NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OF AMERICA OR OTHERWISE OTHER THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED—THIS OFFERING IS AVAILABLE ONLY TO ADDRESSEES OUTSIDE OF THE UNITED STATES, SUBJECT TO CERTAIN RESTRICTIONS

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the attached prospectus (the "**Prospectus**") accessed via internet or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. IN PARTICULAR, ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OF AMERICA OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, CANADA, JAPAN, AUSTRALIA OR ITALY OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION. YOU ARE NOT AUTHORIZED TO, AND YOU MAY NOT, FORWARD OR DELIVER THE ATTACHED PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PROSPECTUS IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OF AMERICA OR APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: By accessing the attached document you reconfirm your representation to Sika AG (the "**Issuer**") and UBS AG (the "**Global Coordinator**") that (1) you are outside the United States of America, as defined in Regulation S under the U.S. Securities Act, not acting on behalf of a person within the United States of America and, to the extent you purchase the securities described in the attached Prospectus, you will be doing so in compliance with Regulation S under the U.S. Securities Act, that (2) the electronic mail (or e-mail) address to which the attached Prospectus has been delivered is not located in the United States of America, its territories and possessions, any State of the United States or the District of Columbia (where "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), and that (3) you consent to delivery of the attached Prospectus and any amendments or supplements thereto by electronic transmission. The attached Prospectus has been made available to you in electronic form.

You are reminded that documents transmitted via electronic means may be altered or changed during the process of transmission and consequently none of the Issuer, the Global Coordinator and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Issuer, the Global Coordinator or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the Prospectus distributed to you in electronic format and the hard copy version. If permitted by law, we will provide a hard copy version to you upon your request.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Global Coordinator or the Issuer that would or is intended to, permit a public offering of the securities, or possession or distribution of the Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Global Coordinator or any affiliate of the Global Coordinator is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Global Coordinator or such affiliate on behalf of the Issuer in such jurisdiction.

For other sales restrictions, see "*Important Information*" and "*Sales Restrictions*" in the Prospectus. You are reminded that you have accessed the attached Prospectus on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this Prospectus, electronically or otherwise, to any other person. If you have gained access to this Prospectus contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein. If you receive this Prospectus by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. If you receive this Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CHF 1,650,000,000 Senior Unsecured Convertible Bonds due 2025

convertible into shares of

Sika AG

(*incorporated in Switzerland with limited liability*)

This prospectus (the "**Prospectus**") relates to an offering (the "**Offering**"), consisting of (i) an offering of the senior unsecured convertible bonds due 2025 convertible into Shares (as defined below) of the Issuer (as defined below) (the "**Bonds**", and each a "**Bond**") to the holders of Rights (as defined below) and to the public in Switzerland, and (ii) private placements of the Bonds in certain other jurisdictions outside of Switzerland and the United States in compliance with Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and in accordance with applicable securities laws, rules and regulations. Unless otherwise defined herein, the words and expressions defined in the section "*Terms of the Bonds*" below shall have the same meaning in this Prospectus.

Issuer	Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland ("**Sika**" or the "**Issuer**")
Issue Size	CHF 1,650,000,000
Reopening of the Issue	The Issuer reserves the right to reopen the issue according to the Terms of the Bonds.
Issue Price	100 % of the Principal Amount (as defined below)
Interest Rate	0.15 % p.a., payable in arrear on June 5 of each year, for the first time on June 5, 2019, calculated on a 30E/360 basis.
Maturity Date	June 5, 2025
Denomination	CHF 20,000 principal amount ("**Principal Amount**") or multiples thereof
Rating	The Issuer is rated A- (stable outlook) by Standard & Poor's. The Bonds are expected to be rated in line with the Issuer's corporate rating.
Assurances	*Pari passu* clause, negative pledge clause, events of default provisions and cross default clause (subject to CHF 30 million threshold), all as provided for in the Terms of the Bonds.
Form of the Bonds	The Bonds will be issued as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code of Obligations ("**CO**") and registered in the main register (*Hauptregister*) with SIX SIS Ltd. ("**SIS**"). Once uncertificated securities are registered in the main register with SIS and entered into the accounts of one or more participants of SIS, the Bonds will constitute intermediated securities (*Bucheffeken*) within the meaning of the Swiss Intermediated Securities Act. Conversion into or printing and physical delivery of a global certificate or individually certificated Bonds is excluded.
Institutional Bookbuilding	May 15, 2018
Allocation Dates	Provisional allocation took place on May 15, 2018. The definitive allocation of the Bonds will be made following expiration of the Rights Exercise Period (as defined below) on or around May 29, 2018.
Advance Subscription Rights	The Bonds are offered to eligible shareholders of the Issuer for exercise of their advance subscription rights (*Vorwegzeichnungsrechte*, the "**Rights**") by way of the Clawback (as defined below).
Clawback	Bonds were offered in the institutional bookbuilding on May 15, 2018 and have been provisionally allocated to investors. Such allocation of the Bonds remains subject to a pro rata reduction relative to the number of Rights (as defined below) being exercised during the Rights Exercise Period (the "**Clawback**"); provided, however, that such provisional allocation is binding on investors participating in the institutional bookbuilding and subject to the Clawback only.
Allotment of Rights	Each holder of 1 bearer share of the Issuer with a nominal value of CHF 0.60 (the "**Bearer Shares**") has been allotted by the Issuer six (6) Rights, and each holder of 1 registered share of the Issuer with a nominal value of CHF 0.10 (the "**Registered Shares**", and together with the Bearer Shares, the "**Shares**") has been allotted by the Issuer one (1) Right. 185 Rights give the right to purchase from the Issuer 1 Bond at the Issue Price.
Rights Exercise Period	The Rights must be exercised between May 18, 2018 and 12.00 noon (CEST) on May 28, 2018 (the "**Rights Exercise Period**"); the Rights are not tradable. Rights not exercised by the end of the Rights Exercise Period will lapse without any compensation and become null and void. The purchase of Bonds through exercise of Rights within the Rights Exercise Period is irrevocable and is not subject to the Clawback.
Definitive Allocation	The definitive allocation will be made on the basis of the provisional allocation, adjusted only to reflect the Clawback. The definitive allocation will be announced on or around May 29, 2018.
Settlement Date	June 5, 2018
Redemption	June 5, 2025, at 100 % of the Principal Amount
Early Redemption	Issuer Call and Clean-up Call, each as further specified in the Terms of the Bonds
Investor Put	Change of Control and Delisting Put, each as further specified in the Terms of the Bonds
Issuer Fair-Market Call	If the Shareholder Resolutions (as defined below) are not passed or registered with the Commercial Register, or if the Extraordinary General Meeting (as defined below) does not take place on or prior to the Long Stop Date (as defined below), the Issuer may at any time no later than sixty (60) business days after the earlier of (x) the conclusion of the Extraordinary General Meeting and (y) the Long Stop Date (the "**Fair Market Call Period**") by giving notice to the Bondholders, elect to redeem all but not only some of the Bonds, at the greater of 102 % of the Issue Price, and (ii) 102 % of the Fair Bond Value of the Bonds, in either case together with accrued and unpaid interest, if any (for further details see Condition 5 of the Terms of the Bonds).
Conversion Ratio	The number of Shares equal to CHF 20,000 divided by the Initial Conversion Price and such ratio being multiplied by the number of Bonds converted by any Bondholder. Cash payment for fractions as per the Terms of the Bonds.
Conversion Period	The period commencing on the earlier of (x) the tenth (10^{th}) trading day (inclusive) following the entry of the Shareholder Resolutions (as defined below) in the Commercial Register and (y) the third (3^{rd}) trading day following the end of the Fair Market Call Period, and ending on the earlier of the close of business on the day falling ten (10) calendar days prior to (i) the Maturity Date, or (ii) an earlier date fixed by the Issuer for redemption of the Bonds.
Initial Conversion Price:	CHF 11,421.4730, subject to adjustments (for details see Condition 6 of the Terms of the Bonds)
Source of Shares:	Existing Shares of the Issuer and/or newly issued Shares out of the Issuer's conditional share capital
Sales Restrictions:	**USA, United Kingdom, Canada, Japan, Australia, EEA, Italy and others. See "Sales Restrictions" in this Prospectus**
Listing and Trading	Application for the listing and trading of the Bonds according to the Standard for Bonds of the SIX Swiss Exchange will be made. The Bearer Shares currently are, and the Shares are expected to be listed on the SIX Swiss Exchange according to the International Reporting Standard.
Governing Law / Jurisdiction	Swiss Law / Zurich

Global Coordinator

UBS Investment Bank

	Swiss Security Number	**ISIN**	**Common Code**
Bonds	41.399.024	CH0413990240	182362611
Advance Subscription Rights	41.394.918	CH0413949188	
Bearer Shares	58.797	CH0000587979	004473213

Final Prospectus dated May 15, 2018

IMPORTANT INFORMATION

Prospective Bondholders are expressly advised that an investment in the Bonds entails financial risks (including, without limitation, the risks that (a) the market price of the Shares into which the Bonds are convertible is volatile, that (b) there is no prior market for the Bonds and no active trading market may develop, and that (c) the Bond prices may be volatile). Investors should therefore carefully review the entire content of this Prospectus. For a description of certain further risks see "*Risk Factors*", beginning on page 6.

The distribution of this Prospectus and the offering or sale of the Bonds in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer and the Global Coordinator to inform themselves about and to observe such restrictions.

This Prospectus may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. In making an investment decision, prospective investors must rely on their own examination of the Issuer and the terms and conditions of the Offering, including the merits and risks involved. Prospective investors should not construe anything in this Prospectus as legal, business or tax advice. Each prospective investors should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Bonds under applicable laws and regulations.

Further, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by or on behalf of the Issuer or the Global Coordinator. No representation or warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Global Coordinator or any of its affiliates or advisors or selling agents as to the accuracy or completeness of any information contained in this Prospectus and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Global Coordinator or any of its affiliates or advisors or selling agents as to the past or the future.

Neither the delivery of this Prospectus nor any sale of Bonds shall under any circumstances create any implication that there has been no change in the information contained herein or in the affairs of the Issuer since the date hereof.

Neither the Bonds nor the Rights nor the Shares to be delivered upon conversion of the Bonds have been or will be registered under the U.S. Securities Act. The Bonds and the Shares to be issued upon conversion of the Bonds may not be offered, sold or delivered within the United States or to U.S. persons. **For a description of certain further restrictions on offers and sales of Bonds and distribution of this Prospectus, see "Sales Restrictions", beginning on page v.**

All references in this document to "Swiss francs" and "CHF" are to the lawful currency of Switzerland.

FINAL PROSPECTUS

The Bonds are expected to be issued based on this final prospectus dated May 15, 2018 (the "**Final Prospectus**") which will, together with any supplements, also serve as listing prospectus for the listing of the Bonds on the SIX Swiss Exchange.

The information set out in this Final Prospectus will replace in full and will take precedence over the preliminary prospectus dated May 15, 2018. Prospective investors are advised to read this Final Prospectus.

NOTICE TO PROSPECTIVE BONDHOLDERS

This Prospectus has been prepared by the Issuer for the purpose of making offers and sales of Bonds outside the United States to non-U.S. persons in compliance with Regulation S. Each prospective Bondholder will be deemed to have represented and agreed that such prospective Bondholder understands that the Bonds and the Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or in a transaction that is exempt from, or not subject to, the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them in Regulation S.

AVAILABILITY OF DOCUMENTS

Copies of this Prospectus are available at UBS AG, Prospectus Library, P.O. Box, CH-8098 Zurich, Switzerland (telephone: +41 44 239 47 03 (voice-mail), fax: +41 44 239 69 14 or e-mail: swiss-prospectus@ubs.com) or at Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland (telephone: +41 58 436 62 00, fax: +41 58 436 68 50 or e-mail: sikagroup@ch.sika.com) during regular business hours.

Copies of the Issuer's articles of association ("**Articles of Association**"), annual reports, financial statements and information on the historical prices of the Issuer's shares can be downloaded from the Issuer's website (https://www.sika.com). The contents of the Issuer's website are not incorporated by reference into this Prospectus, and investors should not rely on it in making their decision to invest in the Bonds.

INFORMATION TO DISTRIBUTORS FOR THE PURPOSES OF MIFID II PRODUCT GOVERNANCE

Solely for the purposes of the product governance requirements contained within (a) Directive 2014/65/EU (as amended, "**MiFID II**"), (b) articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Bonds have been subject to the product approval process, which has led to the conclusion that: subject to a public offering of the Bonds in Switzerland, which may include offerings to non-professional investors, (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds, as permitted by MiFID II are permissible (the "**Target Market Assessment**"). Any person offering, selling or recommending the Bonds (a "**Distributor**") should take into consideration the manufacturers' target market assessment; however, Distributors are responsible for undertaking their own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Notwithstanding the Target Market Assessment, Distributors should note that an investment in the Bonds is compatible only with investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to Bond or any other securities.

SALES RESTRICTIONS

The Issuer has represented and warranted that it has not made and will not make any application for listing of the Bonds on any exchange outside Switzerland.

The Offering consists of a public offering of Bonds in Switzerland and of private placements of Bonds to prospective Bondholders in certain jurisdictions outside of Switzerland, other than the United States or other jurisdictions where an offering would be prohibited by applicable law. The Bonds are being offered outside the United States in compliance with Regulation S and in accordance with applicable securities laws.

No action has been or will be taken by the Issuer or the Global Coordinator that would, or is intended to, permit a public offering of the Bonds, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction other than Switzerland where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Global Coordinator to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Bonds, in all cases at their own expense.

Each prospective Bondholder must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Bonds or possesses or distributes this Prospectus and must obtain any consent, approval or permission required for the purchase, offer or sale by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Global Coordinator shall have any responsibility therefor.

United States

The Bonds and the Shares to be delivered upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold within the United States. Offers and sales of the Bonds outside the United States may be made only in compliance with Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act.

United Kingdom

This Prospectus is only being distributed to and is only directed at: persons who (1) are outside the United Kingdom; (2) have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FPO**"); (3) are persons falling within article 49(2)(a) to (d) of the FPO (high net worth companies, unincorporated associations, etc.); or (4) are persons to whom this Prospectus may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Persons who are not Relevant Persons should not act or rely on this Prospectus or any of its contents.

This Prospectus has not been delivered for approval to the Financial Conduct Authority in the United Kingdom or to an authorized person within the meaning of the Financial Services and Markets Act 2000 (the "**FSMA**"). No approved prospectus within the meaning of Section 85 of FSMA has been published or is intended to be published in relation to the Offering. The Prospectus does not constitute a prospectus for the purposes of FSMA.

The Global Coordinator has represented, warranted and agreed that it has not offered or sold and, prior to the expiry of a period of six months from the Payment Date of the Bonds, will not offer or sell, any Bonds to persons in the United Kingdom except to Relevant Persons.

Canada

No securities commission or similar regulatory authority in Canada has reviewed this Prospectus nor has it in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offense.

These Bonds have not been and will not be qualified for sale under the securities laws of Canada or any province or territory thereof. The distribution of the Bonds in Canada is being made only on a private placement basis exempt from the requirement that the Issuer prepare and file a prospectus with the applicable regulatory authorities and in compliance with the registration requirements or in accordance with exemptions from registration requirements of all applicable securities laws. The Global Coordinator has represented and agreed (i) that it has not offered, sold, distributed, or delivered, and that it will not offer, sell, distribute, or deliver, any Bonds, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof, and (ii) not to distribute or deliver this prospectus, or any other offering materials relating to the Bonds, in Canada; in either case, in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. If the Bonds may be offered, sold or distributed in Canada, the issue of the Bonds will be subject to such additional selling restrictions as the Issuer and the Global Coordinator may agree, as specified in the applicable final terms and Canadian offering memorandum relating to such Bonds. The Global Coordinator will be required to agree that it will offer, sell and distribute such Bonds only in compliance with such additional Canadian selling restrictions.

The Issuer currently has no intention of filing a prospectus with any securities regulatory authority in Canada to qualify the resale of the Bonds to the public in Canada. Accordingly, any resale of the Bonds in Canada must be made under available statutory exemptions from prospectus requirements in Canada and in compliance with the registration requirements or in accordance with exemptions from registration requirements of all applicable securities laws. Canadian purchasers are advised to seek legal advice prior to any resale of the Bonds.

Japan

The Bonds and the Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "**FIEL**"). The Global Coordinator has represented and agreed that, in connection with the initial offering of the Bonds and the Shares, it has not, directly or indirectly, offered or sold, and shall not, directly or indirectly, offer or sell, any Bonds and the Shares in Japan or to, or for the account or benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Australia

The distribution of this Prospectus (including electronically) in Australia may be restricted by the Corporations Act 2001 (Cth) (the "**Corporations Act**"). Persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer in Australia to any person to whom it would not be lawful to make such an offer, including investors who are not sophisticated investors or professional investors as these terms are defined in section 708 of the Corporations Act.

European Economic Area

Restrictions on Offering to the Public

In relation to each Member State of the European Economic Area ("**EEA**") which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Global Coordinator has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the Offering to the public in that Relevant Member State other than to any legal entity which is a qualified investor as defined in the Prospectus Directive, provided that no such offer of Bonds shall require the Issuer or any Joint Bookrunner to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

In the case of any Bonds being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented, acknowledged and agreed that the Bonds acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Bonds to the public, other than their offer or resale in a Relevant Member State to qualified investors as so defined. The Issuer, the Global Coordinator and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

Prohibition of Sales to EEA Retail Investors

The Bonds are not intended, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA is unlawful under the PRIIPs Regulation.

Italy

The offering of the Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Bonds be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time ("**Regulation No. 11971**"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Bonds or distribution of copies of the Prospectus or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 vii of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the "**Banking Act**"); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

In accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies, Bonds which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are systematically (*sistematicamente*) distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Other Jurisdictions

Applicable laws may restrict the distribution of this Prospectus in certain other jurisdictions. No action has been taken by the Issuer that would permit any offer of the Bonds or possession or distribution of this Prospectus or any other publicity material or documentation regarding the Bonds or the Shares in any jurisdiction where action for that purpose is required. Persons into whose possession this Prospectus or such other publicity material or documentation comes must inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such jurisdiction.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and information relating to the Issuer and its consolidated subsidiaries (together, the "**Sika Group**" or the "**Group**"), including statements of future financial and operational developments and results as well as other projections and statements that are based on the subjective expectations, assessments, estimates and projections of its Management (as defined below) and information currently available to the Sika Group. These forward-looking statements include the statements under the captions "Risk Factors", "Information on the Offering", "Information on the Issuer and its Business", and elsewhere in this Prospectus that are not historical facts or which may not otherwise be provable by reference to past events. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, financial condition or achievements of the Sika Group to be materially different from those expressed or implied by such forward-looking statements contained in this Prospectus. Terms and phrases such as "will", "believe", "expect", "anticipate", "intend", "plan", "predict", "estimate", "project", "may" and "could", and variations of these words and similar expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

These statements reflect current views of the Issuer's management (the "**Management**") with respect to future events and are not a guarantee of future performance. Various factors could cause the actual results, performance, financial condition or achievements to differ materially from the expectations reflected in the forward-looking statements in this Prospectus. These factors include, but are not limited to, risks and others described under "Risk Factors".

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Prospective investors should refer to the section "Risk Factors" for a discussion of important factors that may cause the Sika Group's actual results to differ materially from those expressed or implied by the Sika Group's forward-looking statements in this Prospectus will prove to be accurate. Therefore, no undue reliance should be placed on forward-looking statements. The Issuer undertakes no obligation to update any forward-looking statement, even if new information, future events or other circumstances have made them incorrect or misleading. All subsequent written and oral forward-looking statements attributable to the Issuer or any other entity of the Sika Group are qualified in their entirety by the foregoing factors.

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RESPONSIBILITY STATEMENT

The Issuer assumes responsibility for the completeness and accuracy of the content of this Prospectus. The Issuer confirms that, to the best of its knowledge, the information in this Prospectus is correct and no material facts or circumstances have been omitted.

Baar, Switzerland, as of May 15, 2018 **Sika AG**

INDICATIVE TIMETABLE FOR THE OFFERING

Publication of Preliminary Prospectus	May 15, 2018
Institutional bookbuilding	May 15, 2018
Pricing and communication of final terms (Pricing Date)	May 15, 2018
Provisional allocation (binding, subject only to Clawback)	May 15, 2018
Ex-Date for the Rights	May 17, 2018
Beginning of Rights Exercise Period	May 18, 2018
End of Rights Exercise Period (12.00 noon (CEST))	May 28, 2018
Announcement of take-up and definitive allocation	May 29, 2018
Payment and settlement (Settlement Date)	June 5, 2018

INFORMATION ON THE OFFERING

The following description should be read in conjunction with the other sections of this Prospectus, including but not limited to the sections "Forward-Looking Statements" and "Risk Factors" and the audited consolidated financial statements of the Issuer included elsewhere in this Prospectus.

