	SAR	41,750	100*	◆★
	○ Master Builders Solutions Saudi Arabia for Manufacturing LLC, Khobar	SAR	45,000	100*	◆
Senegal	○ Sika Sénégal S.U.A.R.L., Dakar	XOF mn	2,979	100	◆★
Serbia	○ Sika Srbija d.o.o., Simanovci	EUR	373	100	◆★
	❖ Master Builders Solutions d.o.o. Beograd, Beograd	RSD	211,700	100	
Slovakia	❖ Sika Slovensko, spol.s r.o., Bratislava	EUR	1,131	100	◆★★
	○ Sika Automotive Slovakia s.r.o., Zlaté Moravce	EUR	7	100	◆★★
	❖ Master Builders Solutions Slovakia spol s.r.o., Zilina	EUR	15	100*	
Slovenia	❖ Sika d.o.o., Trzin	EUR	1,029	100	◆★
South Africa	○ Sika South Africa (Pty) Ltd, Pinetown	ZAR	25,000	100	◆★★
	○ MB Construction Chemicals Solutions South Africa (Pty) Ltd., Johannesburg	ZAR	581,250	100	◆
Spain	○ Sika S.A.U., Alcobendas	EUR	19,867	100	◆★★
	○ Sika Automotive Terrassa S.A., Terrassa	EUR	2,965	100	◆★★
	○ MBCC Spain S.L., Alcobendas	EUR	16,598	100	◆★
Sweden	○ Sika Sverige AB, Spånga	SEK	10,000	100	◆★★
Switzerland	○ Sika Schweiz AG, Zurich	CHF	1,000	100	◆★★
	▲ Sika Services AG, Zurich	CHF	300	100	◆★★
	▲ Sika Technology AG, Baar	CHF	300	100	◆★★
	▲ Sika Informationssysteme AG, Zurich	CHF	400	100	
	■ SikaBau AG, Schlieren	CHF	5,300	100	◆
	▲ Sika Finanz AG, Baar	CHF	2,400	100	
	○ Sika Manufacturing AG, Sarnen	CHF	14,000	100	◆★★
	❖ Sika Supply Center AG, Sarnen	CHF	1,000	100	◆★
	○ Sika Automotive AG, Romanshorn	CHF	3,000	100	★★
	▲ Sika Europe Management AG, Baar	CHF	100	100	
	▲ Sika Americas Management AG, Baar	CHF	100	100	
	▲ Sika Germany Management AG, Baar	CHF	50	100	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	▲ Sika Global Business Management AG, Widen	CHF	100	100	
	○ Polypag AG, Altstätten	CHF	700	100	◆
	▲ Sika International GmbH, Baar	CHF	100	100	
	❖ TPH Bausysteme Schweiz AG, Zürich	CHF	100	100*	
	▲ Sika Investments AG, Baar	CHF	100	100	
Tanzania	○ Sika Tanzania Construction Chemicals Limited, Dar es Salaam	TZS mn	8,244	100	◆★
	MB Construction Chemicals Solutions Tanzania Ltd., Dar Es				
	○ Salaam	TZS mn	8'311	100	
Tunisia	○ Sika Tunisienne Sàrl, Douar Hicher	TND	150	100*	◆★
Turkey	○ Sika Yapi Kimyasallari A.S., Tuzla	TRY	48,700	100	◆★★
	○ ABC Kimya Sanayi ve Dış Ticaret Anonim Şirketi, Istanbul	TRY	5,200	100*	◆
	❖ Sika Turkey Otomotiv Sanayi ve Tic. Ltd. Şti., Istanbul	TRY	5,900	100	◆
	▲ ParexGroup Yapi Kimyasallari Sanayi Ve Ticaret AŞ., Istanbul	TRY	57,301	100*	
	Master Builders Solutions Yapi Kimyasallari Sanayi ve Ticaret				
	○ Limited Şirketi, Istanbul	TRY	747,825	100	◆★
UAE	○ Sika UAE LLC, Dubai	AED	1,000	100*	◆★★
	❖ Sika International Chemicals LLC, Abu Dhabi	AED	300	100*	◆★★
	▲ Sumam Arabia Holding Co Limited, Dubai	AED	1	100	
	▲ Master Builders Solutions Construction Chemicals FZE, Dubai	AED	1,000	100	
	○ Master Builders Solutions Construction Chemicals LLC, Dubai	AED	300	100*	◆★
Ukraine	○ LLC Sika Ukraina, Kiev	UAH	2,933	100	◆
	▲ LLC Sika Property, Kiev	UAH	4,000	100	
United Kingdom	○ Sika Limited, Welwyn Garden City	GBP	116,000	100	◆★★
	▲ Everbuild Building Products Limited, Leeds	GBP	21	100*	◆★★
	○ Incorez Limited, Preston	GBP	1	100	◆★★
	▲ Dry Mix Solutions UK Ltd., Welwyn Garden City	GBP	1	100*	
	▲ Enevis Group Ltd, Lanarkshire	GBP	1	100*	
	▲ Parex Ltd., Welwyn Garden City	GBP	345	100*	
	○ MBCC Construction Chemicals Limited, Welwyn Garden City	GBP	0	100*	◆★
	▲ MBCC Investments UK Limited, Welwyn Garden City	GBP	65,000	100	
Uzbekistan	○ Master Builders Solutions CC LCC, Tashkent	UZS	3,800,000	100	
Americas					
Argentina	○ Sika Argentina SAIC, Caseros	ARS	7,600	100	◆★★
	▲ VDP Logistica SA, Ciudad de Buenos Aires	ARS	100	100*	
Bolivia	○ Sika Bolivia SA, Santa Cruz de la Sierra	BOB	1,800	100	◆
Brazil	○ Sika S/A, Osasco	BRL	410,246	100	◆★★
	Master Builders Solutions Brasil Indústria e Comércio de				
	○ Quimicos para Construção Ltda, São Paulo (Eb)	BRL	6,000	100	◆★
Canada	○ Sika Canada Inc., Pointe Claire/QC	CAD	88,384	100	◆★
	○ Hydrotech Membrane Corporation, Anjou/QC	CAD	100	100*	◆
	○ Sable Marco Inc., Pont-Rouge/QC	CAD	56,000	100*	
	❖ MBSCS Canada Inc., Pointe-Claire	CAD	4,899	100*	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation	
Chile	○ Sika S.A. Chile, Santiago de Chile	CLP mn	4,430	100	◆ ★	
	○ Master Builders Solutions Chile Limitada, Pudahuel	CLP	493,775	100	◆	
Colombia	○ Sika Colombia S.A.S, Tocancipá	COP mn	14,500	100	◆ ★ *	
	○ Master Builders Solutions Colombia S.A.S, Bogota D.C.	COP	9,500,000	100	◆ ★	
Costa Rica	○ Sika productos para la construcción S.A., Heredia	CRC mn	2,620	100		
Dom. Republic	❖ Sika Dominicana SRL, Santo Domingo Oeste	DOP	37,848	100		
Ecuador	○ Sika Ecuatoriana S.A., Durán	USD	1,982	100	◆ ★	
	❖ Master Builders Solutions Ecuador S.A., Quito	USD	351	100		
El Salvador	❖ Sika El Salvador S.A. de C.V., San Salvador	USD	2	100	◆	
Guatemala	○ Sika Guatemala S.A., Ciudad de Guatemala	GTQ	2,440	100	◆ *	
