

## **DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES**

Sika uses in its communications financial performance measures that are not defined by IFRS. Management believes that these non-IFRS financial performance measures provide useful information regarding the Sika's financial and operating performance. Such measures may not be comparable to similar measures presented by other companies. The main alternative performance measures used by the Group are explained in this document.

This document has been prepared in conformity with the Directive on the Use of Alternative Performance Measures, issued by SIX Exchange Regulation Ltd.

### **Organic growth and acquisition impact**

Organic growth represents the growth of the business after removing the impact of acquisitions and exchange rate movements. For purposes of calculating organic growth the sales of an acquired business is excluded for the 12 months following the business combination.

The effect of changes in foreign exchange rates are calculated as the prior year sales' values converted at the current year's exchange rates, less the prior year's sales converted at the prior year's rates. In countries experiencing hyperinflation the organic growth rate is adjusted for the inflation effect.

### **Operating free cash flow**

Operating free cash flow represents the cash generating capability of the Group to conduct and maintain its operations, to finance dividend payments, to repay debt, and to undertake acquisitions.

Operating free cash flow represents cash flow from operating activities after deducting net investment in property, plant, and equipment, net investment in intangible assets, and cash payments for acquisitions of associated companies.

### **Return on capital employed (ROCE)**

Return on capital employed expresses earning power of the invested capital of the Group. The numerator is operating profit (EBIT) of the past twelve months, denominator is the average capital employed of the same period.

Capital employed equals current assets, property, plant, and equipment, intangible assets less cash and cash equivalents, current securities, current liabilities (excluding bank loans and bonds).

#### **Net debt**

Net debt is an indicator of the Group's ability to meet financial commitments, to pay dividends, and to undertake acquisitions.

Net debt represents the net level of financial debt contracted by the Group with external parties (e.g. bonds, lease liabilities, bank loans) after considering cash, cash equivalents, and current securities. Derivative financial instruments are not considered.

#### **Net working capital**

Working capital is capital invested in the Group's operating activities. It is a driver for cash flow and an indicator of operational efficiency.

Net working capital equals accounts receivable and inventories less accounts payable.

This set of definitions can be found on our website:

<https://www.sika.com/en/investors/reports-publications/financial-reports/alternative-performance-measures.html>