Authorization

Pursuant to a resolution of the board of directors of the Issuer (the "**Board of Directors**") dated May 10, 2018, and the bond purchase agreement dated as of May 15, 2018 (the "**Bond Purchase Agreement**") as well as the paying and conversion agency agreement dated May 15, 2018 (the "**Paying and Conversion Agency Agreement**"), the Issuer has decided to issue senior unsecured convertible bonds due 2025, convertible into Shares.

Subscription and Sale

Pursuant to the terms and conditions of the Bond Purchase Agreement, the Issuer has offered the Bonds to the shareholders by way of granting them Rights (*Vorwegzeichnungsrechte*) by way of the Clawback (see "—*Clawback*"), and the Global Coordinator has agreed to purchase and the Issuer has agreed to sell to the Global Coordinator, the Bonds (including the Bonds for which Rights can be exercised) for an aggregate amount of CHF 1,650,000,000.

Global Coordinator	Principal amount CHF	Number of Bonds	Corresponding to voting rights upon conversion
UBS AG	1,650,000,000	82,500	3.22 % (1)
Bahnhofstrasse 45			5.69 % (2)
8001 Zurich			6.11 % (3)

(1) Calculated on the basis of the Issuer's capital structure as of the date of this Prospectus and based on an initial conversion price of CHF 11,421.4730. See "*Information on the Issuer's Capital Structure and Shares—Share Capital Structure—Issued Share Capital*" for further information.

(2) Calculated on the basis of the 2,151,199 bearer shares with a nominal value of CHF 0.60 each (the "**Bearer Shares**") and the 2,333,874 registered shares with a nominal value of CHF 0.10 each (the "**Registered Shares**") recorded in the Commercial Register of the Canton of Zug as of the date of this Prospectus and shown on an as-converted basis, i.e., as if the split of and conversion of the Bearer Shares into registered shares with a nominal value of CHF 0.01 each and the split of the Registered Shares into a single class of registered shares with a nominal value of CHF 0.01 each had already occurred at the date of this Prospectus, resulting in a single class of shares, consisting of 152,410,680 registered shares with a nominal value of CHF 0.01 each, and based on a conversion price as adjusted pursuant to Condition 6(a)(i) of the Terms of the Bonds. See "*Information on the Issuer's Capital Structure and Shares—Share Capital Structure—Proposed Changes to the Issuer's Capital Structure*" for further information.

(3) Calculated on the basis of the 2,151,199 Bearer Shares and the 2,333,874 Registered Shares recorded in the Commercial Register of the Canton of Zug as of the date of this Prospectus, shown on an as-converted basis (see footnote (2) above), and taking into account the envisaged cancellation of 1,062,952 Registered Shares acquired by Sika from Saint-Gobain, resulting in a share capital of CHF 1,417,811.60, divided into 141,781,160 registered shares with a nominal value of CHF 0.01 each, and based on a conversion price as adjusted only pursuant to Condition 6(a)(i) of the Terms of the Bonds See "*Information on the Issuer's Capital Structure and Shares—Share Capital Structure—Proposed Changes to the Issuer's Capital Structure*" for further information.

The Bond Purchase Agreement provides for the undertaking of the Global Coordinator to offer the Bonds to prospective investors in a public offering in Switzerland and in private placements in certain jurisdictions outside of Switzerland, other than the United States or other jurisdictions where an offering would be prohibited by applicable law.

The Bond Purchase Agreement provides that the Global Coordinator's obligations are subject to certain conditions precedent. The Bond Purchase Agreement also entitles the Global Coordinator to terminate the Bond Purchase Agreement in certain circumstances prior to the Closing Date. If the right to terminate the Bond Purchase Agreement is exercised by the Global Coordinator, the Offering will terminate and any previous purported purchase or subscription of the Bonds will be deemed not to have been made. As is more fully set out in the Bond Purchase Agreement, the Issuer has agreed to pay the Global Coordinator certain commissions and certain costs and expenses incurred in connection with the Offering and to indemnify the Global Coordinator for, inter alia, losses as a result of breaches of certain representations and undertakings made in connection with the Offering.

Source of the Shares to be Delivered upon Conversion

Upon conversion of the Bond, the Issuer will deliver to the Bondholders (i) new and/or existing registered shares of the Issuer with a nominal value of CHF 0.01 each (*Einheitsnamenaktien*; see "*Information on the Issuer's Capital Structure and Shares—Share Capital Structure—Proposed Changes to the Issuer's Capital Structure*"), or (ii), in case the proposed creation of a single class of registered shares (*Einheitsnamenaktien*) will not be approved by the Extraordinary General Meeting (as defined below) or if such resolutions of the Extraordinary General Meeting are not registered with the Commercial Register of the Canton of Zug, new and/or existing bearer shares of the Issuer with a nominal value of CHF 0.60 each.

Clawback

Bonds for which Rights can be exercised were offered in the institutional bookbuilding on May 15, 2018. Subsequently, the Bonds will also be offered to eligible shareholders of the Issuer during the Rights Exercise Period. Accordingly, the allocation of the Bonds in the institutional bookbuilding is provisional (however, for the avoidance of doubt, binding on investors participating in the institutional bookbuilding) and remains subject only to a pro rata reduction relative to the number of Rights that will be exercised during the Rights Exercise Period (Clawback). The number of the Bonds purchased by shareholders of the Issuer through exercise of Rights does not change and is not subject to the Clawback.

Fair Market Call

If the Extraordinary General Meeting (as defined below) does not resolve to pass the proposed creation of a single class of registered shares (*Einheitsnamenaktien*) with a nominal value of CHF 0.01 each (such resolutions, the "**Shareholder Resolutions**"), or if the Shareholder Resolutions are not registered with the Commercial Register of the Canton of Zug, or if the Extraordinary General Meeting does not take place on or prior to the Long Stop Date, the Issuer may at any time no later than sixty (60) business days after the earlier of (x) the conclusion of the Extraordinary General Meeting and (y) the Long Stop Date (as defined below) by giving a notice to the Bondholders (the "**Fair Market Call Notice**"), elect to redeem all but not only some of the Bonds, at the greater of (i) 102 % of the Issue Price and (ii) 102 % of the Fair Bond Value, in either case, together with accrued and unpaid interest to the date fixed for redemption, if any, whereupon the Bonds will be redeemed, on the date falling three (3) Trading Days after the end of the Fair Bond Value Calculation Period.

"**Fair Bond Value**" means the price calculated by a Common Expert as being the average of the prices of the Bonds on each trading day during the Fair Bond Value Calculation Period.

"**Fair Bond Value Calculation Period**" means the period of five (5) consecutive Trading Days commencing on the Trading Day following the date of the Fair Market Call Notice.

"**Common Expert**" means an independent investment bank of international repute or an independent law firm or accounting firm of international repute or an independent financial advisor with relevant expertise of international repute selected and instructed by the Issuer and UBS AG as Paying and Conversion Agent by mutual agreement.

"**Extraordinary General Meeting**" means an extraordinary general meeting of the shareholders of the Issuer in which the Issuer seeks shareholders' approval in respect of the Shareholder Resolutions), which is to be held not later than the Long Stop Date.

"**Long Stop Date**" means July 31, 2018.

For further details on the proposed creation of a single class of shares, see "*Information on the Issuer's Capital Structure and Shares—Share Capital Structure—Proposed Changes to the Issuer's Capital Structure*".

Lock-up

The Issuer agreed that it will not, during the period commencing on the date of the Bond Purchase Agreement and ending ninety (90) calendar days following the Closing Date, without the prior written consent of the Global Coordinator, (i) issue, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, pledge, or otherwise transfer or dispose of (or publicly announce any such issuance, offer, sale or disposal), directly or indirectly, any Shares or any securities convertible into or exchangeable or exercisable for Shares or warrants or other rights to purchase any Shares, except (a) the issuance and sale of Shares as part of the transactions as described in the Issuer's announcement of May 11, 2018 or (b) the issuance of the Bonds and the issuance and delivery of Shares under the Bonds or (c) for options granted to the Issuer's or Subsidiaries' employees, management, directors and advisors pursuant to their stock option plans or similar plans and Shares issued upon the exercise of options granted pursuant to such stock option plans and similar plans or (d) as consideration in the context of mergers or acquisitions involving the Issuer or its Subsidiaries up to an aggregate amount or value of CHF 500,000,000, subject to an undertaking by the recipient(s) of the consideration to also adhere to the above lock-up undertaking of the Issuer for any period then still remaining under such lock-up undertaking, and (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described in section (i) or (ii) above is to be settled by delivery of Shares or other securities of the Issuer, in cash or otherwise.

Use of Proceeds

The net proceeds from the Offering are expected to amount to approx. CHF 1,640 million, after deduction of commissions, fees, and estimated expenses. The net proceeds will be used by the Issuer for (i) the refinancing of the purchase of own shares (as further described in "*Information on the Issuer and its Business—Recent Developments; Settlement with Saint-Gobain and the Family; Creation of Single Class of Registered Shares*", and (ii) general corporate purposes.

Listing Agent and Listing of the Bonds

In accordance with article 43 of the listing rules of the SIX Swiss Exchange, UBS AG has been appointed by the Issuer as representative to file the listing application for the Bonds with SIX Swiss Exchange.

Paying and Conversion Agent

UBS AG will be acting as paying and conversion agent (the "**Paying and Conversion Agent**") for the Bonds.

Foreign Investment and Exchange Control Regulations in Switzerland

Other than in connection with government sanctions imposed on certain persons and organizations from the Republic of Iraq, the Islamic Republic of Iran, the Central African Republic, Lebanon, Libya, Sudan, the Democratic Republic of Congo, Myanmar (Burma), Somalia, Syria, Guinea, Guinea-Bissau, Eritrea, Zimbabwe, Belarus, the Democratic People's Republic of Korea (North Korea), Yemen, Burundi, the Republic of South Sudan, the Republic of Mali, Venezuela, persons and organizations with connections to Osama bin Laden, the "Al-Qaeda" group or the Taliban and certain persons in connection with the assassination of Rafik Hariri as well as measures to prevent the circumvention of international sanctions in connection with the situation in Ukraine, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

RISK FACTORS

The Offering and any investment in the Bonds and the Shares are subject to a number of risks. Accordingly, prospective Bondholders should carefully read and consider the risks and uncertainties described below together with all other information in the entire Prospectus, including the audited consolidated financial statements of Sika AG for the years ended December 31, 2016 and 2017 and the notes thereto (audited) contained elsewhere in the Prospectus.

The following is a disclosure of risk factors that may affect the Issuer's ability to fulfil its obligations under the Bonds. Prospective Bondholders should consider these risk factors and consult with their own professional advisors before deciding to purchase Bonds. The risk warnings set out below cannot serve as a substitute for individual advice and information which is tailored to the individual requirements, objectives, experience, knowledge and circumstances of each prospective Bondholder. In addition, prospective Bondholders should be aware that the risks described may combine and thus intensify. In any such case, the market price of the Bonds and/or the Shares may be materially adversely affected and an investor could lose all or part of its original investment. Investment decisions should not be made solely on the basis of the risk warnings set out below, since such risk information does not purport to be an extensive and comprehensive list of all possible risks associated with an investment in the Bonds. Accordingly, the risks described below are not the only ones the Sika Group is facing.

The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their economic consequences or importance. Additional investment considerations not currently known or which are currently deemed immaterial may also impair the Sika Group's business operations. The business, results of operations, financial condition or prospects of the Sika Group could be materially adversely affected by any of these risks.

Risks Relating to the Sika Group

The Group is subject to macroeconomic and industry risks

A significant portion of revenues depends on the level of investment in the construction market, which generally follows a certain cyclical nature of economic activity. Consequently, the Group's earnings are sensitive to the economic conditions of the geographic zones, both at regional and local levels, in which the Group operates. A deterioration in the global economic environment and in financial market conditions could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to risks associated with its international operations

The Group is active worldwide, including in regions outside Western Europe and North America. More specifically, it is active in Latin America and Asia, including a number of emerging countries. In certain countries located in these regions, there is greater economic and political instability, as well as greater exposure to social disruption and infrastructure malfunctions than in the more mature markets. Thus, the direct and indirect consequences of political instability, or of an unstable economic or regulatory environment in which the Group operates, in a country in which the Group is active or markets its products, could have a material adverse impact on investment levels in that country's construction and other industrial sectors, and consequently on the Group's businesses, results of operations, financial position or prospects.

Moreover, legal or regulatory changes (involving, among other things, taxation, restrictions on capital transfers, customs duties, intellectual property and import and export licenses, the employment system or health, safety or the environment) could significantly increase the Group's costs in the various countries in which it is active, or limit its ability to freely transfer its capital, and consequently have a material adverse impact on its business, results of operations, financial condition, and prospects.

The Group is exposed to the risk of changes in foreign exchange rates

Due to the international nature of the Group's business, movements in foreign exchange rates may impact the consolidated statements of operations. With a significant part of the Group's sales located in regions outside Switzerland, the Group's consolidated net sales could be impacted negatively by the strengthening or positively by the weakening of the Swiss franc. Additionally, movements in certain foreign exchange rates may unfavorably or favorably impact the Group's results of operations, financial condition and liquidity as a significant number of the Group's manufacturing and distribution operations are located outside of Switzerland. Changes in exchange rates may have a negative effect on the Group's customers' access to credit as well as on the underlying strength of particular economies and target markets. Although the Group may use certain financial instruments to attempt to mitigate market fluctuations in foreign exchange rates, there can be no assurance that such measures will be effective or that they will not create additional financial obligations on the Group. Volatility in foreign currencies compared to the Swiss franc could have a negative effect on the Group's business, financial condition and results of operations.

Legal and regulatory changes in the jurisdictions in which the Group operates and trades may have an adverse effect on the Group

Due to the international nature of its business, the Group must comply with, and is affected by, a large number of different legal and regulatory frameworks, including tax laws. There is a risk that changes in these frameworks may materially adversely affect the Group's legal and regulatory environment. The risks faced by the Group include, but are not limited to:

- foreign currency control regulations and other regulations related to exchange rates and foreign currencies (such as the abandonment of exchange rate pegs, caps or floors);
- difficulties finding qualified managers and employees;
- taxes;
- increasingly protectionist sentiment in many countries leading to embargoes, trade restrictions, tariffs and other trade barriers; and
- the imposition of withholding taxes and transfer pricing regulations.

Changes in the regulatory environment may prevent the Group from advertising certain products or may negatively affect demand for its products, which could in turn have material adverse effects on its business, results of operations, financial condition and prospects. In addition, to the extent laws and regulations applicable to the Group are uncertain and evolving, it may be difficult for the Group to determine the exact requirements applicable to it, or to structure its transactions in such a way that the results it expects to achieve are legally enforceable in all cases.

Tax legislation initiatives or challenges to the Group's tax positions could adversely affect its business, results of operations, financial condition and prospects

The Group has operations in multiple of jurisdictions worldwide. As such, it will be subject to the tax laws and regulations of a wide variety of government entities in numerous jurisdictions. From time to time, various legislative initiatives may be proposed that could adversely affect the Group's tax position. New accounting guidance that may become applicable to the Group from time to time, or changes in the interpretations of existing guidance, including variations to existing tax rulings, could have a significant effect on the Group's reported results for the affected periods. The Group often relies on generally available interpretations of tax laws and regulations in the jurisdictions in which it operates. The Group cannot be sure that these interpretations are accurate or that the tax authorities are or will remain in agreement with its views. Owing to and following the changes of international tax regulations and current international initiatives, such as the Organization for Economic Co-operation and Development's ("**OECD**") as well as the Base Erosion and Profit Shifting Action Plan ("**BEPS**") tax authorities are likely to be more focused on areas such as transfer pricing and, as a result of the increasing exchange of information between tax authorities, more challenges may arise. Increased substance requirements may lead to certain countries' tax authorities challenging the tax-residency of or claim taxation rights over some of the Group's entities. These new developments could result in material additional taxes.

In particular, transfer pricing for intercompany transactions may be challenged by local tax authorities, which may result in additional taxes payable and interest or penalties. Most jurisdictions in which the Group operates have transfer pricing regulations that require transactions involving associated companies to be made at arm's length terms. Tax authorities in any relevant jurisdiction may not regard such intercompany transactions of the Group as being made at an arm's length basis or being properly documented. If they successfully challenge those arrangements, the amount of tax payable, in respect of both current and previous years, may increase materially and penalties or interest may be payable.

Changes in tax laws, tax rates or tax rulings may have a significant adverse impact on its effective tax rate. Among other things, the Group's tax liabilities are affected by the mix of pre-tax income or loss among the tax jurisdictions in which it operates and the repatriation of foreign earnings to Switzerland, which could be subject to withholding taxes. Notwithstanding the large tax treaty networks, which are intended to reduce or eliminate double taxation, there might be cases where the withholding taxes paid in the foreign jurisdictions, e.g., on dividends, industrial franchise, royalties or services, are not refundable, either in part or in full. The Group must exercise judgment in determining its worldwide provision for income taxes, interest and penalties; accordingly, future events of tax rules or changes in the application thereof could change management's assessment of these amounts. In addition, from time to time, the Group may become subject to tax audits in the jurisdictions in which it operates.

In addition, the Group's products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions in which it operates. Increases in indirect taxes could affect its products' affordability and therefore reduce its sales. The same applies when regulations on indirect taxes, in particular exemptions or reduced instead of ordinary rates, have not been accurately applied and are assessed upon a tax audit.

Any of the foregoing could have material adverse effects on the Group's business, results of operations, financial condition and prospects.

The Group's growth depends in part on the timely development and commercialization, and customer acceptance, of new and improved products based on technological innovation

The Group generally sells its products in industries that are characterized by technological changes, new product introductions and changing industry standards. If the Group does not develop innovative new and improved products on a timely basis, its offerings will become obsolete over time and its competitive position, results of operations and financial condition will suffer. The Group's success will depend on several factors, including its ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- allocate R&D funding to products with higher growth prospects;
- anticipate and respond to the development of new products and technological innovations by competitors;
- differentiate its offerings from offerings of competitors;
- innovate and develop new technologies and applications, and acquire or obtain rights to third-party technologies that may have valuable applications in the Group's target markets;
- obtain adequate intellectual property rights with respect to key technologies before competitors do; and
- successfully commercialize new technologies in a timely manner, price them competitively and cost-effectively manufacture and deliver sufficient volumes of new products of appropriate quality on time.

If the Group fails to accurately predict future customer needs and preferences or fail to produce viable technologies, it may invest in R&D of products that do not lead to significant revenue, which would adversely affect its profitability. Even if the Group successfully innovates and develops new and improved products, it may incur substantial costs in doing so, and its profitability may suffer. In addition, promising new offerings may fail to reach the market or realize only limited commercial success because of real or perceived efficacy or safety concerns.

The Group may not be able to protect its intellectual property, including its proprietary technology, which could harm the Group's business and competitive position

The Group's success depends on the Group's ability to protect its intellectual property, which currently includes over 700 unique patent families in various jurisdictions with more than 2,700 single national patents. The process of seeking patent protection is time-consuming and expensive and requires the publication of the relevant invention. The Group cannot be certain that patents will be issued as a result of its pending or future applications nor can the Group be certain that any issued patents would be sufficient in scope or strength to provide it with meaningful protection or commercial advantage, particularly in foreign countries where applicable laws may not sufficiently protect proprietary rights. Existing and future patents may be circumvented or challenged and declared invalid or unenforceable and may therefore not prevent unauthorized use, misappropriation or disclosure. Monitoring such unauthorized use, misappropriation or disclosure is difficult and despite the Group's efforts, unauthorized parties may or may attempt to copy or otherwise obtain and use the Group's proprietary technology, trade secrets, know-how or other proprietary information.

The Group relies on a combination of patent, copyright, trademark and trade secrecy laws as well as contractual restrictions on disclosure (such as confidentiality agreements or licenses) with its employees, members of the board of directors and the group management, customers, consultants, suppliers and business partners. The Group controls access to and distribution of our documentation and other proprietary information to protect its intellectual property against unauthorized use, misappropriation or disclosure. However, the Group cannot be certain that its trade secrets, know-how or other proprietary information will not otherwise become known or that the Group's competitors will not independently develop our proprietary technology or effective competing technologies. Consequently, disputes may arise concerning the ownership of intellectual property, the use of proprietary technology, trade secrets, know-how or other proprietary information or the applicability of confidentiality agreements and the Group may be forced to initiate legal proceedings to enforce its intellectual property rights or its ability to exploit its proprietary technology which may be costly and divert efforts and attention of the Group's management.