Honduras	❖ Sika Honduras, S.A. de C.V., Ciudad de San Pedro Sula	HNL	236	100	◆	
Mexico	○ Sika Mexicana SA de CV, Corregidora	MXN	1,851,620	100	◆ ★ *	
	○ Master B. Solutions Mexicana, S.A. de C.V., Ciudad De Mexico	MXN	200,050	100*	◆	
	❖ Imperarva S.A. de C.V., Cuautitlan Izcalli	MXN	300	100*		
	○ Pinturas Térmicas del Norte S.A. de C.V., Monterrey	MXN	80,906	100*	◆	
Nicaragua	❖ Sika Nicaragua, Sociedad Anonima, Managua	NIO	20,000	100		
Panama	○ Sika Panama S.A., Ciudad de Panamá	USD	7,200	100		
	○ Master Builders Solutions Panamá S.A., San Francisco	USD	10	100	◆	
Paraguay	○ Sika Paraguay S.A., Asunción	PYG mn	40	100		
	○ Parex Group S.A., Limpio	PYG mn	5,867	67*		
Peru	○ Sika Perú S.A.C., Lima	PEN	3,500	100	◆ ★	
	○ Master Builders Solutions Perú S.A., Lima Cercado	PEN	7,552	70*	◆ ★	
Uruguay	○ Sika Uruguay SA, Montevideo	UYP	22,800	100	◆ ★ *	
	▲ Parex Group SA, Montevideo	UYP	18,551	100*		
USA	○ Sika Corporation, Lyndhurst/NJ	USD	72,710	100	◆ ★	
	❖ Sarnafil Services Inc., Canton/MA	USD	1	100*	★	
	○ Emseal Joint Systems Ltd., Westborough/MA	USD	1,040	100*		
	○ Emseal LLC, Westborough/MA	USD	0	100*	◆	
	○ Sika Automotive Gastonia Inc., Gastonia/NC	USD	1	100*	◆	
	○ Parex USA, Inc., Anaheim/CA	USD	7,176	100*		
	❖ American Hydrotech, Inc., Chicago/IL	USD	7	100*		
	○ United Gilsonite Laboratories, Inc., Dunmore/PA	USD	404	100*		
	Master Builders Solutions Construction Systems US, LLC,					
	○ Lyndhurst	USD	0	100*	◆	
	○ Watson Bowman Acme Corp., Lyndhurst	USD	1	100*	◆	
	○ Colorbiotics, LLC, Lyndhurst	USD	0	100*		
	○ Thiessen Equipment USA Inc., Lyndhurst	USD	10	100*		
○ Master Builders Solutions Puerto Rico Corporation, Caguas/PR	USD	3,667	100			
Venezuela	○ Sika Venezuela SA, Valencia	VED	0	100		
Asia/Pacific						
Australia	○ Sika Australia Pty. Ltd., Wetherill Park	AUD	49,200	100	◆ ★ *	
Bangladesh	❖ Sika Bangladesh Limited, Dhaka	BDT	238,294	100	◆	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ MB Solutions Bangladesh Limited, Dhaka	BDT	1,400,100	100	
Cambodia	○ Sika (Cambodia) Ltd., Phnom Penh	KHR	422,000	100	◆*
China	○ Sika (China) Ltd., Suzhou	USD	50,000	100	◆**
	Sika Sarnafil Waterproofing Systems (Shanghai) Ltd., ○ Shanghai	USD	22,800	100	◆**
	○ Sika Guangzhou Ltd., Guangzhou	CNY	80,731	100	◆**
	❖ Sika Ltd. Dalian, Dalian	CNY	45,317	100	
	❖ Sika (Guangzhou) Trading Company Ltd., Guangzhou	CNY	3,723	100*	
	○ Sika (Sichuan) Building Material Ltd., Chengdu	CNY	60,010	100*	◆*
	○ Sika (Jiangsu) Building Material Ltd., Zhengjiang	CNY	60,010	100*	◆**
	○ Sika Automotive Shanghai Co. Ltd., Shanghai	CNY	2,666	100	◆*
	○ Sika Automotive (Tianjin) Co. Ltd., Tianjin	CNY	83,262	100	◆**
	Ronacrete (Guangzhou) Construction Products Limited, ○ Guangzhou	CNY	17,056	100*	◆**
	❖ Home of Heart (Shanghai) E-Commerce Co. Ltd., Shanghai	CNY	10,000	100*	
	❖ Sika (Shanghai) Management Co., Ltd., Shanghai	USD	10,000	100*	
	❖ SikaDavco (Guangzhou) Management Co. Ltd., Guangzhou	USD	2,000	100*	
	❖ SikaDavco (Guangzhou) Co. Ltd., Guangzhou	USD	10,000	100*	◆**
	○ SikaDavco (Guangdong) New Materials Co. Ltd., Conghua	CNY	30,000	100*	◆**
	○ Changsha SikaDavco New Materials Co. Ltd., Changsha	CNY	10,000	100*	◆**
	○ SikaDavco (Chengdu) New Materials Co. Ltd., Chengdu	CNY	20,000	100*	◆**
	○ SikaDavco (Chongqing) New Materials Co. Ltd., Chongqing	CNY	10,000	100	◆**
	○ SikaDavco (Dezhou) New Materials Co. Ltd., Dezhou City	USD	1,500	100	◆
	○ SikaDavco (Dongguan) Co. Ltd., Dongguan	CNY	10,000	100*	◆**
	○ SikaDavco (Nanjing) Co. Ltd., Nanjing	CNY	10,000	100*	◆**
	○ SikaDavco (Quanzhou) Co. Ltd., Quanzhou	CNY	10,000	100*	◆**
	○ SikaDavco (Shanghai) Co. Ltd., Shanghai	CNY	25,000	100*	◆**
	○ Davco (Shijiazhuang) Co. Ltd., Shijiazhuang	CNY	10,000	100*	◆**
	○ SikaDavco (Hubei) Co. Ltd., Ezhou	CNY	10,000	100*	◆**
	○ Suzuka International (Shanghai) Co. Ltd., Shanghai	CNY	50,000	100*	◆**
	▲ Suzuka International (Shijiazhuang) Co. Ltd., Shanghai	CNY	10,000	100*	
	○ Sika (Jiangsu) Industrial Material Ltd., Jiangsu	CNY	59,312	100*	◆
	○ SikaDavco (Zhejiang) New Materials Co. Ltd., Zhejiang	CNY	32,760	100	◆**
	○ SikaDavco (Zhanjiang) New Materials Co. Ltd., Zhanjiang	CNY	10,000	100	◆**
	○ Sika Hamatite Automotive (Zhejiang) Ltd., Zhejiang	CNY	113,700	100*	◆**
	▲ Shenzhen Landun Holding Co. Ltd., Shenzhen	CNY	60,000	100*	
	Guangdong Landun Science and Technology Star Co., Ltd., ○ Shenzhen	CNY	38,000	100*	
	○ Hubei Landun Science and Technology Star Co., Ltd., Xiaogan	CNY	36,660	100*	
	○ MB Solutions (China) Co., Ltd., Shanghai	CNY	722,500	100*	◆**
	MB Solutions Construction Systems (Huzhou) Co., Ltd., ○ Huzhou City	CNY	30,113	100*	◆**
	○ Shanghai MBT & SCG Co. Ltd., Minhang	CNY	56,000	60*	◆*
	○ SikaDavco (Liaoning) New Materials Co., Ltd. Liaoning	USD	1,500	100	
	▲ Sika (Zhejiang) Novel Material Co., Ltd., Jiaxing City	USD	33,500	100	