Any failure to protect, maintain and enforce the Group's intellectual property and other proprietary information could impair the Group's competitiveness and severely harm its business, results of operations, financial position and prospects.

Assertions by third parties of infringement of their intellectual property rights may result in damage claims and litigation costs, may force the Group to modify its products or processes or prevent the Group from selling its products

The Group cannot rule out that competitors or other companies may assert claims that the Group's products infringe on their intellectual property rights. Such litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue. As the Group seeks to develop and implement new products, technologies and processes it may not always be in the position to adequately identify such third-party rights or assess the scope and validity of these third-party rights due to the large and complex international intellectual property landscape. In addition, there is also a "black-out period" between the priority date of a patent and the subsequent publication and during this “black-out period”, the Group may not be aware of any infringement of intellectual property.

Any action to determine the validity of claims alleging infringement of patents and other intellectual property rights, whether or not with merit, determined in the Group's favor or settled by the Group, may subject the Group to protracted and expensive litigation which could divert attention and resources of the Group's management and technical personnel from operating its business. If these claims are successfully asserted against us, the Group could be required to pay substantial damages and could be prevented from selling some or all of its products. Furthermore, the Group may need to obtain licenses from third parties alleging infringement or substantially reengineer or rename its products in order to avoid infringement, which the Group may not be capable of doing on commercially acceptable terms or at all. If the Group is prevented from selling some or all of its products, it may be subject to a loss of revenue and customers, as well as reputational damage and could negatively affect the Group's business, financial condition and results of operations. Furthermore, in the course of such infringement claim trade secrets, know-how or other proprietary information could be compromised.

The Group depends on third-party suppliers for the procurement of raw materials for its manufacturing processes

The Group relies on a number of third-party suppliers for a wide range of raw materials, including fossil fuel based materials, renewable materials and recycled raw materials, and the Group's success depends on its ability to secure such manufacturing inputs in sufficient quantity, quality, and on commercially acceptable terms. Moreover, for some materials and components the Group relies on a single source of supply, which increases its dependence and may subject the Group to pricing pressures. The Group does not have a guaranteed level of production capacity with all of its third-party suppliers, and such third-party suppliers may be unable to meet the Group's required demand for any reason, including supply shortages, delivery delays, transportation disruptions or manufacturing problems. Furthermore, third-party suppliers may afford preferential capacity allocation to other customers which are larger or better financed or to the production of their own products or may decide to cease supplying the Group with products due to strategic, economic, competitive or other considerations.

Further, the Group may be unable to identify alternative sources of supply for certain raw materials in sufficient quantity, quality and on commercial acceptable terms should the need arise. Any inability on the Group's part to secure the supplies necessary for the manufacture of its products in sufficient quantity, quality, or on commercially acceptable terms could prevent the Group from delivering products to its customers in a timely manner or at all and could therefore lead to customer dissatisfaction, loss of revenue and customers, as well as reputational damage.

The Group is exposed to fluctuating raw material prices

The Group is exposed to changes in the price of the raw materials used in its activities. The Group uses significant amounts of raw materials in manufacturing a wide variety of products. In particular, a significant amount of the materials used by the Group in the production (e.g., polyols, epoxy resins, acrylic dispersions, and polycarboxylates) are based on fossil fuels or their derivatives. Purchase prices vary according to the supply and demand situation for each raw material and fluctuations in the price of oil.

To reduce its dependency on crude oil, the Group is increasingly relying on renewable raw materials such as sugar derivatives, bioethanol derivatives, and natural oils as well as recycled raw materials. However, the Group may be unable to identify such alternative raw materials in sufficient quantity, quality and on commercial acceptable terms.

Any of the above risks could adversely affect the Group's business, results of operations, financial position and prospects.

A downgrade by a rating agency could lead to increased borrowing costs and credit stress

If any debt instrument or other security issued by Sika that is rated or Sika as an issuer is downgraded, raising capital will become more difficult for the Group, borrowing costs may increase and the market price for its securities may decrease. Any of the fore-going may have material adverse effects on the Group's business, results of operations, financial condition and prospects.

The Group is dependent on a limited number of key members of its management and its ability to attract and retain qualified employees

The Group's success depends to a large extent on the continued involvement of the current members of the Board of Directors and Group Management. See "*Information on the Issuer and its Business—Board of Directors, Group Management and Employees*". If the Group is unable to retain the key members of its management, this could result in a significant loss of expertise and could have a material adverse effect on the business, results of operations, financial position, and prospects of the Group.

In order to achieve the Group's strategy, the Group will also be required to attract and retain a sufficient number of qualified employees. If the Group is not successful in retaining its current staff and hiring additional qualified personnel, this could negatively affect the Group's business development, and therefore may have material adverse effects on the business, results of operations, financial position, and prospects of the Group.

The Group is subject to risks arising from legal disputes, including contractual claims and product liability claims relating to product defects

The Group's business may be adversely affected by the detrimental outcome of legal disputes and investigations by government agencies, the outcomes of which are not certain. Litigation risks include, among others, risks in the areas of competition and antitrust law, health regulations, tax law, and environmental protection.

In addition, the Group is subject to the risk of lawsuits, including class actions, alleging negligence, product liability and other contractual or statutory claims relating to product defects. Such lawsuits may include claims based on personal injury or death alleged to be caused by a product of the Group. These lawsuits often involve claims for substantial amounts of damages, including compensation for consequential damage and substantial costs for legal representation. In addition, products may be the subject of recalls. For this reason, there can be no assurance that extensive claims will not be asserted against the Group in the future or that large scale product recall measures will not be necessary. The Group may not have sufficient insurance to mitigate for such a contingency. Accordingly, the Group cannot assure that the risks inherent to any potential product liability claim or product recall will be mitigated in all circumstances.

Any of the above may result in actions being brought against the Group and may have a material adverse effect on its business, results of operations, financial condition and prospects. In addition, such event could adversely affect the Group's reputation and there-fore reduce market acceptance of its products and services.

The Group's operations and products expose it to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect its business, results of operation, reputation and financial condition

The Group's operations and products are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the use, generation, treatment, storage and disposal of hazardous and nonhazardous wastes and impose end-of-life disposal and take-back programs. The Group must also comply with various health and safety regulations in a number of jurisdictions worldwide in connection with our operations. The Group cannot assure that its environmental, health and safety compliance program (or the compliance programs of businesses that the Group has acquired in the past) have been or will at all times be effective. Failure to comply with any of these laws could result in civil and criminal, monetary and nonmonetary penalties and damage to the Group's reputation. In addition, the Group cannot provide assurance that its costs of complying with current or future environmental protection and health and safety laws will not exceed its estimates or adversely affect its results of operations and financial conditions.

In addition, the Group may incur costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. The Group is also from time to time party to personal injury, property damage or other claims brought by private parties alleging injury or damage due to the presence of or exposure to hazardous substances. The Group may also become subject to additional remedial, compliance or personal injury costs due to future events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of our operations and changes in accounting rules.

The Group has engaged in acquisitions of businesses, real estate, companies and equity interests in companies in the past, and the Group may engage in acquisitions or divestitures in the future, and there can be no assurance that such acquisitions or divestitures will yield the desired results

In the past, the Group has engaged in acquisitions of businesses, real estate and equity interests in companies, and the Group may engage in acquisition activities in the future. See "*Information on the Issuer and its Business—Business Activities—Acquisitions*". Corporate acquisitions typically involve significant investments and risks, including but not limited to tax liabilities and legal claims, such as third-party liability claims and tort claims, the failure to secure the necessary financing on reasonable terms or at all, regulatory compliance issues for past violations of legal requirements, claims for breach of contract, employment-related claims, environmental liabilities, conditions or damage or other liability, or claims relating to potential illegal activity by the acquired company. There is a possibility that the acquired companies, or future acquisitions will not be successfully integrated, that key customers will be lost, that acquired companies have lower quality standards than the rest of the Group, that goodwill emerging from the acquisition will need to be impaired or that anticipated cost savings, synergies or other benefits will not be realized. Any of the foregoing could have material adverse effects on the Group's business, results of operations, financial condition and prospects.

Furthermore, the Group may not identify all of the risks related to a transaction in advance or may not be able to adequately protect itself against such risks through indemnities, representations and warranties, or otherwise. Target companies may also be located in countries where the underlying legal, economic, political or cultural conditions are different from those customary in its existing markets. In addition, preparing for the acquisition and integration of companies may result in the diversion of management attention and resources.

Technology or other acquired or licensed assets may not be legally valid or may be less valuable than initially thought. The Group may therefore be unable to use them as planned or at all. In addition, the Group may not succeed in retaining, maintaining and integrating the key employees and business relationships of newly acquired companies, businesses or divisions. Further, corporate actions after an acquisition may expose the Group to monetary claims, and this exposure may continue for a long time.

As a result of acquisition-related risks, the Group may not achieve the strategic goals it seeks from any such acquisition, or may be able to do so only to a limited extent due to timing or budgetary constraints. In addition, the Group's growth prospects depend, to a certain extent, on its ability to identify suitable acquisition opportunities and to successfully integrate the businesses it acquires. The success of corporate acquisitions is associated with many uncertainties. For instance, anticipated synergies may not materialize, the purchase price may later prove to have been too high, the acquired company or participation may not perform to the Group's expectations or may fail, it may prove difficult to control operating costs, or unforeseen restructuring expenses and impairment charges may become necessary. Moreover, in many countries and regions, planned acquisitions are subject to review by competition authorities, which may impede or delay a planned transaction or require changes to be made to the acquired or combined business that could reduce its profitability or that may limit the Group's ability to grow.

The occurrence of any of these risks, the incorrect assessment of risks by the Group, or any other failure in relation to acquisitions and investments by the Group may have material adverse effects on its business, results of operations, financial condition and prospects.

The Group's insurance coverage may be insufficient or unavailable

It is the policy of the Group to take out and maintain insurance covering the main insurable risks of the Group to the extent such insurance coverage is available for reasonable premiums. However, there can be no assurance that the existing insurance coverage is sufficient or available to cover potential damages. In addition there is no guarantee that the Group will be able to enter into new insurance agreements on commercially acceptable terms and conditions in the future. Insurance coverage might be cancelled or expire should the realization of the insured risk be caused by non-compliance with the applicable law.

The Group may face customer credit risk

While the Group believes that its exposure to individual customer credit risk is limited due to the Group's wide range of businesses, global presence and large customer base, changes in the economic situation may lead to an increase in customer credit risk in the Group's target markets which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to risks associated with goodwill and impairment of property, plant and equipment and intangible assets

In line with Group accounting policies, goodwill and certain other intangible assets with indefinite useful lives are tested for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Goodwill and other identified intangible assets may become impaired as a result of worse-than-expected performance by the Group, unfavorable market conditions, unfavorable legal or regulatory changes or many other factors. The recognition of impairment losses on goodwill could have an adverse effect on the Group's consolidated net income.

The Group relies on the proper functioning of its computer and data processing systems, and a large-scale malfunction or potential unauthorized access to critical and sensitive information could result in disruptions to the Group's business

The Group's ability to keep its businesses operating depends on the functional and efficient operation of its computer and data processing and telecommunications systems around the world. Computer and data processing systems are susceptible to malfunctions and interruptions (including due to equipment damage, power outages, fire, natural disasters, breakdowns, malicious attacks, computer viruses, and a range of other hardware, software and network problems), and the Group may be unable to prevent malfunctions or interruptions. A significant or large scale malfunction or interruption of its computer or data processing systems could disrupt the Group's operations, for example by causing impeding the manufacture or shipment of products, the processing of transactions and the reporting of financial results, or could damage the Group's reputation.

In addition, the Group faces the risk of potential unauthorized access to, and the loss of, critical and sensitive information, for example as a result of industrial espionage activities or hacking attacks. A leak of confidential information or the loss of critical and sensitive information could reveal trade secrets or know-how of the Group or its customers to competitors and harm the Group's business, competitive position and reputation. The Group's insurance may not adequately compensate it for all losses or failures that may occur. Any of the foregoing could have material adverse effects on the Group's business, results of operations, financial condition and prospects.

Risks Relating to the Bonds and the Shares

The specific risks of investing in the Bonds can only be assessed on the basis of a thorough and detailed analysis of the Terms of the Bonds and the individual situation of the prospective Bondholder. To understand the risks associated with an investment in the Bonds, each prospective Bondholder has to thoroughly and in detail assess and analyze the Terms of the Bonds and the implications of the various features of the Bonds have for the prospective Bondholders in its individual situation.

Complexity of the Bonds as financial instrument

The Bonds are financial instruments that may not be suitable for all investors. Each prospective investor should (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of the investor's particular financial situation, an investment in the Bonds and the impact the Bonds will have on the investor's overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds and (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect the investor's investment and the investor's ability to bear the applicable risks.

Before investing in the Bonds, each prospective investor should have understood the Terms of the Bonds and be familiar with them and the other content of this Prospectus.

The Issuer may redeem the Bonds under certain circumstances

Subject to a period of not less than thirty (30) nor more than sixty (60) calendar days' prior notice, the Issuer may (i) redeem at any time all but not only some outstanding Bonds at the Net Principal Amount plus any accrued interest, provided that 15 % or less of the Bonds are outstanding at the time of the notice; or (ii) redeem all but not only some of the outstanding Bonds at the Net Principal Amount plus any accrued interest at any time on or after the twenty-first (21^{st}) calendar day after the fifth (5^{th}) anniversary of the Settlement Date, if the VWAP of a Share on the Relevant Exchange on each of at least twenty (20) out of (30) consecutive Trading Days ending not earlier than five (5) Trading Days prior to the date on which the relevant notice of Redemption is given to the Paying and Conversion Agent, shall have been at least 130% of the Conversion Price deemed to be in effect on each of such Trading Days.

Furthermore, if the Extraordinary General Meeting does not resolve to pass the Shareholder Resolutions, or if the Shareholder Resolutions are not registered with the Commercial Register of the Canton of Zug, the Issuer may at any time no later than sixty (60) business days after the earlier of (x) the conclusion of the Extraordinary General Meeting and (y) the Long Stop Date by giving a notice to the Bondholders, elect to redeem all but not only some of the Bonds, at the greater of (i) 102 % of the Issue Price and (ii) 102 % of the Fair Bond Value of the Bonds, in either case, together with accrued and unpaid interest, if any, to the date fixed for redemption, whereupon the Bonds will be redeemed, on the date falling three (3) Trading Days after the end of the Fair Bond Value Calculation Period.

During any period when the Issuer may elect to redeem the Bonds, the market value of the relevant Bonds generally is not expected to rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

Following an early redemption of the Bonds, there can be no assurance that, at the relevant time, Bondholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Bonds. Prospective investors should consider reinvestment risk in light of other investments available at that time.

The Issuer can incur additional debt

Although the Terms of the Bonds impose certain restrictions on the amount of indebtedness that the Issuer and/or its subsidiaries can create, there is no guarantee that the Issuer or its subsidiaries will not create, incur, assume or guarantee additional indebtedness and that such debt may not be privileged, either by virtue of securities granted by the Issuer and/or its subsidiaries or by way of structural subordination of the Bonds.

No prior market for the Bonds

Prior to this Offering, there has been no public market for the Bonds. Application will be made for the listing and trading of the Bonds according to the Standard for Bonds on the SIX Swiss Exchange. The Issuer cannot be certain that an active and liquid trading market for the Bonds will develop or be sustained or that the market price of the Bonds will not decline.

The liquidity of any market will depend upon the number of Bondholders, the market for similar securities, the interest of securities dealers in making a market in the Bonds and other factors.

The market for and price of the Bonds may be volatile

The trading price of the Bonds may be subject to fluctuations in response to numerous factors including, but not limited to, variations in the periodic operating results of the Sika Group, changes in investor perceptions of the Sika Group, the depth and liquidity of the market for the Bonds and changes in actual or forecasted global or regional economic conditions and interest rate fluctuations. In addition, the global securities markets have from time to time experienced price and volume fluctuations.

Developments in and changes to securities analyst recommendations regarding the markets in which the Sika Group is active may also influence and introduce volatility to the price of the Bonds in the market. Any such broad market fluctuations may adversely affect the trading price of the Bonds.

The market for and price of the Shares may be volatile

The market price of the Shares into which the Bonds are convertible in accordance with the Terms of the Bonds may be subject to substantial fluctuations. The market price of the Shares has experienced volatility in the past, and may continue to fluctuate substantially, depending upon many factors, including, but not limited to:

- market expectation concerning the Sika Group's performance or financial condition;
- fluctuations in the Sika Group's financial position or operating results;
- fluctuations of interest rates in general;
- general market and economic conditions;
- a downgrade or potential downgrade of the Issuer's credit ratings;
- announcements by the Sika Group and developments affecting the Sika Group, its business, customers and suppliers and the markets in which the Sika Group competes;
- changes in the Group Management and/or the Board of Directors;
- price and volume of the markets where the Shares are traded;
- investor perception of the success and impact of the Offering;

- the conversion of Bonds into Shares;
- future offerings of equity securities or conversion rights into equity securities of the Sika Group; and/or
- any of the factors listed herein under "*—Risks Relating to the Sika Group*".

In addition, security markets in general have from time to time experienced significant price and volume fluctuations. Such fluctuations, as well as the economic situation of the financial markets as a whole, can have a substantial negative effect on the market price of the Shares, regardless of the operating results or the financial position of the Sika Group. Developments in, and changes to recommendations by securities analysts regarding the Sika Group's industry segments may also influence and introduce volatility to the price of the Shares in the market. Any such market fluctuations may adversely affect the trading price of the Shares.

No assurance can be given that the public trading market price of the Shares will reach or exceed the Conversion Price.

The Bondholders' anti-dilution protection is limited and upon conversion of the Bonds, the shareholders may be diluted through further issuances of equity securities or securities that are convertible into equity

The Conversion Price at which the Bonds may be converted in accordance with the Terms of the Bonds will be adjusted only in the situations and to the extent provided in the Terms of the Bonds. There is no requirement that there must be an adjustment for every corporate or other event that may affect the value of the Conversion Rights (as defined in the Terms of the Bonds). Events in respect of which no adjustment must be made may adversely affect the value of the Conversion Rights and the Bonds.

Upon conversion of the Bonds, investors holding Shares may be diluted if the Issuer raises additional capital through the issuance of equity or other securities that are convertible into equity of the Issuer.

The Bondholders have no shareholder rights prior to exercising their Conversion Rights

An investor in the Bonds will not automatically be a shareholder of the Issuer. No Bondholder (in his capacity as such) will have any right to participate in the shareholders' meeting, any voting rights, rights to receive dividends or other distributions or any other rights with respect to the Shares until such time, if any, when he/she/it receives Shares upon exercising his Conversion Rights and becomes a shareholder of the Issuer. The Bonds confer a Conversion Right into Shares, but only pursuant to the Terms of the Bonds. In addition, expenses, taxes as well as stamp, issue, registration, documentary, transfer and other duties may be due by the Bondholders upon the conversion of a Bond.

TERMS OF THE BONDS

The terms and conditions (each a "**Condition**", and together the "**Terms of the Bonds**") of the CHF 1,650,000,000 senior unsecured convertible bonds due 2025 (the "**Bonds**" and each a "**Bond**"), convertible into shares of Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland (the "**Issuer**"), are established pursuant to a Bond Purchase Agreement (the "**Agreement**") among the Issuer on the first part and UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland ("**UBS"**) on the second part.

The Terms of the Bonds govern the rights and obligations of the Issuer and of each holder of Bonds (a "**Bondholder**", collectively the "**Bondholders**") in relation to the Bonds and are as follows (defined terms used herein have the meaning ascribed to them in Condition 17):

1. Denomination, Form, Printing and Delivery of the Bonds

a) The aggregate principal amount of the Bonds of CHF 1,650,000,000 is divided into Bonds with denominations of CHF 20,000 (twenty thousand) each (the "**Principal Amount**").

b) The Issuer reserves the right to reopen this issue and increase the aggregate principal amount of the Bonds at any time and without prior consent of or permission of the Bondholders through the issue of further bonds which will be fungible with the Bonds (i.e. identical especially in respect of the Terms of the Bonds, security number, final maturity and interest rate).

c) The Bonds and all rights in connection therewith are issued in accordance with article 973c of the Swiss Federal Code of Obligations ("**CO**") as uncertificated securities (*Wertrechte*) that will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtebuch*). Such uncertificated securities (*Wertrechte*) will then be entered into the main register (*Hauptregister*) of the SIX SIS Ltd ("**SIS**") or any other intermediary in Switzerland recognized for such purposes by the Relevant Exchange (SIS or any such other intermediary, the "**Intermediary"**). Once the uncertificated securities (*Wertrechte*) are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Bonds will constitute intermediated securities (*Bucheffekten*) (the "**Intermediated Securities**") in accordance with the provisions of the Swiss Federal Intermediated Securities Act.

d) So long as the Bonds are in the form of Intermediated Securities, the Bonds may only be transferred or otherwise disposed of by the entry of the transferred Bonds in a securities account (*Effektenkonto*) of the transferee.

e) The records of the Intermediary will determine the number of Bonds held through each participant of the Intermediary. In respect of Bonds held in the form of Intermediated Securities, the Bondholders will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their own name or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries holding the Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.

f) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global certificate (*Globalurkunde auf Dauer*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Bondholders nor UBS as paying and conversion agent (the "**Paying and Conversion Agent**") nor any third party shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of, a permanent global certificate (*Globalurkunde auf Dauer*) or individually certificated securities (*Wertpapiere*).