Country	Company ¹		Capital stock in thousands	Voting and capital share in %	Certifi- cation
	○ Sika Hongkong Ltd., Hong Kong	HKD	30,000	100	◆ ★
	❖ Ronacrete (Far East) Ltd., Hong Kong	HKD	450	100*	
	❖ Master Builders Solutions Hong Kong Limited, Hong Kong	HKD	35,950	100*	
	▲ Suzuka International Ltd, Hong Kong	HKD	10	100*	
	▲ MBCC Hong Kong Establishment Limited, Hong Kong	HKD	0	100	
	▲ MBCC Hong Kong Limited, Hong Kong	HKD	0	100	
India	○ Sika India Private Ltd., Mumbai	INR	85,000	100	◆ ★ *
	❖ Axson India Private Limited, Pune	INR	3,000	100*	
	○ Master Builders Solutions India Private Limited, Navi Mumbai	INR	4,150,100	100	◆ ★
Indonesia	○ Sika Indonesia P.T., Bogor	IDR mn	3,282	100	◆ ★ *
	○ PT Master Builders Solutions Indonesia, Cikarang	IDR	22,500,000	100*	◆
	❖ PT Master Builders Solutions Distribution Indonesia, Cikarang	IDR	82,500,000	100*	
Japan	○ Sika Japan Ltd., Minato-ku	JPY	490,000	100	◆ ★ *
	■ DCS Co. Ltd., Toda-shi	JPY	30,000	100*	
	○ Pozzolite Solutions Ltd., Chigasaki City	JPY	5,177,269	100*	◆
Korea	○ Sika Korea Ltd., Seoul	KRW mn	5,596	100	◆ ★
Malaysia	○ Sika Kimia Sdn. Bhd., Nilai	MYR	44,000	100	◆ ★ *
	▲ Sika Asia Pacific Services Sdn. Bhd., Kuala Lumpur	MYR	500	100	
	○ Master Builders Solutions Malaysia Sdn. Bhd., Klang	MYR	92,833	100	◆ ★
	○ Nautec Materials Sdn. Bhd, Johor	MYR	16,732	100	
Mongolia	○ Sika Mongolia LLC, Ulaanbaatar	MNT mn	7,091	100	◆ *
Myanmar	○ Sika Myanmar Limited, Dagon Myothit (South) Township	USD	3,018	100	◆ ★
	○ Master Builders Solutions Myanmar Ltd., Yangon	MMK	5,978,002	100	
New Zealand	○ Sika (NZ) Ltd., Auckland	NZD	1,100	100	◆ ★ *
Philippines	○ Sika Philippines Inc., Las Pinas City	PHP	55,610	100	◆ ★ *
	○ Master Builders Solutions Philippines Inc., Carmona	PHP	10,500	100*	
Singapore	○ Sika (Singapore) Pte. Ltd., Singapore	SGD	6,250	100	
	▲ Sika Asia Pacific Mgt. Pte. Ltd., Singapore	SGD	100	100	
	❖ Master Builders Solutions Singapore Pte. Ltd, Singapore	SGD	1,500	100*	◆ ★
Sri Lanka	○ Sika Lanka (Private) Limited, Ekala	LKR	711,506	100	◆ ★
Taiwan	○ Sika Taiwan Ltd., Taoyuan County	TWD	40,000	100	◆ ★
Thailand	○ Sika (Thailand) Ltd., Chonburi	THB	302,100	100	◆ ★ *
Vietnam	○ Sika Limited (Vietnam), Dong Nai Province	VND mn	44,190	100	◆ ★ *
	○ Master Builders Solutions Vietnam Ltd., Ho Chi Minh City	VND mn	82,000	100*	◆