2. Interest

The Bonds bear interest from (but excluding) the Settlement Date at the rate of 0.15 per cent per annum of their Principal Amount, payable annually in arrear on each Interest Payment Date (the CHF amount in respect of each Bond so calculated being the "**Interest Amount**").

Each Bond will cease to bear interest (i) when the Conversion Right with respect to such Bond shall have been exercised by the respective Bondholder thereof pursuant to Condition 3, from the Interest Payment Date (or, if none, the Settlement Date) immediately preceding the Conversion Date, or (ii) in all other circumstances from the due date for redemption or repayment of such Bond, provided that if delivery of the Shares or payment of any amount due is improperly withheld or refused, such Bond shall continue to bear interest as provided in these Terms of the Bonds. In such case, interest will accumulate until the day on which all Shares and/or all sums due in respect of such Bonds are received by the Paying and Conversion Agent on behalf of the relevant Bondholder.

The amount of interest payable in respect of a period which is less than one year shall be calculated on a 30E/360 basis, i.e., on the basis of a year consisting of twelve (12) months of thirty (30) days each.

3. Conversion

a) Conversion Right, Conversion Period and Conversion Price

i) Each Bond in the Principal Amount of CHF 20,000 (twenty thousand) will be convertible on any Business Day during the Conversion Period into Shares at the Conversion Ratio.

ii) The Conversion Ratio will be determined by dividing the Principal Amount by the Conversion Price prevailing on the Conversion Date, such number of Shares to be calculated to five decimal places, provided that if more than one Bond is converted at any one time by the same Bondholder, the number of Shares to be delivered upon conversion will be determined by dividing the aggregate Principal Amount of the Bonds deposited by the same Bondholder at any one time by the Conversion Price prevailing at the Conversion Date, such number of Shares to be calculated to five decimal places.

iii) Fractions of Shares will not be delivered on conversion. Instead, cash payments in CHF in the amount of the Closing Price on the Trading Day immediately preceding the relevant Conversion Date multiplied with the fraction calculated in ii) above will be made (the "**Cash Payment for Fractions**"), except where any individual entitlement would be less than CHF 10 (ten). If the resulting amount of CHF is not an integral multiple of CHF 0.01, it shall be rounded to the nearest whole or multiple of CHF 0.01 with 0.005 being rounded upwards.

iv) A Conversion Right may not be exercised following the giving of a default notice by the Bondholder Representative pursuant to Condition 9 nor in respect of a Bond where a Bondholder shall have exercised its right to require redemption of such Bond pursuant to Condition 7.d).

b) Conversion Procedures

i) Conversion Notices

To exercise the right to convert all or any Bonds pursuant to this Condition 3, a Bondholder must deposit at his own expense during the Conversion Period a duly completed notice of conversion (the "**Conversion Notice**") in a form satisfactory to the Paying and Conversion Agent together with clearing instructions in a form satisfactory to the Paying and Conversion Agent allowing for the transfer of the relevant Bond(s) through the Intermediary to the Paying and Conversion Agent at the Specified Office. By depositing the Conversion Notice, a Bondholder is deemed to represent and warrant that it understands that (x) the Shares to be transferred upon conversion of the Bonds have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and (y) it is located outside the United States within the meaning of Regulation S under the Securities Act ("**Regulation S**"), is acquiring the Shares to be transferred upon conversion of the Bonds in an offshore transaction (as defined in Regulation S) in accordance with Rule 903 or 904 of Regulation S and understands that the Shares may not be delivered within the United States upon conversion of the Bonds and may not be resold in the United States except pursuant to an exemption from the registration requirements of the Securities Act.

A Conversion Notice, once duly completed and deposited as afore said, shall be irrevocable. Upon delivery of the relevant Shares and the payment of the Cash Payment for Fractions, if any, the relevant Bonds shall be considered redeemed.

The right to convert one or more Bonds shall be exercised only in respect of the whole of the Principal Amount of a Bond.

A Conversion Notice shall be deemed to be presented on a Business Day if received before 4.00 p.m. CET on that Business Day at the Specified Office. Any Conversion Notice presented after 4.00 p.m. CET will be deemed to have been received on the following Business Day.

The conversion date in respect of a Bond (the "**Conversion Date**") shall be the date on which a Conversion Notice has been received or is deemed to have been received in accordance with this Condition 3.b)i).

ii) Delivery of Shares and Cash Payments for Fractions

The Shares to be delivered upon conversion of Bonds in accordance with this Condition 3 will be Shares with the same entitlements as the other outstanding Shares at such time, except that the Shares so delivered will not give any right for any dividend or other distribution declared, paid or made by reference to a Record Date prior to such Conversion Date and, if the Shares are registered shares, except that the voting rights may not be exercised unless the person designated in the Conversion Notice as recipient of the Shares is registered as the holder of the Shares in the Issuer's share register.

The Issuer will (x) effect delivery of the Shares and (y) make Cash Payments for Fractions, if any, within five (5) Business Days after the Conversion Date in case of a conversion in the Change of Control Period and within ten (10) Business Days after the Conversion Date in all other cases through the Intermediary in accordance with directions given by the relevant Bondholder in the relevant Conversion Notice. At the time of such delivery of the Shares, the then valid share registration rules of the Issuer will apply; the Issuer does not offer any assurance or guarantee that the exercising Bondholder will be accepted as a shareholder with voting rights in its share register.

iii) Taxes and other Costs

Any Swiss Federal Issuance Stamp Duty and Swiss Federal Transfer Stamp Duty, as the case may be, if due, as well as the fee of the Relevant Exchange, if any, payable upon the issuance and/or delivery in Switzerland of the Shares to the Bondholder upon the conversion of Bonds will be paid or reimbursed by the Issuer. The applicable Swiss withholding tax on any accretion of the initial Bond Floor, if any, will be charged to the Bondholders directly in cash. Delivery of Shares to that exercising Bondholder will be conditioned upon fulfilling all tax duties in advance. The Issuer will, however, not pay (a) any tax payable in connection with any subsequent sale or transfer of Shares by the respective Bondholder, or (b) any tax or other cost payable in connection with the sale, transfer or delivery of Shares in or to a country other than Switzerland.

4. Payments

The amounts required for the payment of the Interest Amounts and the Principal Amount and any other payments in cash to be made under these Terms of the Bonds (after deduction of the Withholding Tax, if applicable) will be made available in good time in freely disposable CHF, which will be placed at the free disposal of the Paying and Conversion Agent in Switzerland. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and Bondholders will not be entitled to any additional sum in relation thereto.

Swiss withholding tax (of presently 35 per cent, the "**Withholding Tax**") will be applicable to any payments of interest, including accrued interest upon early redemption or conversion. Furthermore, Withholding Tax may be applicable, upon the conversion, early redemption or redemption of the Bonds (but not on the sale of the Bonds) on the difference between the Bond Floor (calculated for tax purposes) at the time of conversion, early redemption or redemption and the Bond Floor at issuance calculated for tax purposes. The Withholding Tax will be deducted from the payments of interest and from the payment of early redemption or redemption amount of the Bonds. Bondholders who have submitted a Conversion Notice and are to be delivered Shares and/or Cash Payment for Fractions will be charged with the Withholding Tax.

Upon receipt of the funds in Switzerland and under the same conditions as received, the Paying and Conversion Agent will arrange for payment to the Bondholders.

Payments shall be made in freely disposable CHF without collection cost in Switzerland to the Bondholders, and, unless otherwise provided for by applicable law, (i) without any restrictions and whatever the circumstances may be, irrespective of nationality, residence or domicile of the Bondholders and (ii) without requiring any affidavit or the fulfilment of any other formality, through the Paying and Conversion Agent.

The receipt by the Paying and Conversion Agent of funds in CHF in Switzerland from the Issuer shall release the Issuer from its obligations under the Bonds to the extent of the amounts received by the Paying and Conversion Agent.

5. Redemption and Purchase

a) Repayment at Maturity Date

Unless previously converted, redeemed, or purchased and cancelled as provided below, the Issuer undertakes to repay the Bonds on the Maturity Date, without further notice, at the Net Principal Amount (together with unpaid accrued interest to such date, if any) (such repayment of any Bond on the Maturity Date, as well as any early redemption in accordance with this Condition 5, with Condition 7 or with Condition 9, in these Terms of the Bonds being referred to as the "**Redemption**").

b) Early Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) calendar days' prior notice, the Issuer may

i) redeem all but not only some of the Bonds at any time after the Settlement Date and prior to the Maturity Date at the Net Principal Amount, with interest accrued to the day of redemption, if any, if less than fifteen (15) per cent of the aggregate Principal Amount of the Bonds issued pursuant to these Terms of the Bonds are outstanding at the time of the notice; or

ii) redeem all but not only some of the Bonds for the time being outstanding at any time on or after the twenty first (21^{st}) calendar day after the fifth (5^{th}) anniversary of the Settlement Date, at the Net Principal Amount, with interest accrued to the day of redemption, if any, if the VWAP of a Share on the Relevant Exchange on each of at least twenty (20) out of thirty (30) consecutive Trading Days ending not earlier than five (5) Trading Days prior to the date on which the relevant notice of Redemption is given has been at least 130 per cent of the Conversion Price deemed to be in effect on each of such Trading Days.

c) If the Extraordinary General Meeting does not resolve to pass the Shareholder Resolutions, or if the Shareholder Resolutions are not registered with the Commercial Register of the Canton of Zug, or if the Extraordinary General Meeting does not take place on or prior to the Long Stop Date, the Issuer may at any time no later than sixty (60) Business Days after the earlier of (x) the conclusion of the Extraordinary General Meeting and (y) the Long Stop Date (the "**Fair Market Call Period**") by giving a notice to the Bondholders (the "**Fair Market Call Notice**"), elect to redeem all but not only some of the Bonds, at the greater of (i) 102 per cent of the Issue Price and (ii) 102 per cent of the Fair Bond Value, in either case, together with accrued and unpaid interest to the date fixed for redemption, if any, whereupon the Bonds will be redeemed, on the date falling three (3) Trading Days after the end of the Fair Bond Value Calculation Period (the "**Fair Market Call**").

The difference between the payments under the Fair Market Call, together with accrued and unpaid interest to the date fixed for redemption, if any, and the initial Bond Floor or the Principal Amount, as the case may be, will be subject to Withholding Tax.

If a Change of Control occurs prior to the start of the Conversion Period, the Issuer shall exercise the Fair Market Call no later than five Business Days after the Change of Control occurs.

"**Fair Bond Value**" means the price calculated by a Common Expert as being the average of the prices of the Bonds on each Trading Day during the Fair Bond Value Calculation Period, provided that in the case of a Change of Control, the average of the prices of the Bonds on each of the five Trading Days ending (and including) the Trading Day prior to the date on which an offer, a merger or any other event as further described in Condition 7.a) has been first made or become public shall be considered (the "**Offer Date**"), delta adjusted for any changes in the price of the Shares between the Offer Date and the applicable Trading Day during the Fair Bond Value Calculation Period, as solely determined by the Common Expert.

"**Fair Bond Value Calculation Period**" means the period of five (5) consecutive Trading Days commencing on the Trading Day following the date of the Fair Market Call Notice.

d) Early Redemption at the Option of the Bondholders in Case of Delisting of Shares

If the Shares are delisted from the Relevant Exchange without being listed on another Relevant Exchange, each Bondholder may require the Issuer to redeem all or any of the Bonds held by such Bondholder at their Net Principal Amount (together with unpaid accrued interest to such date, if any) at the Relevant Put Date.

The creation of a single class of registered shares (*Einheitsnamenaktien*) pursuant to the Shareholder Resolutions and the related filings with the SIX Swiss Exchange shall not constitute a delisting for the purposes of this Condition 5.d).

At the latest on the date the Shares are delisted from the Relevant Exchange, the Issuer shall give notice of that fact to the Bondholders in the form set out in Condition 10 (the "**Notice of Delisting**").

To exercise such right, the Bondholder must deposit at his own expense a duly completed and signed notice (a "**Put Notice**") in a form satisfactory to the Paying and Conversion Agent during the period starting on the date of the Notice of Delisting and ending sixty (60) calendar days thereafter. Such notice shall be irrevocable except in the event that such Bond becomes immediately due and repayable before the Relevant Put Date.

e) Purchases

The Issuer and any of its Subsidiaries may at any time purchase Bonds at any price in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Paying and Conversion Agent for cancellation in accordance with Condition 5.f) below.

Any Bonds while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle their Bondholder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders.

f) Cancellation

All Bonds which are converted, redeemed, or surrendered, shall forthwith be cancelled. All Bonds which are to be cancelled cannot be reissued or resold.

6. Adjustments to the Conversion Price

a) Events leading to adjustments to the Conversion Price

i) Increase of capital by means of capitalization of reserves, profits or premiums by distribution of Shares, or division or consolidation of Shares:

In the event of a change in the Issuer's share capital as a result of capitalization of reserves, profits or premiums, by means of the distribution of Shares, save for a distribution of Shares as a Dividend as set out in Condition 6.a)v) below, and in the event of division or consolidation of Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such change by the result of the following formula:

NOld/NNew

where:

NOld is the number of Shares existing before the change in share capital; and

NNew is the number of Shares existing after the change in share capital.

Such adjustment shall become effective on the date on which such Shares are distributed or, in the event of division or consolidation of Shares, on the first day the Shares are traded on the new basis on the Relevant Exchange.

For purposes of calculating the adjustment of the Conversion Price in the case of the creation of a single class of registered shares (*Einheitsnamenaktien*) by the Issuer (in particular, for the avoidance of doubt, pursuant to the Shareholder Resolutions as proposed by the announcement of the Issuer dated May 11, 2018 (the "**Announcement**")), NOld would be the number of bearer shares before such unification and NNew would be the number of Shares following the registration of the relevant shareholder resolutions implementing such unification with the Commercial Register of the Canton of Zug, but excluding the Shares resulting from the unification of the existing registered shares with a nominal value of CHF 0.10 each of the Issuer.

ii) Sales and Transfers of Shares and Other Securities and Issues of Shares or Other Securities without conferring subscription or purchase rights (*Bezugs- oder Vorwegzeichnungsrecht*)

If

(a) the Issuer (x) sells or transfers any Shares or Other Securities or securities convertible or exchangeable into Shares or Other Securities (together the "**Securities**"), but not including the issuance of Securities by way of conferring subscription or purchase rights (*Bezugs- oder Vorwegzeichnungsrecht*) as mentioned in Condition 6.a)iii) below, or (y) issues Securities and excludes the subscription or purchase rights (*Bezugs- oder Vorwegzeichnungsrecht*) in respect thereof, and

(b) the consideration per Share receivable upon subscription, conversion or exchange is less than 95 per cent of the last Closing Price available at the time of the first public announcement of the economic terms of such Securities,

the Conversion Price shall be adjusted by multiplying the Conversion Price immediately prior to such announcement by the following fraction:

Pafter / Pbefore

where:

Pafter is the Current Market Price per Share post the final publication of the terms of such Securities (the "**Securities Pricing Date**"); and

Pbefore is the Current Market Price per Share prior to the Securities Pricing Date;

whereby for purposes of this provision the Current Market Price per Share shall be deemed to be the average of the VWAPs, (x) in the case of Pbefore, on the five (5) consecutive Trading Days ending on (and including) the date (and time if it is not a full Trading Day) on which the terms of such Securities are first published or become public, and (y) in the case of Pafter, on the five (5) consecutive Trading Days starting from (and including) the date (and time if it is not a full Trading Day) on which the final terms of such

Securities are first published or become public, provided that if such terms are published or become public outside of the Relevant Exchange dealing hours, the next Trading Day to commence would be taken as the first day, all as determined by the Paying and Conversion Agent. When calculating the average of the VWAPs the gross dividend amount (or any other entitlement), if any, of any dividend paid (or any other entitlement) during either of the above mentioned periods of five (5) consecutive Trading Days, shall be added back to the VWAPs on each of the Trading Days on which the Shares are traded ex-dividend (or any other entitlement).

There shall, however, be no adjustment for sales, transfers and issues of Securities under this Condition 6.a)ii), if such sales, transfers or issues of Securities occur as part of an employee compensation plan of the Issuer or its Subisidiaries.

iii) Issues of Shares or Other Securities by way of conferring subscription or purchase rights (*Bezugs- oder Vorwegzeichnungsrecht*):

If (a) the Issuer grants to holders of Shares any rights or options, warrants or other rights to subscribe for or acquire Shares, Other Securities or securities convertible or exchangeable into Shares or Other Securities, or (b) any third party with the agreement of the Issuer issues to holders of Shares any rights, options or warrants to purchase any Shares, Other Securities or securities convertible or exchangeable into Shares or Other Securities (the rights referred to in (a) and (b) collectively and individually being the "**Purchase Rights**"), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the result of the following formula:

(Pcum – R)/Pcum

where:

Pcum is the Current Market Price of one Share on whichever is the later of (x) the date on which the Shares are first traded ex-Purchase Rights on the Relevant Exchange or (y) the Trading Day when the subscription or purchase price for Shares or Other Securities under the Purchase Right is announced, or, if the day the subscription or purchase price is announced is not a Trading Day, the next following Trading Day; and

R is the value of the Purchase Right relating to one Share or Other Security, such value to be calculated as follows:

(A) in the event the Purchase Rights relate to Shares:

R = Pcum - TERP

where:

TERP = (Nold x Pcum + Nnew x (Prights + Div)) / (Nold + Nnew) and:

TERP is the theoretical ex-Purchase Rights price; and

Nold is the number of Shares existing before the change in share capital; and

Nnew is the number of offered Shares contemplated to be newly issued; and

Prights is the price at which one new Share can be subscribed, exercised or purchased; and

Div is the amount (in CHF) by which the entitlement to Dividends per existing Share exceeds the entitlement to Dividends per new Share, (x) if Dividends have already been proposed to the general meeting of shareholders but not yet paid, based on the proposed amount of the Dividends, or (y) if Dividends have not yet been proposed based on the last paid Dividends;

provided, however, that no such adjustment shall be made if the subscription or purchase price at which one new Share can be subscribed or purchased is at least ninety-five (95) per cent of the Current Market Price of one Share on whichever is the later of (x) the date on which the Shares are first traded ex-Purchase Rights on the Relevant Exchange or (y) the Trading Day when the subscription or purchase price for the Purchase Right is announced, or, if the day the subscription or purchase price is announced is not a Trading Day, the next following Trading Day;

(B) in the event the Purchase Rights relate to Other Securities or to securities convertible or exchangeable into Shares or Other Securities and where such Purchase Rights are traded on a regulated stock exchange in Switzerland, the European Union, the United States of America, Canada or Japan:

where:

R = Nrights x Prights

Nrights is the number of Purchase Rights granted per Share; and

Prights is the VWAP of the Purchase Rights on the Relevant Exchange (or, if no dealing is recorded, the arithmetic mean of the bid and offered prices) during the time Purchase Rights are traded, but not longer than the first ten (10) Trading Days.

(C) in all other cases where neither of the previous paragraphs (A) or (B) is applicable, R will be determined by a Common Expert.

Such adjustment shall become effective

i. in the case of Condition 6.a)iii)(A), on the first day on which the Shares are traded ex-Purchase Rights on the Relevant Exchange;

ii. in the case of Condition 6.a)iii)(B), five (5) Trading Days after (x) the end of the period during which the Purchase Rights are traded or (y) the tenth (10^{th}) Trading Day of the Purchase Rights, whichever is sooner; and

iii. in the case of Condition 6.a)iii)(C), on the date determined by the Common Expert.

iv) Spin-offs and Capital Distributions other than Dividends:

If, in respect of a spin-off or a capital distribution other than Dividends as referred to in Condition 6.a)v) below, the Issuer shall issue or distribute to holders of its Shares any assets, evidence of indebtedness of the Issuer, shares or other rights (other than as referred to in Condition 6.a)iii) above) (the "**Distribution**"), the Conversion Price shall be adjusted as follows:

(A) In case the Distribution (x) consists of securities that are traded on a regulated stock exchange in Switzerland, the European Union, the United States of America, Canada or Japan or (y) has otherwise a value which is determinable by reference to a stock exchange quotation or otherwise, by multiplying the Conversion Price in force immediately prior to such issue or distribution by the result of the following formula:

(Pcum – D)/Pcum

where:

Pcum is the Current Market Price of one Share on the date on which the Shares are first traded ex-Distribution on the Relevant Exchange following the relevant Distribution; and

D is the value of the Distribution (in CHF) in case of 6.a)iii)(A)(x) equal to the Current Market Price on the Relevant Exchange on the fifth (5^{th}) Trading Day after the date on which the Shares are first traded ex-Distribution on the Relevant Exchange, as determined by the Paying and Conversion Agent, and in case of 6.a)iii)(A)(y) as determined by a Common Expert.

(B) In all other cases and where there is one (but not more) Distribution on a given Trading Day, by multiplying the Conversion Price in force immediately prior to such issue or distribution by the result of the following formula:

Pafter/Pbefore

where:

Pafter is the Current Market Price per Share after the date of such Distribution (the "**Distribution Date**"); and

Pbefore is the Current Market Price per Share before the Distribution Date;

whereby for purposes of this provision the Current Market Price per Share shall be deemed to be the average of the VWAPs, (x) in the case of Pbefore, on the five (5) consecutive Trading Days before the Distribution Date, and (y) in the case of Pafter, on the five (5) consecutive Trading Days after the Distribution Date, as determined by the Paying and Conversion Agent. When calculating the average of the VWAPs the gross dividend amount (or any other entitlement), if any, of any dividend paid (or any other entitlement) during either of the above mentioned periods of five (5) consecutive Trading Days, shall be added back to the VWAPs on each of the Trading Days on which the Shares are traded ex-dividend (or any other entitlement).

(C) If the Issuer issues or distributes to its shareholders tradable put options as a Dividend with respect to any financial year, the Conversion Price shall be adjusted according to the formula set out in Condition 6.a)v).

(D) In all other cases where there is more than one such Distribution on a given Trading Day, the Common Expert will determine the necessary adjustment.

Such adjustment shall become effective, in the case of (A), on the date on which the Distribution is made and, in the case of (B) and (C), on the sixth (6^{th}) Trading Day after the Distribution Date.

v) Dividends

If the Issuer pays an Extraordinary Dividend, the Conversion Price shall be adjusted by multiplying the Conversion Price by the following fraction:

(Pcum – D)/(Pcum – T)

where:

Pcum is the Current Market Price on the Effective Date;

D is the portion of the Extraordinary Dividend attributable to one Share as set out below; and

T (i) in case no previous dividends have been paid or made in the Relevant Year, T shall equal the Threshold Amount. (ii) In case previous Dividends have been paid or made in the Relevant Year, T is the amount (if any) by which the Threshold Amount in respect of the Relevant Year exceeds an amount equal to the aggregate of the cash amount of any previous Dividends paid or made in respect of such Relevant Year, provided that T shall be zero if such previous Dividends are equal to, or exceed, the Threshold Amount in respect of such Relevant Year.

Any reference to D in the above formula shall be replaced by

(A) the cash amount in case of a cash dividend or a repayment of paid-in capital;

(B) an amount as calculated by the following formula in case of a stock dividend in lieu of a cash dividend:

Current Market Price - (Current Market Price x (NOld / NNew))

where:

Current Market Price	is the average of the daily VWAP of one Share on each of the five (5) consecutive Trading Days ending on the Trading Day immediately prior to the Ex-Date;
NOld	is the number of Shares existing before the change in share capital; and
NNew	is the number of Shares existing after the change in share capital;

(C) an amount as calculated by the following formula in case of tradable put options in lieu of a cash dividend (the "**Put Option**"):

Current Market Price x (P/N)

where:

Current Market Price	is the average of the daily VWAP of the Put Option on each of the five (5) consecutive Trading Days commencing on the Ex-Date;
P	is the number of Put Options to be issued; and N is the number of Shares existing prior to the Ex-Date.

Such adjustment shall become effective on the Ex-Date and in case of Put Options according to (C) above, on the sixth (6^{th}) Trading Day following the Ex-Date.

b) Calculation of Adjustments

i) Each adjustment to be made pursuant to Condition 6.a) shall be calculated by the Paying and Conversion Agent and shall (in the absence of manifest error) be binding on all parties concerned. The Paying and Conversion Agent shall for the purpose of the foregoing provisions only be liable to the Bondholders for making, or not making, adjustments or taking, or not taking, any other measures in connection with these Bonds, if and to the extent that it fails to act with due care according to established market practice. The Paying and Conversion Agent may engage the advice or services of any Common Expert whose advice or services it may consider necessary and rely upon any advice so obtained, and the Paying and Conversion Agent shall incur no liability as against the Issuer or the Bondholders in respect of any action taken, or not taken, or suffered to be taken, or not taken, in accordance with such advice and in exercising due care according to established market practice.

ii) If in case of any adjustment the resulting Conversion Price is not an integral multiple of CHF 0.01, it shall be rounded to the nearest whole or multiple of CHF 0.01 with 0.005 being rounded upwards.

iii) The Issuer will procure that a notice is published in the manner described in Condition 10 as soon as practicable after either the date on which any adjustment to the Conversion Price becomes effective or, if no adjustment is required, the date on which it is possible to determine that such is the case.

c) Retroactive Adjustments

If the Conversion Date in relation to any Bond is (i) before the relevant record date for any issue, sale, grant or offer leading to an adjustment pursuant to Condition 6.a), (ii) before publication of the event leading to such Record Date, and (iii) before the relevant adjustment to the Conversion Price becomes effective under Condition 6.a)iii), and iv) provided that the Shares will be delivered to the converting Bondholder after the Record Date, the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the converting Bondholder such an additional number of Shares or additional cash amount (the "**Additional Consideration**") as, together with the Shares delivered or to be delivered and the cash amounts to be transferred, if applicable, on conversion of the relevant Bond (together with any fraction of any Share not so issued) is equal to the consideration (in form of cash amounts or Shares as set out in Condition 3.a)ii) and iii)) which would have been required to be delivered on conversion of such Bond if the relevant adjustment to the Conversion Price had in fact been made and become effective prior to the Conversion Date (the "**Retroactive Adjustment**").

Without prejudice to the provisions of Condition 3, upon a Retroactive Adjustment becoming effective in accordance with this Condition 6.c), the delivery of the relevant Additional Consideration shall be made within ten (10) Business Days after the Conversion Date but not earlier than the Record Date. Without prejudice to the foregoing and to mandatory provisions of applicable law, in the event that an issue, sale, grant or offer leading to an adjustment pursuant to Condition 6.a) is effected between the above Conversion Date and the date of delivery of the relevant Additional Consideration, the Issuer shall request a Common Expert to determine the amount of the further consideration to be made to the converting Bondholder, whether in kind or in cash, so that the Bondholder may be substantially treated as if such Bondholder actually held the Additional Consideration on the Conversion Date.

d) Events not giving rise to Adjustments

No adjustment to the Conversion Price will be made:

i) as a result of any public issue of bonds convertible or exchangeable into Shares or bonds with options to subscribe for Shares, such issue being in connection with a conditional increase of the share capital of the Issuer, irrespective of whether in respect of such issue the advance subscription rights (*Vorwegzeichnungsrecht*) to acquire such bonds have been excluded or not, unless advance subscription rights (*Vorwegzeichnungsrecht*) have been granted to the shareholders of the Issuer and are traded on the Relevant Exchange; or

ii) if Shares or Other Securities (including pre-emptive rights, options or warrants in relation to Shares or Other Securities) are issued, offered or granted to, or for the benefit of, directors or employees, or former directors or employees, of the Issuer or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person in any such case pursuant to any employee share or option scheme; or

iii) if an increase in the Conversion Price would result from such adjustment, except in case of an exchange of the Shares for Other Securities or a consolidation of Shares; or

iv) if the Conversion Price would fall below the nominal value of a Share. In this case, the Conversion Price will be adjusted to the nominal value of a Share and any remaining reduction of the Conversion Price resulting from such adjustment or from any further adjustment will be carried forward and only be applied if and to the extent the nominal value of a Share will be reduced;

v) as a result of the matters provided for in the Announcement, except as set out in the last paragraph of Condition 6.a)i).

e) Other Events

If the Issuer determines, after consultation with the Paying and Conversion Agent, or the Paying and Conversion Agent determines after consultation with the Issuer, that notwithstanding Condition 6.a) and Condition 6.d) an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in Condition 6.a) or circumstances including circumstances listed in Condition 6.d) have arisen which have an adverse effect on the right to convert Bonds and no adjustment to the Conversion Price under Condition 6.a) would otherwise arise or is excluded according to Condition 6.d), the Paying and Conversion Agent shall engage the advice or services of a Common Expert to determine as soon as practicable what adjustment, if any, to the Conversion Price or amendment, if any, to the terms of this Condition 6 is fair and reasonable to take account thereof and the date on which such adjustment should take effect. If several events occur which become effective on the same Trading Day and which would lead to an adjustment of the Conversion Price pursuant to Condition 6.a), the decision as to the manner of calculating the adjustment of the Conversion Price shall be taken by the Common Expert. The decision of the Common Expert shall be binding as set forth in Condition 17(19). The Paying and Conversion Agent shall have no responsibility to make any inquiries as to whether or not any event has occurred which might require an adjustment to the Conversion Price or amendment, if any, to the terms of this Condition 6.

f) Correction of Adjustments

If an adjustment has been made in accordance with Condition 6.a) based on events or circumstances that subsequently are not implemented or are implemented in a manner materially different than anticipated when calculating the adjustment, then the Issuer and the Paying and Conversion Agent shall determine whether and to what extent the adjustment previously made shall be corrected. The Paying and Conversion Agent may engage the services of a Common Expert to determine whether and to what extent a correction shall be made. The decision of the Common Expert shall be binding as set forth in Condition 17(19). The Paying and Conversion Agent shall have no responsibility to make any inquiries as to whether or not any event has occurred which might require correction of an adjustment to the Conversion Price previously made.

7. Change of Control

a) A "**Change of Control**" occurs when:

i) an offer to acquire Shares, whether expressed as a public takeover offer, a merger or similar scheme with regard to such acquisition, or in any other way, is made in circumstances where (A) such offer is available to (aa) all holders of Shares, (bb) all holders of Shares other than the offeror and any persons acting in concert with the offeror, or (cc) all holders of Shares other than persons who are excluded from the offer by reason of being connected with one or more specific jurisdictions (or a combination of the exceptions pursuant to (bb) and (cc), and (B) such offer having become or been declared unconditional with respect to acceptances, the Issuer becomes aware that the right to cast more than 33 1/3 per cent of all the voting rights (whether exercisable or not) of the Issuer has become or will become unconditionally vested in the offeror and any persons acting in concert with the offeror; or

ii) the Issuer consolidates with or merges into any other company, save where, following such consolidation or merger, shareholders of the Issuer immediately prior to such consolidation or merger, have the right to cast 33 1/3 per cent or more of the voting rights (whether exercisable or not) of such other company; or

iii) the Issuer becomes aware that the right to cast more than 33 1/3 per cent of all voting rights (whether exercisable or not) of the Issuer has become unconditionally vested directly or indirectly in any person (or in persons acting in concert with each other in respect of the exercise of such voting rights); or

iv) the legal or beneficial ownership of all or substantially all of the assets owned by the Issuer directly or indirectly, is acquired by one or more other persons.

Notwithstanding the above, the proposed transactions and related purchases of Shares contemplated by the Announcement shall not constitute a Change of Control.

b) If a Change of Control occurs after the Conversion Period has started:

the Issuer shall give notice of the fact that a Change of Control occurred (the "**Change of Control Notice**") to the Bondholders no later than two (2) Trading Days after the occurrence of such Change of Control in the form set out in Condition 10. The Change of Control Notice shall:

i) inform the Bondholders of their right to either require redemption of the Bonds pursuant to Condition 7.d) or, if applicable, exercise their Conversion Rights for a period of forty (40) Trading Days (the "**Change of Control Period**") starting on the Trading Day immediately following the date of publication of the Change of Control Notice at the adjusted Conversion Price, as further described in Condition 7.c);

ii) specify the date (the "**Change of Control Redemption Date**"), being not more than sixty (60) and not less than fifty-one (51) Trading Days after giving such notice on which the Bonds may be redeemed at the option of the Bondholders pursuant to Condition 7.d);

iii) if Condition 7.c) applies, specify the Conversion Price in effect immediately prior to the Change of Control and the adjusted Conversion Price applicable as a consequence of the Change of Control; and

iv) provide details concerning the Change of Control.

c) Adjustment of Conversion Price upon Change of Control

If a Change of Control occurs after the Conversion Period has started, the Conversion Price for Bonds converted on a Conversion Date falling within the Change of Control Period, shall be adjusted as follows:

$$CPa = RP \times (1 + (CP \times (1 - c/t)))$$

where:

CPa adjusted Conversion Price

RP Conversion Price in effect on the relevant Conversion Date, divided by (1 + CP);

CP initial conversion premium of forty (40) per cent (expressed as a fraction);

c the number of calendar days from and including the date of occurrence of the Change of Control Event to but excluding the tenth (10^{th}) calendar day prior to the Maturity Date calculated on a 30E/360 basis, i.e. on the basis of a year consisting of twelve (12) months of thirty (30) days each; and

t the number of calendar days from and including the Settlement Date to but excluding the tenth (10^{th}) calendar day prior to the Maturity Date calculated on a 30E/360 basis, i.e. on the basis of a year consisting of twelve (12) months of thirty (30) days each.

d) Early Redemption at the Option of Bondholders upon Change of Control

Upon the occurrence of a Change of Control after the Conversion Period has started, the Issuer will at the option of a Bondholder, redeem such Bond on the Change of Control Redemption Date at its Net Principal Amount plus accrued interest, if any, as of the Change of Control Redemption Date. To exercise such option, a Bondholder must present, by not later than ten (10) Trading Days prior to the Change of Control Redemption Date, at the Specified Office a duly completed redemption notice in a form satisfactory to the Paying and Conversion Agent (a "**Change of Control Redemption Notice**"), together with clearing instructions in a form satisfactory to the Paying and Conversion Agent allowing for the transfer of the relevant Bond(s) through the Intermediary to the Paying and

Conversion Agent. No Change of Control Redemption Notice so deposited may be withdrawn without the consent of the Issuer.

e) Conversion after the Change of Control Redemption Date

With respect to the Bonds that remain outstanding after the Change of Control Redemption Date, in the case of a Change of Control as defined in Condition 7.a)ii) and if the Issuer is not the surviving company, the Issuer shall use its commercially reasonable efforts to ensure that each Bond shall be convertible into such shares or other equity securities, including depositary receipts issued for the same and any other consideration (including cash) which such Bondholder would have received in the Change of Control transaction if such Bondholder had exercised its Conversion Rights immediately prior to the date of the Change of Control Notice (and then participated in the Change of Control transaction).

8. Status and Negative Pledge

a) The Bonds constitute direct, unconditional, and (subject to Condition 8.b)), unsecured obligations of the Issuer and (subject as aforesaid) rank and will rank *pari passu* among themselves and with all other unsecured and unsubordinated obligations of the Issuer, except for such preferences as are provided for by any mandatorily applicable provision of law.

b) So long as any Bonds remain outstanding, the Issuer will not and will procure that no Material Subsidiary will, create or have outstanding any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its assets or revenues, present or future, to secure any Relevant Debt or to secure any guarantee or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Bonds (i) are secured equally and rateably therewith by such encumbrance or security interest or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be or, (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Bondholder Representative in its discretion.

For the purposes of this Condition, "**Relevant Debt**" means any present or future indebtedness of the Issuer and its Subsidiaries represented or evidenced by notes, bonds, debentures or other securities which are for the time being, or are capable of being quoted, listed or ordinarily traded on any stock exchange, over-the-counter-market or other securities market.

9. Events of Default

The Paying and Conversion Agent in its capacity as bondholder representative (the "**Bondholder Representative**") has the right but not the obligation, on behalf of the Bondholders, to declare all Bonds to be repayable at the Net Principal Amount plus accrued interest, if any, in case of the occurrence of any of the following events (each event an "**Event of Default**"):

a) there is a failure by the Issuer (i) to pay any amount of the Bonds when due or (ii) to deliver Shares and/or to make Cash Payments for Fractions upon Conversion when due, and such failure in the case of (i) or (ii) continues for a period of ten (10) Business Days; or

b) a default is made by the Issuer in the performance or observance of any material covenant, condition or provision contained in these Terms of the Bonds which is to be performed or observed on its part and insofar as the Bondholder Representative considers such default to be materially prejudicial to the interests of the Bondholders and such default continues for a period of ten (10) calendar days following the service by the Bondholder Representative on the Issuer of a notice requiring such default to be remedied; or

c) any other present or future indebtedness of the Issuer or any Material Subsidiary for or in respect of monies borrowed or raised is not paid when due or, as the case may be, within any applicable grace period, or becomes due and payable prior to its stated maturity as a result of an event of default (howsoever described), or any security in respect of any such indebtedness becomes enforceable or any guarantee of, or indemnity in respect of, any such indebtedness given by the Issuer or any Material Subsidiary is not honored when due and called upon or, as the case may be, within any applicable grace period, provided that no such event shall be taken into account for the purposes of this paragraph (c) unless the relative indebtedness, either alone or when aggregated with other indebtedness relative to all, if any, other such events which shall have occurred and are continuing, has an outstanding nominal value of CHF 30 million (or its equivalent in another currency) or less; or

d) the Issuer or any Material Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes a stay of execution; or

e) a postponement of payments (*Stillhaltevereinbarung*), a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium or postponement of payments is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any Material Subsidiary; or

f) except as provided in the Announcement, the Issuer or any Material Subsidiary alters its legal or commercial structure through bankruptcy, liquidation, disposal of all or a substantial part of its assets, changes the objects of the company and/or commercial activities or merges, in so far as the relevant action has or may have a material adverse effect on the capacity of the Issuer to meet its obligations in connection with the Bonds now or in the future, unless in the sole opinion of the Bondholder Representative the situation of the Bondholders as a consequence of the securities created or other steps taken by the Issuer include adequate protection of the Bondholders; or

g) a dissolution or merger involving the Issuer as a result of which the Issuer is not the surviving company, unless the successor company assumes all the Issuer's liabilities.

The Issuer has undertaken to inform the Bondholder Representative without delay if an event mentioned under paragraphs (a) through (g) occurs and to provide the Bondholder Representative with all necessary documents. The Issuer accepts responsibility for the information contained in those documents.

If an Event of Default occurs, the Bondholder Representative has the right but not the obligation to serve a written notice of default upon the Issuer, such notice having the effect that the Bonds shall become immediately due and repayable at the Net Principal Amount plus accrued interest, if any, on the day the default notice is given.

10. Notices

Subject to the next paragraph, all notices to Bondholders regarding the Bonds shall be published by the Paying and Conversion Agent on behalf of, and in accordance with directions by and at the expense of the Issuer (i) in a daily newspaper nationally circulated in Switzerland, expected to be the Neue Zürcher Zeitung and (ii) by delivery to the clearing system with which the Intermediated Securities are registered for communication to the entitled Accountholders.

From the first trading day of the Bonds on the Relevant Exchange and for as long as the Bonds are admitted to trading or listed on the Relevant Exchange, all notices in respect of this Condition 10 shall be given by publication according to the then applicable rules of the Relevant Exchange, in case of SIX Swiss Exchange currently electronically on its internet website (currently: www.six-swiss-exchange.com/news/official_notices/search_en.html) save as otherwise required by law, replacing the publication in a daily newspaper.

11. Listing

The Issuer will have the Bonds listed on the SIX Swiss Exchange and maintain such listing until the Maturity Date or in case of an early redemption of the Bonds to the date of the early redemption. The Issuer will maintain a listing for all the issued Shares on the SIX Swiss Exchange or any other Relevant Exchange.

12. Statute of Limitations

Claims for payment of the Principal Amount and for Cash Payments for Fractions, respectively, cease to be enforceable by legal action in accordance with the applicable Swiss statute of limitations, presently after ten (10) years from their relevant due dates for payment. Presently, claims for payments of Interest Amounts cease to be enforceable by legal action in accordance with the applicable Swiss statute of limitations after five (5) years from their relevant due dates for payment.