□ Production, sales, construction contracting

○ Production and sales

❖ Sales

▲ Real estate and service companies

■ Construction contracting

◆ ISO 9001 (Quality Management)

★ ISO 14001 (Environmental Management)

* ISO 45001 (Occupational Health and Safety)

¹ For associated companies see note 17.

² Fully consolidated – control over the company through shareholder agreement.

* Company indirectly held by Sika AG.

Material changes are indicated p.209 of this report.



Statutory Auditor's Report

To the General Meeting of Sika AG, Baar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sika AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 200 to 254) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for Opinion

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

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

Key Audit Matters



VALUATION OF GOODWILL



ACQUISITION OF MBCC GROUP

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



VALUATION OF GOODWILL

Key Audit Matter

As of 31 December 2023, the consolidated financial statements included goodwill amounting to CHF 6,200 million.

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

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

In relation to total assets and net assets as per 31 December 2023, goodwill is of material importance.

In the financial year 2023 no impairment of goodwill was identified.

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

Our response

Amongst others, we have performed the following audit procedures:

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

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

- Note “Principles of consolidation and valuation” on pages 205 - 208
- Note 16 “Intangible assets and goodwill” on pages 229 – 230



ACQUISITION OF MBCC GROUP

Key Audit Matter

On May 2, 2023 Sika acquired all shares of MBCC Group (“MBCC”) for a total consideration of CHF 3.2 billion.

As part of the acquisition accounting, International Financial Reporting Standards require the recognition and measurement of the identifiable assets acquired and liabilities assumed at their fair values. As a result, Sika recognized goodwill of CHF 3.5 billion, representing the difference of the total consideration paid and the fair value of MBCCs net assets. Goodwill reflects market access, combined distribution channels and supplementary product portfolios.

Identifying and assessing the fair values of the assets acquired and liabilities assumed requires management judgement.

In particular, the valuation of intangible assets such as customer relationships and technology are based on estimates made by Sika management. In determining the fair values of these intangible assets, Sika management engaged experts who applied a valuation model that incorporates, amongst others, assumptions in respect of future revenues and margins, useful lives, customer attrition and discount rates.

Based on this rationale, we consider the acquisition of MBCC as a key audit matter.

Our response

Our audit procedures to assess the accounting for the business combination included, among others, the following:

- We analysed the MBCC purchase agreement to understand the key terms and conditions of the transaction and their implications on the accounting and the purchase price allocation. In addition, we reconciled the consideration paid to the agreement and bank statements.
- We considered the appropriateness of the fair values ascribed to assets and liabilities, including the involvement of local component auditors for the audit of the opening balance sheet of entities acquired.
- We obtained the fair value calculations for specific assets and liabilities done by the experts engaged by Sika and assessed the expert’s qualification, experience and expertise.
- We challenged the methods, assumptions and data used to identify and measure the fair values of assets and liabilities with the support of our own valuation and tax specialists.
- We assessed the appropriateness of the goodwill allocation to the cash generating units (CGUs).
- We evaluated the presentation and disclosure of the transaction in the consolidated financial statements.

For further information on the acquisition of MBCC Group refer to the following

- Note “Principles of consolidation and valuation” on pages 205 - 208
- Note “Scope of Consolidation and acquisitions” on pages 209 - 212

Other Information

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

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

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

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



Board of Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

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

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

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

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

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other



matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zug, 13 February 2024

FIVE-YEAR REVIEWS

CONSOLIDATED INCOME STATEMENT for the year ended December 31

in CHF mn	2019	2020	2021	2022	2023
Net sales	8,109.2	7,877.5	9,252.3	10,491.8	11,238.6
Material expenses	-3,765.2	-3,562.7	-4,461.0	-5,312.0	-5,213.8
Gross result	4,344.0	4,314.8	4,791.3	5,179.8	6,024.8
Personnel expenses	-1,544.3	-1,525.9	-1,635.3	-1,710.5	-2,006.8
Other operating expenses	-1,412.1	-1,291.3	-1,398.0	-1,505.1	-1,973.3
Operating profit before depreciation	1,387.6	1,497.6	1,758.0	1,964.2	2,044.7
Depreciation/amortization/impairment	-332.5	-367.1	-366.6	-384.5	-495.6
Operating profit	1,055.1	1,130.5	1,391.4	1,579.7	1,549.1
Interest income/interest expense	-55.0	-51.9	-45.4	-40.4	-134.8
Financial income/expense and income from associated companies	-33.5	-18.2	-10.4	-41.1	-77.9
Profit before taxes	966.6	1,060.4	1,335.6	1,498.2	1,336.4
Income taxes	-208.1	-235.3	-287.1	-335.7	-273.8
Net profit	758.5	825.1	1,048.5	1,162.5	1,062.6
Free cash flow	-717.0	1,120.3	594.9	930.8	-1,870.1
Operating free cash flow	1,026.1	1,259.4	908.4	865.2	1,372.7
Gross result as % of net sales	53.6	54.8	51.8	49.4	53.6
Operating profit as % of net sales	13.0	14.4	15.0	15.1	13.8
Net profit as % of net sales (ROS)	9.4	10.5	11.3	11.1	9.5
Net profit as % of shareholders' equity (ROE)	24.0	25.1	23.9	23.4	17.9

SEGMENT INFORMATION

in CHF mn	EMEA					Americas				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Net sales	3,530	3,496	4,071	4,144	4,499	2,183	2,012	2,427	3,194	3,424
Operating profit	488	572	691	783	668	356	345	446	571	630
in % of net sales	13.8	16.4	17.0	18.9	14.8	16.3	17.1	18.4	17.9	18.4
Depreciation/amortization	141	154	153	142	185	78	82	81	96	127
Capital expenditures	89	48	54	85	77	41	36	47	71	87

in CHF mn	Asia/Pacific					Global Business				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Net sales	1,613	1,723	2,081	2,351	2,474	783	647	673	804	842
Operating profit	263	285	349	371	426	92	55	50	49	118
in % of net sales	16.3	16.5	16.8	15.8	17.2	11.7	8.5	7.4	6.1	14.0
Depreciation/amortization	59	76	78	89	107	25	25	25	28	26
Capital expenditures	35	27	44	68	78	17	11	14	18	13

in CHF mn	Other segments and activities					Total				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Net sales	0	0	0	0	0	8,109	7,878	9,252	10,492	11,239
Operating profit	-144	-126	-145	-193	-293	1,055	1,131	1,391	1,580	1,549
in % of net sales						13.0	14.4	15.0	15.1	13.8
Depreciation/amortization	29	30	30	31	50	332	367	367	385	496
Capital expenditures	11	10	12	25	25	193	132	171	266	280