13. Governing Law and Jurisdiction

The Bonds and these Terms of the Bonds shall in every respect (including without limitation questions of form, content and interpretation) be subject to and governed by substantive Swiss law.

Any dispute which may arise between Bondholders on the one hand and the Issuer on the other hand regarding the Bonds and these Terms of the Bonds shall fall within the exclusive jurisdiction of the courts of the City of Zurich, Switzerland and, to the extent legally permitted, of the Commercial Court of the Canton of Zurich (*Handelsgericht des Kantons Zürich*), the place of jurisdiction being Zurich 1.

14. Amendment to these Terms

These Terms of the Bonds may be amended from time to time by agreement between the Issuer and the Bondholder Representative, acting on behalf of and with effect for all present and future Bondholders, provided that in the sole opinion of the Bondholder Representative such amendment is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Bondholders.

Notice of any such amendment shall be published in accordance with Condition 10.

Any such amendment shall be binding on the Issuer and the Bondholders in accordance with its terms.

15. Role of UBS

UBS acts as global coordinator, will also act as Paying and Conversion Agent of this Bond issue and will or may also act as Bondholder Representative, but only in the cases stated explicitly in these Terms of the Bonds. In any other cases, UBS is not obliged to take or to consider any actions on behalf or for the benefit of the Bondholders.

16. Severability

If at any time any one or more of the provisions of these Terms of the Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

17. Definitions

1. "**Applicable WHT Amount**" means the amount expressed in CHF of any withholding tax required to be deducted by the Issuer (at a rate of currently 35 per cent) on any accretion of the Bond Floor in the period from the Settlement Date to (i) the Conversion Date or (ii) the relevant date for Redemption, respectively;

2. "**Accountholders**" shall mean a person who is for the time being shown in the records of the Intermediary as the holder of a particular Principal Amount of the Bonds and in which regard any certificate or other document issued by the Intermediary as to the Principal Amount of Bonds standing to the account of any person shall be conclusive for all purposes;

3. "**Additional Consideration**" has the meaning given to it in Condition 6.c);

4. "**Agreement**" has the meaning given to it in the preamble;

5. "**Announcement**" has the meaning given to it in Condition 6.a)i);

6. "**Bond(s)**" has the meaning given to it in the preamble;

7. "**Bond Floor**" means the embedded bond component of the Principal Amount, expressed in CHF, under exclusion of the value of the option component as determined by the Swiss Federal Tax Administration;

8. "**Bondholder(s)**" has the meaning given to it in the preamble;

9. "**Bondholder Representative**" has the meaning given to it in Condition 9;

10. "**Business Day**" means any day (other than Saturday or Sunday) on which banks in Zurich are open for the whole day for business;

11. "**Cash Payment for Fractions**" has the meaning given to it in Condition 3.a)iii);

12. "**Change of Control**" has the meaning given to it in Condition 7.a);

13. "**Change of Control Notice**" has the meaning given to it in Condition 7.b);

14. "**Change of Control Period**" has the meaning given to it in Condition 7.b)i);

15. "**Change of Control Redemption Date**" has the meaning given to it in Condition 7.b)ii);

16. "**Change of Control Redemption Notice**" has the meaning given to it in Condition 7.d);

17. "**Closing Price**" means, in respect of any Trading Day, (i) the last officially published price (*Schlusskurs*) of the Shares by the Relevant Exchange on that Trading Day, or (ii) if the Shares are not admitted to trading on the Relevant Exchange, the average of the closing bid and offered prices of the Shares for such day as furnished by any member firm of the Relevant Exchange selected from time to time by the Issuer for this purpose;

18. "**CO**" has the meaning given to it in Condition 1.c);

19. "**Common Expert**" means an independent investment bank of international repute or an independent law firm or accounting firm of international repute or an independent financial advisor with relevant expertise of international repute (an "**Expert**") selected and instructed by the Issuer and the Paying and Conversion Agent by mutual agreement. If the Issuer and the Paying and Conversion Agent do not mutually agree on an Expert within seven (7) calendar days from the beginning of the appointment process, each of the Issuer and the Paying and Conversion Agent shall select an Expert, whereby the so elected Experts shall select together a third Expert. In case the two selected Experts do not mutually agree on a third Expert within seven (7) calendar days after being appointed, each of them shall select another Expert, whereby a Swiss Notary Public appointed by the Paying and Conversion Agent will pick one of these two Experts as third Expert by drawing lots. In the case of the appointment of three Experts, references in these Terms of the Bonds to a Common Expert shall be deemed to refer to these three Experts, deciding by majority decision. Decisions of the Common Expert shall be final and binding on the Issuer, the Bondholders and the Paying and Conversion Agent. The Paying and Conversion Agent shall incur no liability against the Issuer or the Bondholders in respect of any action taken, or suffered to be taken, in accordance with such decision and in good faith. The fees and costs of the Common Expert shall be borne by the Issuer;

20. "**Condition**" has the meaning given to it in the preamble;

21. "**Conversion Date**" has the meaning given to it in Condition 3.b)i);

22. "**Conversion Notice**" has the meaning given to it in Condition 3.b)i);

23. "**Conversion Period**" means the period, if any, commencing on the earlier of (x) the 10th (tenth) Trading Day (inclusive) following the entry of the Shareholder Resolutions of the Extraordinary General Meeting in the commercial register and (y) the 3rd (third) Trading Day following the end of the Fair Market Call Period, and ending on the earlier of the close of business on the day falling ten (10) calendar days prior to (i) the Maturity Date, or (ii) any earlier date fixed by the Issuer for redemption of the Bonds;

24. "**Conversion Price**" means CHF 11,421.4730 subject to adjustments in accordance with Condition 6 or 7.c);

25. "**Conversion Ratio**" means the number of Shares to be delivered upon conversion of one Bond as determined pursuant to Condition 3;

26. "**Conversion Right**" means the right of a Bondholder to request conversion of any Bond into Shares in accordance with the provisions of these Terms of the Bonds;

27. "**Current Market Price**" means, subject to any special provisions in these Terms of the Bonds, in respect of any security that (x) is traded on a regulated stock exchange in Switzerland, the European Union, the United States of America, Canada or Japan or (y) has otherwise a value which is determinable by reference to a stock exchange quotation or otherwise, the average of the daily VWAP of one such security on each of the five (5) consecutive Trading Days ending on the Trading Day immediately preceding the date by reference to which such average is calculated, provided that when calculating the average of the VWAPs the gross dividend amount (or any other entitlement), if any, of any dividend (or any other entitlement) paid in respect of such security during either of the above mentioned periods of five (5) consecutive Trading Days, shall be added back to the VWAPs on each of the Trading Days on which such securities are traded ex-dividend (or any other entitlement);

28. "**Distribution**" has the meaning given to it in Condition 6.a)iv);

29. "**Distribution Date**" has the meaning given to it in Condition 6.a)iv)(B);

30. "**Dividend**" means a distribution per Share made by the Issuer to holders of the Shares at any time as (i) a cash dividend, (ii) a repayment of paid-in capital, (iii) a stock dividend in lieu of a cash dividend, or (iv) tradable put options in lieu of a cash dividend;

31. "**Effective Date**" means the first date on which the Shares are traded ex-dividend on the Relevant Exchange or, in the case of a purchase, redemption or buy back of Shares or any depositary or other receipts or certificates representing Shares, the date preceding the date on which such purchase, redemption or buy back is made or in the case of a spin-off, the first date on which the Shares are traded ex-the relevant spin-off on the Relevant Exchange;

32. "**Event of Default**" has the meaning given to it in Condition 9;

33. "**Ex-Date**" means the first day on which the Shares are traded on the Relevant Exchange without entitlement (ex);

34. "**Expert**" has the meaning given to it in Condition 17(19);

35. "**Extraordinary Dividend**" means (i) any Dividend paid or made by the Issuer in the course of any successive 12 (twelve) month period following the Settlement Date of the Bonds (the Relevant Year), if the making or payment of such Dividend will lead to the total of any such Dividends including any Dividends previously made or paid in such Relevant Year to exceed the Threshold Amount and (ii) any Dividend paid or made in the same Relevant Year in which (i) had previously been satisfied;

36. "**Extraordinary General Meeting**" means an extraordinary general meeting of the shareholders of the Issuer in which the Issuer seeks shareholders' approval in respect of the creation of a single class of registered shares (*Einheitsnamenaktien*) with a nominal value of CHF 0.01 (the "**Shareholder Resolutions**"), which is to be held not later than the Long Stop Date;

37. "**Fair Bond Value**" has the meaning given to it in Condition 5.c);

38. "**Fair Bond Value Calculation Period**" has the meaning given to it in Condition 5.c);

39. "**Fair Market Call**" has the meaning given to it in Condition 5.c);

40. "**Fair Market Call Period**" has the meaning given to it in Condition 5.c);

41. "**Fraction(s)**" means one or more fractions of Shares;

42. "**Interest Amount**" has the meaning given to it in the first paragraph of Condition 2;

43. "**Interest Payment Date**" means June 5 in each year, from June 5, 2019 to and including the Maturity Date;

44. "**Intermediary**" has the meaning given to it in Condition 1.c);

45. "**Intermediated Securities**" has the meaning given to it in Condition 1.c);

46. "**Issue Price**" means 100.00 per cent of the Principal Amount (CHF 20,000 per Bond);

47. "**Issuer**" has the meaning given to it in the preamble;

48. "**Long Stop Date**" means July 31, 2018;

49. "**Material Subsidiary**" means any subsidiary of the Issuer (i) of which the Issuer, directly or indirectly, owns 50 per cent or more of such subsidiary's capital stock, (ii) in which the Issuer can appoint a majority of the members of the board of directors, and (iii) which contributed 20 per cent or more to the consolidated net sales (on average during last three business years prior to the relevant triggering event);

50. "**Maturity Date**" means June 5, 2025;

51. "**Net Principal Amount**" means the Principal Amount (currently CHF 20,000) after deduction of the Applicable WHT Amount;

52. "**Notice of Delisting**" has the meaning given to it in Condition 5.d);

53. "**Offer Date**" has the meaning given to it in Condition 5.c);

54. "**Other Securities**" means equity securities of the Issuer other than Shares;

55. "**Paying and Conversion Agent**" means UBS in its function as paying and conversion agent for the Bonds;

56. "**Principal Amount**" has the meaning given to it in Condition 1.a);

57. "**Purchase Rights**" has the meaning given to it in Condition 6.a)iii);

58. "**Put Notice**" has the meaning given to it in Condition 5.d);

59. "**Put Option**" has the meaning given to it in Condition 6.a)v);

60. "**Record Date**" means the last Business Day prior to the Ex-Date;

61. "**Redemption**" has the meaning given to it in Condition 5.a);

62. "**Regulation S**" has the meaning given to it in Condition 3.b)i);

63. "**Relevant Debt**" has the meaning given to it in Condition 8.b);

64. "**Relevant Exchange**" means (i) in the case of Shares, SIX Swiss Exchange or any successor thereof or, if the Shares are no longer admitted to trading on the SIX Swiss Exchange, the principal stock exchange or securities market on which the Shares are traded, and (ii) in the case of other securities, the principal stock exchange or securities market on which such other securities are traded;

65. "**Relevant Put Date**" means the fourteenth (14^{th}) day after the expiry of the period of sixty (60) calendar days referred to in Condition 5.c). If such due date does not fall on a Business Day, the Relevant Put Date shall be on the Business Day immediately following such due date;

66. "**Relevant Year**" has the meaning given to it in Condition 17(35);

67. "**Retroactive Adjustment**" has the meaning given to it in Condition 6.c);

68. "**Securities**" means Shares or Other Securities or securities convertible or exchangeable into Shares or Other Securities;

69. "**Securities Act**" has the meaning given to it in Condition 3.b)i);

70. "**Securities Pricing Date**" has the meaning given to it in Condition 6a)ii);

71. "**Settlement Date**" means June 5, 2018;

72. "**Shareholder Resolutions**" has the meaning given to it in Condition 17(36);

73. "**Shares**" means, as of the date of the Agreement, new and/or existing bearer shares with a nominal value of CHF 0.60 each of the Issuer and, following the registration with the commercial register of the resolutions taken by the Extraordinary General Meeting, if approved by the Extraordinary General Meeting, new and/or existing registered shares with a nominal value of CHF 0.01 each of the Issuer as well as any other (if any) shares or stock resulting from any subdivision, consolidation or reclassification of such shares) which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer;

74. "**SIS**" has the meaning given to it in Condition 1.c);

75. "**SIX Swiss Exchange**" means the SIX Swiss Exchange Ltd or any successor to the SIX Swiss Exchange Ltd;

76. "**Specified Office**" means UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland;

77. "**Swiss Federal Issuance Stamp Duty**" means the capital issuance stamp duty (*Emissionsabgabe*) becoming due upon the issuance of any new Shares by the Issuer.

78. "**Swiss Federal Transfer Stamp Duty**" means the transfer stamp duty (*Umsatzabgabe*) that may become due on the transfer of securities if a transfer is made by or through a Swiss Securities Dealer (*Effektenhändler*) being a registered securities dealer within the meaning of the Swiss Federal Stamp Duty Act (*Bundesgesetz über die Stempelabgaben*).

79. "**Terms of the Bonds**" has the meaning given to it in the preamble;

80. "**Threshold Amount**" means CHF 111.00 per Share, subject to adjustment in proportion to any adjustment to the Conversion Price in accordance with Condition 6;

81. "**Trading Day**" means any day (other than a Saturday or Sunday) on which (i) the Relevant Exchange is open for business and Shares may be dealt in or (ii) (if the Shares are not listed or admitted to trading on the Relevant Exchange) closing bid and offered prices are furnished by any member firm of the Relevant Exchange selected from time to time by the Issuer for this purpose;

82. "**UBS**" has the meaning given to it in the preamble;

83. "**VWAP**" means the volume-weighted average price of one Share (or other security, as the case may be) published by Bloomberg Page HP (setting Weighted Average Line) or, if there is none, such other source as shall be determined to be appropriate by the Common Expert on such Trading Day, provided that if on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the volume-weighted average price of a Share in respect of such Trading Day shall be the volume-weighted average price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined;

84. "**Withholding Tax**" has the meaning given to it in Condition 4.

INFORMATION ON THE ISSUER AND ITS BUSINESS

Corporate Information

Name, Registered Office, Commercial Register, Incorporation, Duration and Articles of Association

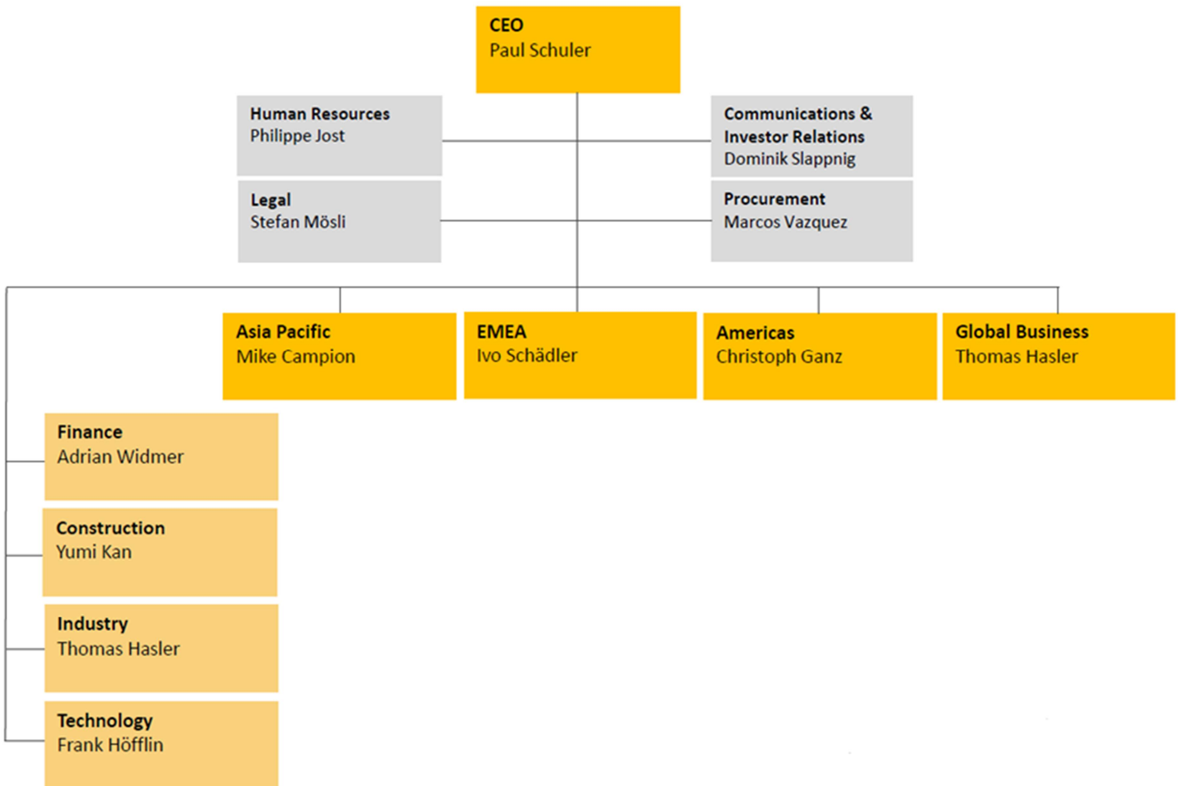
The Issuer is a corporation (*Aktiengesellschaft*) organized under the laws of Switzerland, incorporated on June 17, 1993 with an unlimited duration. The Issuer is registered under the company name "Sika AG" with the Commercial Register of the Canton of Zug under the company number CHE-106.919.184. The Issuer maintains its registered office at Zugerstrasse 50, 6340 Baar, Switzerland.

The Issuer's Articles of Association were last amended on April 15, 2014. With respect to proposed changes to the Issuer's Articles of Association, see "*—Recent Developments*" and "*Information on the Issuer's Capital Structure and Shares—Share Capital Structure—Proposed Changes to the Issuer's Capital Structure*".

Group Structure

The Sika Group is headed by the listed company Sika AG, headquartered in Baar, Switzerland. Sika conducts its worldwide activities according to countries that have been classed into regions with area-wide managerial functions. See "*—Business Activities—Geographical Markets*". The heads of the regions are members of Sika Group's management team. Sika has geared its internal organization towards seven target markets from the construction industry or from industrial manufacturing industry. See "*—Business Activities—Target Markets*". The Group's target markets are represented in Sika Group's management team with two members.

The chart below illustrates Sika Group's structure of the regions, target markets and other group functions as of the date of this Prospectus (for further information on Sika Group's market segments, see "*—Business Activities—Geographical Markets*):



In the 2017 business year, the Sika Group encompassed unlisted subsidiaries in 100 countries across the globe. A total of 161 companies are included in the Group's scope of consolidation. For a list of the Issuer's subsidiaries, including respective jurisdiction of incorporation and capital stock, see "*List of Group Companies*" in the notes to the Issuer's audited consolidated financial statements for the year ended December 31, 2017 included elsewhere in this Prospectus.

Purpose

Article 1(2) of the Issuer's Articles of Association defines the corporate purpose of the Issuer as follows (non-binding translation of the original and binding German version of the Articles of Association):

> *The purpose of the Company is the participation in companies of all types and particularly the financing of companies for the production of, application of, and trade in and with, special products as well as services for the building trade and the industry in Switzerland and abroad.*
>
> *Furthermore, the Company may conduct any business suitable for promoting and facilitating the development of the Company and the achievement of the purpose of the Company, including the acquisition of real estate.*

Notices

Statutory publications of the Issuer are made in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). Notices to shareholders are given by publication in the Swiss Official Gazette of Commerce.

Financial Year

According to article 15(1) of the Issuer's Articles of Association, the financial year of the Issuer begins on January 1 and closes on December 31.

Auditors

The auditors are elected by the Issuer's annual ordinary general meeting of shareholders for a term of one year. Since 1995, Ernst & Young AG, Maagplatz 1, 8005 Zurich (CHE-491.907.686) served as the Issuer's auditors. The Issuer's auditors are supervised by and registered with the Swiss Federal Audit Oversight Authority (FAOA) (*Eidgenössische Revisionsaufsichtsbehörde, RAB*). The auditors' FAOA register number is 500646.

Business Activities

Overview

Sika is a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing and protecting in the building sector and motor vehicle industry. Sika has subsidiaries in 100 countries around the world and manufactures in over 200 factories.

In the 2017 business years, Sika had more than 18,000 employees, which generated net sales of CHF 6,248.3 million, an operating profit of CHF 896.3 million and a net profit of CHF 649.0 million. For further information on the Issuer's result of operations and financial conditions, see the audited consolidated financial statements for the year ended December 31, 2017 included elsewhere in this Prospectus.

Geographical Markets

The Sika Group has subsidiaries in over 100 countries around the world and manufactures in over 200 factories. The Sika Group carries out its worldwide activities according to regions which determine the segments of its financial reporting. The regional breakdown is based on unified economic areas and supply chain structures. Overarching leadership responsibility ensures integrated management from production to the customer.

Sika Group's geographical markets are:

- EMEA, which includes Europe, Middle East and Africa;
- North America, which covers the United States and Canada;
- Latin America, which includes South America, Central America and the Caribbean; and

- Asia/Pacific, which covers East Asia, Southeast Asia, the Pacific area and India.

In the course of the first quarter of 2018, the geographical markets "North America" and "Latin America" were combined to form the new "Americas" market segment. In addition to the geographical markets described above, certain activities of Sika are managed centrally on a global basis. As of March 1, 2018, these activities are combined in a new "Global Business" market segment.

In 2017, the Group's activities were split among its geographical markets as follows:

	EMEA	**North America**(1)	**Latin America**(1)	**Asia/Pacific**	**Other Segments and Activities**(2)
Net sales in CHF million in 2017 (2016)	2,874.9 (2,695.3)	1,094.0 (922.6)	590.0 (564.3)	1,132.7 (1,080.7)	556.7 (484.8)

(1) In the course of the first quarter of 2018, the geographical markets "North America" and "Latin America" were combined to form the new "Americas" market.

(2) "Other segments and activities" includes activities which are managed centrally on a global basis. Sika's automotive business is a key part of these areas of operation. As of the date of this Prospectus, these activities are combined in Sika's "Global Business" market segment.

Target Markets

Sika is active in seven target markets: concrete, waterproofing, sealing & bonding, roofing, flooring, refurbishment and industry. Sika's target markets are substantial markets with solid growth rates: In 2017, these markets were estimated to have a combined volume of more than CHF 70 billion, a figure that is predicted to rise to around CHF 80 billion by 2020.

Concrete

Sika develops and markets a complete range of admixtures and additives for use in concrete, cement, and mortar production. These products enhance specific properties of the fresh or hardened concrete, such as workability, watertightness, durability, load-bearing capacity, or early and final strength. The demand for admixtures and additives is currently on the rise, particularly due to the increased performance requirements placed on concrete and mortar, especially in urban areas and for infrastructure construction. Furthermore, the increasing use of alternative cementitious materials in cement, mortar, and therefore also in concrete, leads to a growth in the need for admixtures.

Waterproofing

Sika's system solutions for waterproofing cover the full range of technologies used for below and above-ground waterproofing: flexible membrane systems, liquid-applied membranes, waterproofing admixtures for mortars, joint sealants, waterproofing mortars, injection grouts, and coatings. Key market segments include basements, underground parking garages, tunnels, and all types of water-retaining structures (for example reservoirs, storage basins, and storage tanks). Waterproofing systems face increasingly stringent requirements regarding sustainability, ease of application, and total cost management. Therefore the selection of appropriate waterproofing systems to suit the needs and requirements of owners, as well as the treatment of specific project-related details, is key for long-lasting and watertight structures.

Roofing

Sika provides a full range of single-ply and built-up flat roofing systems incorporating both flexible sheet and liquid-applied membranes as well as thermal insulation and various roofing accessories. A more than 50-year history has documented that Sika roofing solutions are outstanding performers, reliable, sustainable, and long-lasting. Demand in this segment is driven by the need for eco-friendly, energy-saving solutions such as green roof systems, cool roofs, and solar roofs, which simultaneously help to reduce CO_2 emissions. While refurbishment projects continue to gain significance in the mature markets, the emerging markets are moving towards higher-quality roof solutions for new build structures.

Flooring

Sika's flooring solutions are based on synthetic resin and cementitious systems for industrial and commercial buildings, for example pharmaceutical and food-sector production plants, public buildings such as educational and healthcare facilities, parking decks, and private residential properties. Each market segment is subject to its own particular requirements in terms of mechanical properties, safety regulations, anti-static performance, and chemical or fire resistance. Trends in the flooring market are being dictated by the growing significance of safety and environmental regulations, as well as customized technical requirements. The high volume of building alteration and conversion projects nowadays has boosted the importance of efficient solutions for the refurbishment of existing flooring systems.

Sealing & Bonding

Sika offers a wide range of high-performance and durable sealants, tapes, spray foams, and elastic adhesives for the building envelope, for interior finishing and for infrastructure construction. Typical applications include the sealing of movement joints between facade elements to make buildings weatherproof, the bonding of wood floors to reduce noise, or the sealing of joints in airport aprons. The growing demand in this market is fueled by an increasing awareness of the importance of high-performance sealants for the overall durability and energy efficiency of buildings, the increasing urbanization including the larger volumes of high-rise projects, and the continued replacement of mechanical fastening systems by adhesives due to better performance.

Refurbishment

This segment features concrete protection and repair solutions, for example repair mortars, protective coatings, grouts, and structural strengthening systems. It also includes products for interior finishing, such as leveling compounds, tile adhesives, and tile grouts as well as facade mortars for external use. Sika provides technologies for the entire life cycle of commercial buildings, residential properties, and infrastructure constructions. Especially in developed markets, many structures are decades old and need to be refurbished. The present uptrend in demand is attributable to a rising volume of infrastructure rehabilitation projects in the transport, water management, and energy sectors. The global urbanization trend and the increasing need for renovation in developed markets are also fueling demand.

Industry

The markets served by Sika include automobile and commercial vehicle assembly (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (auto glass replacement, car body repair), marine vessels, industrial lamination, renewable energies (solar and wind), and facade engineering (structural glazing, sealing of insulating glass units). Sika is a technology leader in elastic bonding, structural adhesives, sealants, reinforcing, and acoustic applications – serving the world's leading industrial manufacturers. Customers rely on Sika solutions to enhance product performance and durability while optimizing manufacturing efficiency. For example, Sika's solutions address key megatrends in vehicle design, leading to lighter, stronger, safer, quieter, and more efficient vehicles, while fast-processing materials and compatibility with automation optimize productivity.

Acquisitions

Acquisitions are an important element of Sika's growth strategy, enabling it to enhance its core business with related technologies as well as to improve access to certain markets or additional distribution channels. Through capacity expansion and investment in plant efficiency, the Group ensures the consolidation of its global growth potential. Acquisitions thus become a platform for further growth.

For further information on the Issuer's acquisitions during the business year ended December 31, 2017, refer to "*Acquisitions 2017*" in the notes to the Issuer's audited consolidated financial statements for the year ended December 31, 2017 included elsewhere in this Prospectus.

On January 15, 2018, Sika acquired a 75% majority stake in Index S.p.A. Construction Systems and Products, Italy, a leading manufacturer of roofing and waterproofing systems. By acquiring Index, Sika will extend its product range and significantly strengthen its position in the Italian market. Its product portfolio consists of technologically advanced bituminous membranes for roofing and waterproofing, products for thermal and acoustic insulation, as well as waterproofing and repair mortars. In 2017, Index generated annual sales of around CHF 115 million. A put-and-call agreement has been concluded with the seller for the remaining 25% shares in the company. The owner of the minority interests can exercise his put option from April 2018. Sika can exercise the call option from the beginning of 2019. For further information, see "*Events after the Balance Sheet Date*" in the notes to the Issuer's audited consolidated financial statements for the year ended December 31, 2017 included elsewhere in this Prospectus.

In February 2018, Sika further acquired Faist ChemTec Group, a leading manufacturer of high-performance engineered, structure-borne acoustic solutions for the automotive industry. Faist ChemTec has strong technology and process know-how in modified bituminous and rubber-based extruded products for the structure-borne noise management in the automotive industry. Sika's strength in airborne noise treatments and reinforcing parts is complemented by these acquired technologies. In addition, Sika will gain knowledge in acoustic technology for the white goods market and the construction industry. Faist ChemTec achieved sales of around CHF 190 million in 2017. For further information, see "*Events after the Balance Sheet Date*" in the notes to the Issuer's audited consolidated financial statements for the year ended December 31, 2017 included elsewhere in this Prospectus.

Research, Patents and other Intellectual Property

Innovation and research are dynamic components of Sika's long-term success and future growth. Multiple large-scale projects are cultivated simultaneously around the globe. Securing and enforcing patents is an active part of protecting Sika's intellectual property.

Sika's research activities are carried out at its 20 technology centers worldwide, with Switzerland as a key location. The research program targets the development of proprietary technology that provides key performance benefits and thus allows Sika's product platforms to respond to global trends such as resource-saving building methods, energy-efficient and low emission construction materials, high-speed manufacturing methods, or lighter and safer vehicles. Key projects focus on high-performance molecules with unique features, smart refining techniques for polymers and surfaces, and tailored laboratory equipment allowing quick scale-up to full-size production. Sika complements its internal research efforts by working with major universities and scientific institutes on fundamental technologies. Sika also participates in international research projects and networks.

Sika maintains exclusivity over its products through the systematic registration of its intellectual property rights. In the course of the 2017 business year, 112 new inventions were reported (in 2016: 84) and 74 new patent applications were filed (in 2016: 72). As of December 31, 2017, the Sika's patent portfolio included more than 700 unique patent families with more than 2,700 single national patents. Some of the Group's know-how is, however, not capable of being patented and for confidentiality and other reasons the Group does not file for patent protection for all of its technological know-how. See "*Risk Factors—Risks Relating to the Sika Group—The Group may not be able to protect its intellectual property, including its proprietary technology, which could harm the Group's business and competitive position*". Technology know-how which is not patented by the Group is secured by means of non-disclosure agreements and other agreements regarding the protection of intellectual property rights with its employees, partners of research and development projects as well as customers.

In addition to the patents and other technological knowhow referred to above, Sika protects its product names and its other brands by way of a registration of such product names and brands as trademarks. The Sika umbrella brand and some 851 Sika product trademarks, such as Sika® ViscoCrete®, SikaBond® or Sikaflex®, sharpen the Group's competitive edge. For this reason, trademark protection is a management task that performed both globally at Group level and locally at national level. As of December 31, 2017, Sika held 10,735 trademark registrations in 165 countries. The Group continuously monitors its trademarks and takes appropriate legal action in cases of infringement.

Board of Directors, Group Management and Employees

Board of Directors

According to the Issuer's Articles of Association, the Issuer's board of directors (the "**Board of Directors**") consists of five or more members. The Issuer's general meeting of shareholders elects the members of the Board of Directors and the

Chairman of the Board of Directors individually. Their term of office ends with the conclusion of the next ordinary general meeting of shareholders following the election. Re-election is possible.

As of the date of this Prospectus, the Board of Directors currently consists of the following six members:

Name	Year of Birth	Function
Paul Hälg	1954	Chairman of the Board of Directors
Daniel J. Sauter	1957	Member of the Board of Directors
Frits van Dijk	1947	Member of the Board of Directors
Monika Ribar	1959	Member of the Board of Directors
Christoph Tobler	1957	Member of the Board of Directors
Ulrich W. Suter	1944	Member of the Board of Directors

The business address for each of the members of the Board of Directors is at the Issuer's registered office at Zugerstrasse 50, 6340 Baar, Switzerland.

Paul Hälg (1954), Swiss citizen, Dr. sc. techn., ETH Zurich, was appointed as a member of the Board of Directors in 2009 and since 2012, he serves as the Chairman of the Board of Directors.

Other activities and functions outside of the Sika Group:

- Chairman of the Board of Dätwyler Holding AG, Altdorf, Switzerland
- Member of the Board of Directors of Dätwyler Cabling Solutions AG, Altdorf, Switzerland; Sonceboz Automotive SA, Sonceboz; and Baumann Federn AG, Ermenswil, Switzerland
- Chairman of the Welfare Foundation Sika, Baar Switzerland
- Member of the Foundation Council of ETH Foundation, Zurich, Switzerland; and Swisscontact, Zurich, Switzerland

Daniel J. Sauter (1957), Swiss citizen, Financial Expert, was appointed as a member of the Board of Directors in 2000. In addition, he is also a member of the Nomination and Compensation Committee.

Other activities and functions outside of the Sika Group:

- Chairman of the Board of Directors of Julius Bär Gruppe AG, Zurich, Switzerland; Trinsic AG, Zug, Switzerland; Tabulum AG, Zug, Switzerland and Hadimec AG, Mägenwil, Switzerland
- Member of the Board of Directors of ARAS Holding AG, Lenzburg, Switzerland; AS Print AG, Villmergen, Switzerland; and Richnerstutz AG, Villmergen, Switzerland
- Member of the Foundation Board of Avenir Suisse, Zurich, Switzerland

Frits van Dijk (1947), Dutch citizen, School of Economics (HES), Rotterdam, was appointed as a member of the Board of Directors in 2012. In addition, he is also a member of the Nomination and Compensation Committee.

Other activities and functions outside of the Sika Group:

- Member of the Board of Directors of Nestlé Malaysia Berhad, Malaysia
- Member of the Advisory Board of Al Muhaidib Group, Saudi Arabia

Monika Ribar (1959), Swiss citizen, lic. oec HSG, was appointed as a member of the Board of Directors in 2011. In addition, she is also a member of the Nomination and Compensation Committee.

Other activities and functions outside of the Sika Group:

- Chairman of the Board of Directors of SBB AG (Swiss Federal Railways), Bern, Switzerland

- Member of the Board of Directors of Lufthansa Group, Frankfurt am Main, Germany; and IQ Group, Zurich, Switzerland
- Member of the Swiss Innovation Agency's Innovation Council, "Innosuisse", Bern, Switzerland

Christoph Tobler (1957), Swiss citizen, Dipl. El. Ing. EPFL, was appointed as a member of the Board of Directors in 2005. In addition, he is also a member of the Nomination and Compensation Committee.

Other activities and functions outside of the Sika Group:

- CEO, Sefar Holding AG, Thal SG, Switzerland
- Chairman of the Board of Directors of AG Cilander, Herisau, Switzerland
- Member of the Board of Directors or Sefar Holding AG, Thal SG, Switzerland
- Member of the Board of economiesuisse, Zurich, Switzerland
- Member of Regional Advisory Board of the Swiss National Bank

Ulrich W. Suter (1944), U.S. and Swiss citizen, Dr. sc. techn., Professor emeritus, was appointed as a member of the Board of Directors in 2003.

Other activities and functions outside of the Sika Group:

- Chairman of the Board of Directors of WICOR Holding AG, Rapperswil SG, Switzerland
- Member of the Board of Directors of Rainbow Photonics AG, Zurich, Switzerland
- Co-owner of Ceruda d.o.o., Serbia
- President of the Foundation Council of Werner Oechslin Library Foundation
- Member of the Board of Trustees of the Pension Fund of the Weidmann Group of Companies; Swisscontact; and the Swiss National Science Foundation
- President of the Swiss Academy of Engineering Sciences (SATW)
- Consultant to the National Research Foundation, Singapore

In connection with the agreement reached between Sika, Saint-Gobain and the Family (as defined below) (see "*—Recent Developments; Settlement with Saint-Gobain and the Family; Creation of Single Class of Registered Shares*"), Urs F. Burkard, Jürgen Tinggren and Willi Leimer have resigned from the Board of Directors with effect as of May 11, 2018.

Group Management

The Issuer's group management (the "**Group Management**") currently consists of eight members:

Name	Year of Birth	Function
Paul Schuler	1955	Chief Executive Officer
Mike Campion	1965	Regional Manager Asia/Pacific
Christoph Ganz	1969	Regional Manager Americas
Thomas Hasler	1965	Head Industry / Head Global Business
Frank Höfflin	1964	Chief Technology Officer
Yumi Kan	1970	Head Construction
Ivo Schädler	1966	Regional Manager EMEA
Adrian Widmer	1968	Chief Financial Officer

The business address for each of the members of the Group Management is at the Issuer's registered office at Zugerstrasse 50, 6340 Baar, Switzerland.

Paul Schuler (1955), Swiss citizen, MBA, is a member of the Group Management since and since 2017, he is Sika's Chief Executive Officer. In addition, he is a member of the Board of Directors of Swisspearl Group AG.

Mike Campion (1955), U.S. citizen, BSc Chemistry, is a member of the Group Management and the Regional Manager Asia/Pacific.

Christoph Ganz (1969), Swiss citizen, lic. oec. HSG, is a member of the Group Management and Regional Manager Americas and the General Manager of Sika USA.

Thomas Hasler (1965), Swiss citizen, Dipl. Ing. Chem. HTL, Executive MBA, is a member of the Group Management, the Head Industry and the Head Global Business.

Frank Höfflin (1964), U.S. and German citizen, Ph. D. Chemistry, is a member of the Group Management and Sika's Chief Technology Officer.

Yumi Kan (1970), Vietnamese and Taiwanese citizen, is a member of the Group Management and Sika's Head Construction.

Ivo Schädler (1966), Swiss and Liechtenstein citizen, MSc ETH Materials Eng., Executive MBA, is a member of the Group Management and the Regional Manager EMEA.

Adrian Widmer (1968), Swiss citizen, lic. oec. publ, is a member of the Group Management and Sika's Chief Financial Officer.

Employees

As of December 31, 2017, the Sika Group had a total of 18,484 employees (previous year: 17,419). The regional distribution of these employees is as follows: EMEA: 9,822 (previous year: 9,083), North America: 2,142 (previous year: 1,818), Latin America: 2,479 (previous year: 2,349), Asia/Pacific: 4,041 (previous year: 4,169).

Court, Arbitral and Administrative Proceedings

The Group is, from time to time, involved in various claims and lawsuits incidental to the ordinary operations of its business. Except as otherwise disclosed in this Prospectus, the Group is currently not involved in any court, arbitral or administrative proceedings which are likely to have a material adverse effect on the financial position or results of operations of the Group nor, as far as the Group is aware, are any such proceedings threatened.

A majority of the voting rights in Sika is currently held by the Burkard-Schenker family (the "**Family**") indirectly through the Schenker-Winkler Holding AG ("**SWH**"). On December 5, 2014, Compagnie de Saint-Gobain ("**Saint-Gobain**") and the Family entered into a share purchase agreement regarding the transfer of all shares in SWH to Saint-Gobain. Following the announcement of this transaction, disputes and litigation started between SWH and Sika in connection with the aforementioned transfer of all SWH shares to Saint-Gobain and the exclusion of SWH from voting its Sika Shares on certain agenda items in Sika's 2015 annual general meeting of shareholders. This litigation is currently pending before the High Court of the Canton of Zug (the "**AGM 2015 Procedure**"). Similar proceedings are pending with the Cantonal Court of Zug relating to challenges of the decisions of Sika's 2015 extraordinary general meeting of shareholders and Sika's 2016 and 2017 annual ordinary general meeting of shareholders. In connection with the agreement reached between Sika, Saint-Gobain and the Family, the parties to these litigations have agreed to terminate all pending litigation (see "*—Recent Developments; Settlement with Saint-Gobain and the Family; Creation of Single Class of Registered Shares*").

Recent Developments; Settlement with Saint-Gobain and the Family; Creation of Single Class of Registered Shares

On March 5, 2018, Sika announced that it had successfully placed a dual-tranche bond in the total amount of CHF 300 million. The bonds are listed on the SIX Swiss Exchange. The net proceeds of these two bond transactions will be used to support the growth strategy of Sika, to serve Sika's long-term, general financing, and for acquisitions. For further details on Sika's outstanding bonds, see "*Information on the Issuer's Capital Structure and Shares—Outstanding Conversion, Option Rights and Bonds*".

On May 11, 2018, Sika announced the conclusion of settlement negotiations with Saint-Gobain and the Family. Pursuant to the agreements reached, Sika would acquire from Saint-Gobain such number of Sika Shares held by SWH corresponding to 6.97 % of Sika's outstanding share capital for a consideration of CHF 2.08 billion. This amount contains a CHF 795 million premium over the market price of the Sika Shares as of May 4, 2018. The purchase price was financed by a bridge loan and it is intended to refinance the purchase price by the Offering (see "*Information on the Offering—Use of Proceeds*"), and, to the extent required through a bank loan or the issuance of additional bonds. The agreement between Sika and Saint-Gobain provides for lock-up and standstill obligations as well as a right of first refusal for Sika in case Saint-Gobain wishes to sell its stake in Sika in the future. Further, Sika, Saint-Gobain and SWH have agreed to terminate all pending litigation. See also "*—Court, Arbitral and Administrative Proceedings*". In connection with the agreement reached between Sika, Saint-Gobain and the Family, Urs F. Burkard, Jürgen Tinggren and Willi Leimer have resigned from the board of directors of Sika with effect as of May 11, 2018.