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

CONSOLIDATED BALANCE SHEET as at December 31

in CHF mn		2019	2020	2021	2022	2023
Cash and cash equivalents		995.1	1,318.7	1,175.0	1,873.3	643.9
Accounts receivable	a	1,441.9	1,361.8	1,576.8	1,719.6	2,009.1
Inventories	b	866.5	814.0	1,158.3	1,212.8	1,240.7
Other assets ¹		166.4	140.1	255.4	215.6	307.6
Current assets		3,469.9	3,634.6	4,165.5	5,021.3	4,201.3
Property, plant, and equipment		1,795.8	1,702.6	1,776.6	1,822.3	2,257.3
Intangible assets		4,351.0	4,172.3	4,379.9	4,229.1	8,223.6
Other assets ²		343.0	284.5	384.8	246.5	368.5
Non-current assets		6,489.8	6,159.4	6,541.3	6,297.9	10,849.4
ASSETS		9,959.7	9,794.0	10,706.8	11,319.2	15,050.7
Accounts payable	c	837.2	846.3	1,033.2	1,016.6	1,108.2
Financial liabilities		342.9	334.7	343.1	303.0	1,217.9
Other liabilities ³		632.9	644.1	719.9	721.8	1,089.9
Current liabilities		1,813.0	1,825.1	2,096.2	2,041.4	3,416.0
Financial liabilities		4,070.1	3,851.9	3,393.9	3,634.2	4,732.0
Non-current provisions, employee benefit obligations		414.9	417.8	418.5	317.9	529.1
Other liabilities ⁴		500.5	411.2	402.3	358.6	440.4
Non-current liabilities		4,985.5	4,680.9	4,214.7	4,310.7	5,701.5
LIABILITIES		6,798.5	6,506.0	6,310.9	6,352.1	9,117.5
Capital stock		1.4	1.4	1.4	1.5	1.6
Treasury shares		-7.3	-5.2	-10.7	-15.1	-11.9
Reserves		3,130.0	3,289.6	4,403.1	4,979.8	5,930.7
Equity attributable to Sika shareholders		3,124.1	3,285.8	4,393.8	4,966.2	5,920.4
Non-controlling interests		37.1	2.2	2.1	0.9	12.8
SHAREHOLDERS' EQUITY	d	3,161.2	3,288.0	4,395.9	4,967.1	5,933.2
LIABILITIES AND SHAREHOLDERS' EQUITY	e	9,959.7	9,794.0	10,706.8	11,319.2	15,050.7

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

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

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

4 Deferred tax liabilities and other non-current liabilities.

KEY BALANCE SHEET DATA

in CHF mn	Calculation	2019	2020	2021	2022	2023
Net working capital	(a+b-c)	1,471.2	1,329.5	1,701.9	1,915.8	2,141.6
Net working capital as % of net sales		18.1	16.9	18.4	18.3	19.1
Net debt ¹	f	3,407.8	2,855.8	2,547.1	2,051.6	5,219.7
Gearing in %	(f:d)	107.8	86.9	57.9	41.3	88.0
Equity ratio in %	(d:e)	31.7	33.6	41.1	43.9	39.4

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

VALUE-BASED KEY DATA

in CHF mn	Calculation	2019	2020	2021	2022	2023
Capital employed ¹		7,026.4	6,582.1	7,263.0	7,366.2	11,634.9
Annual average of capital employed	g	5,501.0	6,804.3	6,922.6	7,314.6	9,500.6
Operating profit	h	1,055.1	1,130.5	1,391.4	1,579.7	1,549.1
Return on capital employed (ROCE) in %	(h:g)	19.2	16.6	20.1	21.6	16.3

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

EMPLOYEES

	2019	2020	2021	2022	2023
EMEA (Europe, Middle East, Africa)¹	12,284	12,534	13,004	12,972	16,214
Germany	2,334	2,247	2,256	2,168	3,469
Switzerland	2,013	1,948	1,985	1,948	2,071
France	1,392	1,362	1,375	1,396	1,515
United Kingdom	951	890	972	1,013	1,001
America¹	6,271	5,936	6,820	7,394	8,825
USA	2,547	2,438	2,671	2,893	3,355
Mexico	499	476	1,061	1,046	1,711
Brazil	964	824	833	854	905
Asia/Pacific¹	6,586	6,378	7,235	7,342	8,508
China	2,753	2,806	3,414	3,480	3,773
Japan	682	672	988	930	1,151
Total	25,141	24,848	27,059	27,708	33,547
Personnel expenses (in CHF mn)					
Wages and salaries	1,257	1,235	1,328	1,399	1,637
Social charges, other	287	291	307	312	370
Personnel expenses	1,544	1,526	1,635	1,711	2,007
Personnel expenses as % of net sales	19.0	19.4	17.7	16.3	17.9
Key data per employee (in CHF thousands)					
Net sales	359	315	356	383	367
Net value-added ²	116	107	118	121	116

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

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

VALUE-ADDED STATEMENT

in CHF mn	2019	2020	2021	2022	2023
Source of value-added					
Corporate performance (net sales)	8,109	7,878	9,252	10,492	11,239
Intermediate inputs	-5,157	-4,819	-5,838	-6,806	-7,196
Gross value-added	2,952	3,059	3,414	3,686	4,043
Non-liquidity-related expenses					
Depreciation and amortization	-333	-367	-367	-385	-496
Change in provisions	-6	-26	25	20	10
Net value-added	2,613	2,666	3,072	3,321	3,557
Distribution of value-added					
To employees					
Wages and salaries	1,257	1,235	1,328	1,399	1,637
Social charges	287	293	309	312	370
To governments	254	280	331	390	328
To lenders (interest expenses)	56	33	55	57	159
To shareholders (dividend payout, incl. non-controlling interests)	293	327	355	446	493
To the company					
Net profit for the year	759	825	1,049	1,163	1,063
Less dividend payout	-293	-327	-355	-446	-493
Net value-added	2,613	2,666	3,072	3,321	3,557
Number of employees					
End of year	25,141	24,848	27,059	27,708	33,547
Annual average	22,601	24,995	25,954	27,384	30,628
Net value-added per employee (in CHF thousands)	116	107	118	121	116

SIKA AG, BAAR, FINANCIAL STATEMENTS

SIKA AG INCOME STATEMENT for the year ended December 31

in CHF mn	Notes	2022	2023
Dividend income	1	553.9	636.3
Financial income	2	133.3	511.1
Other income	3	135.3	60.3
Income		822.5	1,207.7
Financial expenses	2	-159.8	-504.5
Personnel expenses	4	-14.7	-20.1
Other operating expenses	5	-139.6	-119.6
Operating profit before depreciation		508.4	563.5
Impairment losses (-)/reversal of impairment losses (+) on investments		-9.7	-10.7
Depreciation and amortization expenses		-0.1	-0.1
Net profit before taxes		498.6	552.7
Direct taxes		-6.5	-5.1
Net profit for the year		492.1	547.6

SIKA AG BALANCE SHEET as at December 31

in CHF mn	Notes	2022	2023
Cash and cash equivalents	6	1,273.9	87.5
Securities		0.1	3.1
Other current receivables	7	2,529.5	4,325.9
Prepaid expenses and accrued income		12.1	36.0
Current assets		3,815.6	4,452.5
Financial assets	8	0.9	464.4
Investments	9	3,392.7	5,799.0
Property, plant, and equipment		0.2	0.3
Other non-current assets		13.8	20.7
Non-current assets		3,407.6	6,284.4
ASSETS		7,223.2	10,736.9
Accounts payable	10	13.2	32.1
Current interest-bearing liabilities	11	580.3	1,197.9
Other current liabilities		1.2	3.2
Accrued expenses and deferred income	12	58.6	77.4
Current provisions		0.0	1.0
Current liabilities		653.3	1,311.6
Non-current interest-bearing liabilities	11	3,381.5	4,908.0
Other non-current liabilities		2.9	3.0
Non-current provisions		2.5	8.6
Non-current liabilities		3,386.9	4,919.6
LIABILITIES		4,040.2	6,231.2
Share capital		1.5	1.6
Legal capital reserves		1,736.8	3,000.9
Legal retained earnings		4.0	4.0
Voluntary retained earnings		121.7	121.7
Profit brought forward		1,334.1	1,389.4
Treasury shares	13	-15.1	-11.9
Shareholders' equity	14	3,183.0	4,505.7
LIABILITIES AND SHAREHOLDERS' EQUITY		7,223.2	10,736.9

NOTES TO THE SIKA AG FINANCIAL STATEMENTS

Principles

GENERAL

The 2023 financial statements were prepared according to the Swiss Law on Accounting and Financial Reporting. The significant accounting and valuation principles applied are as described below.

SECURITIES

Securities are valued at historical costs.

RECEIVABLES

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

INVESTMENTS

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

PROPERTY, PLANT, AND EQUIPMENT, AND INTANGIBLE ASSETS

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

CURRENT AND NON-CURRENT INTEREST-BEARING LIABILITIES

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

PROVISIONS

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

TREASURY SHARES

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

SHARE-BASED PAYMENTS

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

INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

1. Dividend income CHF 636.3 mn (CHF 553.9 mn)

Dividends from subsidiaries are recognized in this position.

2. Financial income CHF 511.1 mn (CHF 133.3 mn)/ Financial expenses CHF 504.5 mn (CHF 159.8 mn)

Financial income includes interest income and gains from foreign exchange transactions. Financial expenses include the interest costs on bonds, bank debts, cashpool and loan payables to subsidiaries (see note 11), as well as foreign currency losses on loans to subsidiaries and other financing costs.

in CHF mn	2022			2023		
	Income	Expenses	Net	Income	Expenses	Net
Interest – 3rd party	0.9	-19.4	-18.5	4.4	-65.6	-61.2
Interest – subsidiaries	38.3	-20.5	17.8	215.5	-111.3	104.2
Realized foreign exchange result	22.0	-89.2	-67.2	183.1	-268.5	-85.4
Unrealized net foreign exchange result	72.1	-7.3	64.8	108.1	-39.3	68.8
Other financial result	-	-23.4	-23.4	-	-19.8	-19.8
Total	133.3	-159.8	-26.5	511.1	-504.5	6.6

Interest expenses increased in 2023 due to the additional financing needed for the MBCC acquisition, as explained in note 11.

In 2023, the refinancing of the acquired MBCC companies resulted in higher loan receivables (see note 7). Furthermore, the prevailing macroeconomic conditions are marked by an upward trend in interest rates, leading to an increase in interest income.

The realized and unrealized exchange rate gains and losses can be primarily attributed to the depreciation of the euro and the US dollar currencies. However, the net exchange rate risk is limited due to back-to-back financing arrangements and effective hedging strategies.

3. Other income CHF 60.3 mn (CHF 135.3 mn)

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

4. Personnel expenses CHF 20.1 mn (CHF 14.7 mn)

Personnel expenses comprise all payments to persons in an employment relationship. Also included are expenses such as pension fund contributions, health insurance contributions, employee participation plan costs as well as taxes and levies directly related to personnel remuneration. The annual cost of the long-term employee participation plan depends on Sika's share price performance. In 2023, the increased share price led to higher expenses.

5. Other operating expenses CHF 119.6 mn (CHF 139.6 mn)

This position includes the holding company's general expenses. Other operating expenses mainly include legal and consulting fees, costs related to management training, marketing expenses, as well as other operating expenses.

In 2023, non-recurring costs related to the acquisition of the MBCC Group of CHF 37.9 million were incurred. Furthermore, stamp taxes of CHF 12.5 million had to be paid due to the conversion of the convertible bond (see note 11).

In 2022, non-recurring costs related to the planned acquisition of the MBCC Group of CHF 78.3 million were incurred and recharged to the subsidiaries (see note 3). Furthermore, stamp taxes of CHF 14.3 million had to be paid due to the conversion of convertible bonds (see note 11).

6. Cash and cash equivalents CHF 87.5 mn (CHF 1,273.9 mn)

Bank deposits of CHF 42.9 million (CHF 1,216.7 million) are invested in Swiss francs and CHF 44.6 million (CHF 57.2 million) in foreign currencies. The high cash position at the end of the year 2022 was part of the financing strategy for the acquisition of the MBCC Group in May 2023.

7. Other current receivables CHF 4,325.9 mn (CHF 2,529.5 mn)

in CHF mn	2022	2023
Receivables from third parties	3.0	2.0
Receivables from subsidiaries	35.4	82.6
Cashpool receivables from subsidiaries	100.6	14.6
Dividend receivables from subsidiaries	30.5	22.9
Loan receivables from subsidiaries	2,360.0	4,203.4
Loan receivables from related parties	-	0.4
Total	2,529.5	4,325.9

Refinancing and legal restructuring of the acquired MBCC companies resulted in higher loan receivables.

8. Financial assets CHF 464.4 mn (CHF 0.9 mn)

in CHF mn	2022	2023
Loan receivables from subsidiaries ¹	-	463.3
Financial assets	0.9	1.1
Total	0.9	464.4

1. Loan to a subsidiary with subordination.

9. Investments CHF 5,799.0 mn (CHF 3,392.7 mn)

The change in investments results mainly from the legal restructuring of the MBCC acquisition. Sika AG is now direct shareholder of several MBCC companies and has carried out capital increases at subsidiaries for local buy-outs. Other changes result from valuation changes, the formation of new companies, acquisitions, and liquidations. Major participations are summarized on the list of Group companies beginning on p.248 of this report.

10. Accounts payable CHF 32.1 mn (CHF 13.2 mn)

in CHF mn	2022	2023
Payables to third parties	2.7	3.2
Payables to subsidiaries	10.5	28.9
Total	13.2	32.1

11. Interest-bearing liabilities current CHF 1,197.9 mn (CHF 580.3 mn)/ non-current CHF 4,908.0 mn (CHF 3,381.5 mn)

in CHF mn	2022			2023		
	Current	Non-current	Total	Current	Non-current	Total
Bank debt	-	-	-	-	669.6	669.6
Cashpool liabilities to subsidiaries	137.5	-	137.5	473.4	-	473.4
Loan payables to subsidiaries	242.8	994.2	1,237.0	174.5	3,018.4	3,192.9
Bonds	200.0	2,387.3	2,587.3	550.0	1,220.0	1,770.0
Total	580.3	3,381.5	3,961.8	1,197.9	4,908.0	6,105.9

Interest-bearing liabilities increased due to the acquisition of MBCC as of May 2, 2023. The transaction was financed with the issuance of:

- 3 straight bonds in the total amount of CHF 650.0 million placed by Sika AG;
- 3 Euro bonds in the total amount of EUR 2,250 million placed via Sika Capital B.V., Netherlands (a 100% subsidiary of Sika AG);
- interim bridge financing. The interim bridge financing was fully repaid in August 2023.
- bank facilities. Both revolving credit facilities were increased from CHF 750.0 million to CHF 1,100.0 million each. As of December 31, 2023, Sika has utilized CHF 669.6 million under those two credit lines.

OUTSTANDING BONDS

in CHF mn	Coupon	Term	2022	2023
			Book value	Book value
Straight bond	1.875%	2013-11/14/2023	200.0	n.a.
Straight bond	1.600%	2022-05/28/2024	100.0	100.0
Straight bond	2.125%	2023-10/11/2024	n.a.	200.0
Straight bond	0.625%	2018-07/12/2024	250.0	250.0
Convertible bond	0.150%	2018-06/05/2025	1,267.3	n.a.
Straight bond	1.900%	2022-11/28/2025	200.0	200.0
Straight bond	0.600%	2018-03/27/2026	140.0	140.0
Straight bond	2.250%	2023-04/13/2026	n.a.	200.0
Straight bond	1.125%	2018-07/12/2028	130.0	130.0
Straight bond	2.350%	2022-11/28/2028	300.0	300.0
Straight bond	2.250%	2023-04/13/2029	n.a.	250.0
Total			2,587.3	1,770.0

The convertible bond in the total amount of CHF 1,650.0 million due in 2025 was placed by Sika AG in 2018. As of September 25, 2023, Sika has exercised its early redemption option. In the reporting year, bonds with a nominal value of CHF 1,264.2 million were converted (CHF 141.7 million). The remaining bonds of CHF 3.1 million have been repaid.

12. Accrued expenses and deferred income CHF 77.4 mn (CHF 58.6 mn)

Accrued expenses and deferred income include pro rata interest on bonds issued of CHF 13.0 million (CHF 4.5 million) as well as accrued interest expenses on loan payables of CHF 38.1 million (CHF 11.2 million). Also included are employee-related accruals and accruals for outstanding invoices.

13. Treasury shares CHF 11.9 mn (CHF 15.1 mn)

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

in CHF mn	Units	Share value
January 1, 2022	31,125	10.7
Reductions	-221,313	-62.6
Additions	254,634	67.0
December 31, 2022	64,446	15.1
January 1, 2023	64,446	15.1
Reductions	-198,473	-48.1
Additions	182,814	44.9
December 31, 2023	48,787	11.9

In the year under review, the average share price was CHF 248.19 (CHF 258.37).

14. Shareholders' equity CHF 4,505.7 mn (CHF 3,183.0 mn)

The ratio of shareholders' equity to total assets amounts to 42.0% (44.1%).

in CHF mn	Capital stock	Legal capital reserves ¹	Retained earnings ²	Treasury shares	Shareholders' equity
January 1, 2022	1.4	295.4	1,413.5	-10.7	1,699.6
Dividend payment			-445.8		-445.8
Increase from conditional capital	0.1	1,441.4			1,441.5
Transactions with treasury shares				-4.4	-4.4
Net profit for the year			492.1		492.1
December 31, 2022	1.5	1,736.8	1,459.8	-15.1	3,183.0
January 1, 2023	1.5	1,736.8	1,459.8	-15.1	3,183.0
Dividend payment			-492.3		-492.3
Increase from conditional capital	0.1	1,264.1			1,264.2
Transactions with treasury shares				3.2	3.2
Net profit for the year			547.6		547.6
December 31, 2023	1.6	3,000.9	1,515.1	-11.9	4,505.7

1 Including reserves from capital contributions.

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

The higher profit in 2023 is mainly due to higher dividend income. In April 2023, the dividend of CHF 492.3 million from profit brought forward for 2022 was paid out to shareholders.

SHARE CAPITAL

The share capital corresponds to the nominal capital of all issued registered shares with a par value of CHF 0.01 each and includes treasury shares which do not carry voting and dividend rights. The capital is fully paid, and structured as follows:

	Units	Par value in CHF
At January 1, 2022	143,044,967	1,430,450
Capital increase from conditional capital	10,690,084	106,901
At December 31, 2022	153,735,051	1,537,351
At January 1, 2023	153,735,051	1,537,351
Capital increase from conditional capital	6,744,242	67,442
At December 31, 2023	160,479,293	1,604,793

CONDITIONAL CAPITAL

In the reporting year, 6,744,242 (10,690,084) new shares were issued from conditional capital, which were used for the conversion of the issued bonds (see note 11).

The remaining conditional capital of 91,187 shares has been deleted and the article of association have been adjusted accordingly. As of December 31, 2022, there was a conditional capital of CHF 68,354.29, divided into 6,835,429 registered shares with a par value of CHF 0.01 each. These shares were reserved for the exercise of option or conversion rights.

CAPITAL BAND

The Company has a capital band between CHF 1,527,925.41 (lower limit) and CHF 1,681,660.45 (upper limit). Within the capital band, the Board of Directors is authorized, until March 28, 2028 or until the earlier expiration of the capital band, to increase or decrease the share capital once or several times and in any amounts. The capital increase or reduction may be effected by the issuance of up to 7,686,752 fully paid-up registered shares with a nominal value of CHF 0.01 each or by cancelling up to 7,686,752 registered shares with a nominal value of CHF 0.01 each or by increasing or reducing the nominal value of the existing registered shares within the capital band. As of December 31, 2023, the capital band is not used.

RESERVES FROM CAPITAL CONTRIBUTION

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

in CHF mn	2022	2023 ¹
January 1	239.2	1,680.6
Premium from conversion of bonds	1,441.4	1,264.1
December 31	1,680.6	2,944.7

1 Not yet approved by the Swiss Federal Tax Administration.

Due to existing different practices regarding the accounting of the stamp duties and other issue costs incurred in connection with the increase in share capital, there is a deviation of CHF 20.8 million between the reserves from capital contribution stated in the statutory financial statements of Sika AG and the amount the Swiss Federal Tax Administration recognizes at December 31, 2023.

Other information

FULL-TIME EQUIVALENTS

The number of full-time equivalents for the reporting year is 46 (44) employees.

PARTICIPATIONS IN SIKA AG

Sika AG granted the following number of shares as part of employee participation plans. The shares were issued in April 2023 at a market price of CHF 248.80 (CHF 306.90).

in CHF thousands	2022		2023	
	Units	Nominal	Units	Nominal
Board of Directors	4,843	1,486.3	4,949	1,231.3
Group Management	9,494	2,913.6	5,854	1,456.5
Employees	2,516	772.0	1,935	481.4
Total	16,853	5,171.9	12,738	3,169.2

CONTINGENT LIABILITIES

Letters of guarantee are issued to finance business transactions. Sika AG guarantees for euro bonds issued by Sika Capital B.V., Netherlands (a 100% subsidiary of Sika AG), in the total amount of nominal EUR 3,250.0 million.

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

in CHF mn	2022	2023
Letters of guarantee		
Issued	986.1	3,018.4
Used	0.0	0.0
Letters of comfort		
Issued	p.m.	p.m.
Used	0.0	0.0

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

Sika AG acts as guarantor in the share and purchase agreement (SPA) regarding certain subsidiaries of the MBCC Group between Sika International GmbH, acting as seller, and the purchaser. Further to the obligations in the SPA, and as between the Sika entities, Sika AG agreed to accept all of the rights, claims, title, benefit and interest to, in and under the SPA, whether current or future, actual or contingent of Sika International GmbH.

NET RELEASE OF HIDDEN RESERVES

There was no net release of hidden reserves in the current year nor in the previous year.

SIGNIFICANT SHAREHOLDERS

On December 31, 2023, the company had 46,340 (42,240) registered shareholders. Information regarding significant shareholders can be found on p.247 of this report.

Proposed appropriation of profit brought forward and repayment of reserves from capital contribution

The Board of Directors proposes to the Annual General Meeting the following appropriation of profit brought forward and repayment of reserves from capital contribution:

in CHF mn	2022	2023
Composition of the profit brought forward		
Net profit for the year	492.1	547.6
Results carried forward from prior year	842.0	841.8
Profit brought forward	1,334.1	1,389.4
Dividend payment out of the profit brought forward	492.3	264.8
Results carried forward	841.8	1,124.6

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

in CHF mn	2022	2023
Repayment of reserves from capital contribution		
Legal capital reserves qualified as reserves from capital contribution	1,680.6	2,944.7
Repayment of reserves from capital contribution	0.0	264.8
Reserves from capital contribution carried forward	1,680.6	2,679.9

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

in CHF	2022	2023
Gross dividend	3.20	1.65
Repayment from reserves from capital contribution	-	1.65
Gross payout per registered share¹	3.20	3.30
35% withholding tax on gross dividend	1.12	0.58
Net payout per registered share	2.08	2.72

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

The Board of Directors proposes to the Annual General Meeting a distribution to the shareholders in the total amount of CHF 3.30 per single-class registered share. The dividend for 2022 was CHF 3.20 per single-class registered share.

Payment of the distribution is tentatively scheduled for Wednesday, April 3, 2024. Registered shareholders will receive payment of the distributed amount at the address provided to the company for the purposes of dividend distribution.

The Annual General Meeting of Sika AG will be held on Tuesday, March 26, 2024.

Baar, February 13, 2024

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



Statutory Auditor's Report

To the General Meeting of Sika AG, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sika AG (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 265 to 275) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

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

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

Key Audit Matters



VALUATION OF INVESTMENTS

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



VALUATION OF INVESTMENTS

Key Audit Matter

As of 31 December 2023, the financial statements of Sika AG include investments in subsidiaries in the total amount of CHF 5'799.0 million.

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

In relation to total assets and net assets as per 31 December 2023, investments in subsidiaries are of material importance.

In the financial year 2023, an impairment expense on investments in the amount of CHF 10.7 million was recognized.

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

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

- Notes to the Sika AG financial statements: Principles on page 267
- Information on balance sheet and income statement items, 9. Investments on page 269

Other Information

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

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

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

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

Our response

Amongst others, we have performed the following audit procedures:

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



Board of Directors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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



Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zug, 13 February 2024