In the context of the settlement agreement referred to above, Sika will convene the Extraordinary General Meeting in order to propose to its shareholders (i) the abolition of the opting-out clause in Sika's Articles of Association, (ii) the creation of a single class of registered shares (*Einheitsnamenaktien*), (iii) the removal of the share transfer restrictions (*Vinkulierung*) from Sika's Articles of Association, and (iv) the cancellation of the shares acquired from Saint-Gobain/SWH. See "*Information on the Issuer's Capital Structure and Shares—Share Capital Structure—Proposed Changes to the Issuer's Capital Structure*".

No Material Adverse Change

Since the publication date of the Sika Group's audited consolidated financial statements for the year ended December 31, 2017, which are included elsewhere in this Prospectus, and except as disclosed herein, there has been no material adverse change in the assets and liabilities, financial position and profits and losses of the Issuer and its Subsidiaries.

INFORMATION ON THE ISSUER'S CAPITAL STRUCTURE AND SHARES

The Shares

Share Classes

As of the date of this Prospectus, Sika has two different classes of shares, namely bearer shares with a nominal value of CHF 0.60 each (the "**Bearer Shares**") and registered shares with a nominal value of CHF 0.10 each (the "**Registered Shares**"). See also "*—Share Capital Structure—Issued Share Capital*". On May 11, 2018, the Issuer announced that it intends to propose to its shareholders, inter alia, (i) the creation of a single class of registered shares (*Einheitsnamenaktien*), and (ii) the cancellation of 1,062,952 Registered Shares. For further information, see "*—Share Capital Structure—Proposed Changes to the Issuer's Capital Structure*".

Transfer Restrictions

The Issuer's Articles of Association provide for transfer restrictions with respect to the Registered Shares. The relevant provision of the Issuer's Articles of Association (article 4(1)) reads as follows (non-binding translation of the original and binding German version of the Articles of Association):

> *The Board of Directors reserves the right to refuse an acquirer of registered shares as shareholder, if the number of registered shares held by him exceeds 5% of the total number of registered shares entered in the commercial register.*
>
> *The limitation of 5% also applies to the subscription to or the purchase of registered shares by means of exercising subscription rights, options, or conversion rights of registered or bearer shares or other securities issued by the Company or third parties.*
>
> *Legal entities and partnerships with legal capacity, which are affiliated through common ownership or votes, through common control or in any similar manner, as well as natural persons or legal entities or partnerships with legal capacity, which act in concert in view of a circumvention of registration limitations, are regarded under these provisions as a single buyer.*
>
> *Article 652b par. 3 and Article 685d par. 3, SCO remain unaffected.*

In addition, the Issuer may deny registration of an acquirer of shares in the shareholders register if, upon the Issuer's request, the acquirer does not explicitly declare that the shares have been acquired in his/her/its own name and for his/her/its own account.

Further, article 5 of the Issuer's Articles of Association provide for an "opting out" clause, pursuant to which acquirer of shares of the Issuer are not obligated to make a public tender offer for all shares in the Issuer.

In the context of the proposed creation of a single class of registered shares (see "*—Share Capital Structure—Proposed Changes to the Issuer's Capital Structure*"), the Issuer intends to propose to its shareholders to also abolish the transfer restrictions set out in article 4(1) of the Articles of Association and the "opting out" clause included in article 5 of the Articles of Association.

Listing

The Bearer Shares are listed on the SIX Swiss Exchange under the ticker symbol SIK. The Registered Shares are currently not listed on any trading venue. The Registered Shares used to be listed on the SIX Swiss Exchange, but they were delisted from the SIX Swiss Exchange on September 4, 2003.

It is currently expected that the all shares of the new single class of registered shares (see "*—Share Capital Structure—Proposed Changes to the Issuer's Capital Structure*") will be listed on the SIX Swiss Exchange in the International Reporting Standard on or about June 13, 2018.

Share Price

The table set out below shows, for the periods indicated, the high and low prices of the Bearer Shares as well as the closing price on the respective dates on the SIX Swiss Exchange:

	May 11, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Share price (CHF) high	8,405	7,890	5,000	3,903
Share price (CHF) low	7,080	4,782	3,409	2,683
Closing price	8,130	7,740	4,892	3,620

Further information on the historical prices of the Issuer's Bearer Shares is available from the Issuer's website (https://www.sika.com/en/group/investors/stock-overview/stock-performance.html) or the website of the SIX Swiss Exchange (http://www.six-swiss-exchange.com/shares/security_info_de.html?id=CH0000587979CHF4)

Distributions per Share

Year	Gross dividend per bearer share (*) (in CHF)	Repayment of nominal value per bearer share (in CHF)	Net payout of capital contribution reserves (in CHF)	Total dividend/ repayment of nominal value amount (in CHF million)	Payout ratio in % of consolidated earnings
2017	111.00	-/-	-/-	281.8	44
2016	96.00	-/-	-/-	243.7	43
2015	78.00	-/-	-/-	198.0	43
2014	72.00	-/-	-/-	182.8	42
2013	57.00	-/-	-/-	144.6	42
2012	51.00	-/-	-/-	129.2	47

(*) Payout for the Voting Rights Shares will be adjusted according to the nominal value.

Share Capital Structure

Issued Share Capital

As of the date of this Prospectus, the Issuer had a an issued share capital of CHF 1,524,106.80, divided into 2,151,199 fully-paid bearer shares with a nominal value of CHF 0.60 each, and 2,333,874 fully-paid registered shares with a nominal value of CHF 0.10 each. One share represents one vote in the Issuer's general meeting of shareholders. The voting rights of treasury shares (see "*—Own Equity Securities*"), if any, are suspended for as long as they are held by the Issuer and/or its subsidiaries. All shares earn the same dividend, with payout adjusted according to the respective nominal value.

Authorized Share Capital

As of the date of this Prospectus, Sika AG does not have an authorized share capital.

Conditional Share Capital

Pursuant to the Articles of Association, as in force as of the date of this Prospectus, the Issuer may increase its share capital by a maximum amount of CHF 155,893.20, through the issuance of a maximum of 259,822 Bearer Shares (which represents 10.2% of the outstanding share capital as of December 31, 2017) out of conditional share capital. These shares are reserved for the exercise of option or conversion rights which were granted on a stand-alone basis or in connection with bonds or other debt financing instruments by the Issuer or any of its subsidiaries. The relevant provision of the Issuer's Articles of Association (article 2(4)) reads as follows (non-binding translation of the original and binding German version of the Articles of Association):

The share capital of the Company is increased through the issuance of a maximum of 259,822 fully paid-in bearer shares with a nominal value of CHF 0.60 each, representing a maximum nominal value of CHF 155,893.20, by exercising option or conversion rights, which were granted on a stand-alone basis or in connection with bonds or other debt financing instruments by the Company or any of its subsidiaries. The pre-emptive right of shareholders is excluded.

Placement of the option or conversion rights may be effected by one or more banks, which subscribe to these rights on a fiduciary basis.

When issuing option or conversion rights, the Board of Directors may revoke the advance subscription right of the shareholders, if such option or conversion rights are used for the acquisition, or the financing of an acquisition, of enterprises, parts of enterprises or participations. In this case, the structure, duration, and, if need be, amount of the bond or other debt financing instrument, as well as the conditions of the option or conversion rights must be fixed by the Board of Directors in accordance with market conditions at the time of issuance, provided that conversion rights and option rights may be exercisable for a maximum period of ten years only.

Proposed Changes to the Issuer's Capital Structure

On May 11, 2018, the Issuer announced that it intends to convene the Extraordinary General Meeting and that it will submit to Extraordinary General Meeting, among other things, a proposal for the creation of a single class of registered shares (*Einheitsnamenaktien)*. If the Issuer's shareholders vote in favor of such proposal, the existing Bearer Shares will be split and converted into new registered shares with a nominal value of CHF 0.01 each and the existing Registered Shares will be split into registered shares with a nominal value of CHF 0.01 each, resulting into a single class of registered shares (*Einheitsnamenaktien*) with a nominal value of CHF 0.01 each. In addition to the creation of a single class of registered shares (*Einheitsnamenaktien*), Sika intends to also submit to the Extraordinary General Meeting a proposal to cancel the 1,062,952 Registered Shares that it acquired from Saint-Gobain on May 11, 2018 (see "*Information on the Issuer and its Business—Recent Developments; Settlement with Saint-Gobain and the Family; Creation of Single Class of Registered Shares*").

Following the creation of a single class of registered shares (*Einheitsnamenaktien*) the Issuer's issued share capital will amount to CHF 1,524,106.80, divided into 152,410,680 registered shares with a nominal value of CHF 0.01 each (the "**Shares**"), and following the cancellation of the 1,062,952 Registered Shares acquired by Sika from Saint-Gobain/SWH, the Issuer's issued share capital will amount to CHF 1,417,811.60, divided into 141,781,160 Shares. Each Share will carry one vote at the general meeting of shareholders of the Issuer. In addition, following the creation of a single class of registered shares the Issuer will have a conditional share capital that will allow for a capital increase in the maximum amount of CHF 155,893.20 through the issuance of a maximum of 15,589,320 fully paid-in registered shares with a nominal value of CHF 0.01 each.

Own Equity Securities

As of May 10, 2018, the Sika Group held 1,573 Bearer Shares, and 480 Registered Shares as treasury shares. The treasury shares do not carry voting and dividend rights.

On May 11, 2018, the Issuer announced that it has entered into a definitive agreement with Saint-Gobain, pursuant to which Sika acquired from Saint-Gobain/SWH such number of Registered Shares corresponding to 6.97 % of Sika's outstanding share capital for a consideration of CHF 2.08 billion in cash. This transaction was completed on May 11, 2018 and as a result, the Sika Group holds an additional 1,062,952 Registered Shares as treasury shares, representing approx. 23.70 % of the voting rights and 6.97 % of the capital in Sika. As announced on May 11, 2018, Sika intends to propose to its shareholders to cancel the Registered Shares acquired from Saint-Gobain/SWH. See "*Information on the Issuer and its*

Business—Recent Developments; Settlement with Saint-Gobain and the Family; Creation of Single Class of Registered Shares". See "*—Disclosure of Major Shareholdings by the Sika Group according to the Financial Market Infrastructure Act*".

Outstanding Conversion, Option Rights and Bonds

The Sika Group primarily finances its operations through the issuance of bonds. Local credit lines are used to a limited extent. As of March 31, 2018, the Issuer had the following bonds outstanding:

Type of Bond	Principal Amount	Term	Coupon	Rating (S&P)
Fixed Interest Rate	150,000,000	2012–2018	1.000 %	A-
Fixed Interest Rate	150,000,000	2012–2022	1.750 %	A-
Fixed Interest Rate	200,000,000	2013–2019	1.125 %	A-
Fixed Interest Rate	200,000,000	2013–2023	1.875 %	A-
Floating Interest Rate(1)	160,000,000	2018–2020	0.000 – 0.050 %	A-
Fixed Interest Rate(1)	140,000,000	2018–2026	0.600 %	A-

(1) Issued in the form of a dual-tranche bond. See "*Information on the Issuer and its Business—Recent Developments; Settlement with Saint-Gobain and the Family; Creation of Single Class of Registered Shares*".

Other than the above bonds, the Issuer does not have any outstanding bonds, conversion or option rights as of the date of this Prospectus. Sika has not issued any participation certificates, dividend right certificates, or stock options.

Employee Options

Sika does not have any employee option plans. Information on Sika's share-based employee participation plans can be found in note 19 to the Issuer's audited consolidated financial statements for the year ended December 31, 2017 included elsewhere in this Prospectus.

Disclosure of Major Shareholdings by the Sika Group according to the Financial Market Infrastructure Act

The conversion rights embedded in the Bonds constitute a sale position pursuant to article 14(1)(b)(2) in conjunction with article 15(2)(b) of the Ordinance of the Swiss Financial Market Supervisory Authority FINMA on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading dated December 3, 2015 ("**FMIO-FINMA**"). The final allocation of the Bonds is expected to occur on May 29, 2018 and the settlement is expected to occur on June 5, 2018. The Shares to be delivered upon conversion of the Bonds in the aggregate principal amount of CHF 1,650,000,000 correspond to 3.22 % of the total voting rights (based on the current number of Shares registered in the Commercial Register of the Canton of Zug as of the date of this Prospectus and an initial conversion price of CHF 11,421.4730).

As described in "*Information on the Issuer and its Business—Recent Developments; Settlement with Saint-Gobain and the Family; Creation of Single Class* of Registered Shares", on May 10, 2018, Sika entered into an agreement with Saint-Gobain regarding the purchase of 1,062,952 Registered Shares currently held by SWH (corresponding to 6.97 % of Sika's outstanding share capital). The Registered Shares relating to such transaction agreement correspond to approx. 23.70 % of voting rights (based on the current number of Shares registered in the Commercial Register of the Canton of Zug as of the date of this Prospectus). In addition, as per the date of this Prospectus the Sika Group held 1,573 Bearer Shares, and 480 Registered Shares as treasury shares. Such treasury shares, together with the Registered Shares acquired by Sika from Saint-Gobain/SWH result in total shareholdings of 1,063,432 Registered Shares and 1,573 Bearer Shares corresponding to approx. 23.75 % of voting rights (based on the current number of Shares registered in the Commercial Register of the Canton of Zug as of the date of this Prospectus). The Shares relating to the transaction agreement and the Shares held by the Sika Group constitute a purchase position pursuant to article 14(1)(a)(1) FMIO-FINMA.

As described in "*Information on the Issuer and its Business—Recent Developments; Settlement with Saint-Gobain and the Family; Creation of Single Class of Registered Shares*", in the context of the settlement reached with Saint-Gobain and the Family, Saint-Gobain granted Sika a right of first refusal in case Saint-Gobain wishes to sell its stake in Sika in the future.

SWISS LAW BONDHOLDER PROVISIONS

Community of Bondholders, Bondholders' Meeting and Bondholders' Representative

Holders of bonds issued by a Swiss issuer in a public offering in Switzerland form a community of bondholders (*Gläubigergemeinschaft*) subject to articles 1157 to 1186 CO. If several bonds are issued, the bondholders of each bond form a separate community of bondholders. The community of bondholders may also transfer certain powers to a bondholders' representative (*Anleihensvertreter*).

Resolutions of the community of bondholders are passed at a bondholders' meeting (*Gläubigerversammlung*). The bondholders' meeting may resolve on any matter affecting the interests of the bondholders. A resolution will be binding on all bondholders provided it has been passed in accordance with articles 1157 to 1186 CO and, if required by article 1176 CO, approved by the competent higher cantonal composition authority.

Individual bondholders may assert their rights independently (subject to the non-petition provisions) only if (a) the bondholders' meeting has not validly resolved on the matter, or (b) the matter has not been transferred to a duly appointed bondholders' representative in the terms and conditions of the bonds or by resolution of the bondholders' meeting.

Majority Requirements

There are four types of bondholders' meeting resolutions, each requiring a different majority as set out in further detail below. Where a majority cannot be attained at a bondholders' meeting, the issuer may collect additional votes within the two months following the date of the bondholders' meeting.

a) Resolutions that do not alter bondholders' rights

Resolutions that do not adversely affect bondholders' rights and do not impose material obligations upon them require an absolute majority of the votes represented at the bondholders meeting, unless the law or the terms and conditions of the bond require a higher majority.

b) Resolutions within the scope of article 1170 CO

Pursuant to article 1170 CO, the bondholders' meeting can resolve on the following measures (or any combination thereof) with a majority of at least two thirds of the principal of the bonds outstanding. The terms and conditions of the bonds may increase the required quorum (subject to certain limitations):

(i) Moratorium on interest for up to five years, with the option of extending the moratorium twice for up to five years each time;

(ii) waiver of up to five years' worth of interest within a seven year period;

(iii) decrease of the interest rate by up to one-half of the rate envisaged in the bond issue conditions or conversion of a fixed interest rate into a rate dependent on the business results, both measures to last for up to ten years, with the option of an extension for up to five years;

(iv) extension of the redemption time limit by up to ten years by means of a reduction in the annual payment or an increase in the number of the redemption shares or temporary suspension of such payments, with the option of an extension for up to five years;

(v) suspension of a bond issue now due or maturing within five years or of portions thereof for up to ten years, with the option of an extension for up to five years;

(vi) authorization of an early redemption of the bond capital;

(vii) granting of a priority lien for new capital raised for the issuing company and changes to the collateral provided for a bond issue or full or partial waiver of such collateral;

(viii) consent to an amendment of the provisions governing restrictions on issues of bonds in relation to the share capital; and

(ix) consent to a total or partial conversion of bonds into shares.

To be effective and binding on all bondholders, a resolution of the bondholders' meeting regarding any of the measures set out above must be approved by the higher cantonal composition authority (*obere kantonale Nachlassbehörde*).

Where there is more than one community of bondholders, the issuer may propose one or more of the measures described in article 1170 CO to the different communities of bondholders simultaneously, subject to the provision that, where one such measure is proposed, it will become effective only if accepted by all the communities of bondholders and in addition, where two or more such measures are proposed the validity of each measure is subject to acceptance of all the others.

Proposals are deemed accepted where they obtain the consent of persons representing at least two-thirds of the aggregate principal amount outstanding of all such communities of bondholders combined and at the same time are accepted by a majority of the communities of bondholders and, within each community of bondholders, by at least a simple majority of the aggregate principal amount outstanding represented.

c) Resolutions on the revocation or alteration of the authority granted to a representative of the bondholders

For the revocation or modification of the authority granted to the representative of the bondholders, the consent of the bondholders holding more than half of the principal of the bonds outstanding is required. If the representative is appointed under the terms of the bonds, the consent of the issuer is required.

d) Resolutions that alter the rights of bondholders

Resolutions on matters which would adversely affect the rights of bondholders (other than those listed in article 1170 CO) or impose obligations on bondholders not set out in the terms and conditions of the bonds or otherwise agreed upon issuance of the bonds require the consent of all bondholders.

Convocation of the Bondholders' Meeting

The bondholders' meeting is called by the issuer which is bound to call the bondholders' meeting, if either bondholders' holding at least 5% of the principal of the bonds outstanding or the representative of the bondholders so requests in writing indicating the purpose and the reasons for the meeting. As an exception to this rule, in case the issuer becomes bankrupt, it will be the bankruptcy administrator who immediately calls a bondholders' meeting which shall resolve on the granting of a power of attorney to the representative already appointed or to be appointed in order to ensure that the rights of the bondholders being enforced in an equal manner. If no such decision on the granting of a power of attorney is reached, each bondholder will enforce its rights under the bond issuance separately. The details of the manner of convening the meeting and the proceedings (including publication of notice, agenda, admission, chairman, minutes, recording of resolutions etc.) are regulated in the Ordinance on the Community of Bondholders (*Verordnung über die Gläubigergemeinschaft bei Anleihensobligationen*).

Representation of the Bondholders (*Anleihensvertreter*)

Pursuant to applicable legal provisions, the terms and conditions of a bond or the bondholders' meeting may appoint a representative. Such representative has the powers transferred to him by law, by the terms and conditions of the bond issue (within the limits set by applicable law) or by the bondholders' meeting. To the extent the representative is entitled to exercise the rights of the bondholders, the bondholders may not independently exercise their rights.

Several Communities of Bondholders

The bondholder provisions do not explicitly address the consequences of tranched issuances of bonds other than article 1171 CO which provides that where there is more than one community of bondholders, the issuer may propose one or more of the measures described in article 1170 CO to the different communities of bondholders simultaneously, subject to the provision that, where one such measure is proposed, it will become effective only if accepted by all the communities of bondholders and that in addition, where two or more such measures are proposed, the validity of each measure is subject to acceptance of all the others.

Proposals are deemed accepted where they obtain the consent of persons representing at least two-thirds of the aggregate outstanding principal amount of the bonds of all such communities of bondholders combined and at the same time are accepted by a majority of the communities of bondholders and, within each community of bondholders, by at least a simple majority of the aggregate outstanding principal amount of the bonds represented.

SWISS TAXATION

The following statements contain an overview of the Swiss tax implications resulting from the Bonds or the Shares. The following statements are based upon Swiss tax laws and administrative practices as currently in force. Modifications of the applicable legal regulations may require a re-evaluation of the tax consequences. The summary below is not a substitute for legal and/or tax advice sought by interested parties. Prospective Bondholders are advised to consult their own tax advisors concerning the overall tax consequences of their acquisition, ownership and disposal of the Bonds and/or the Shares deliverable upon conversion of the Bonds.

Taxes in relation to the Bonds

In General

A Bondholder who is not resident of Switzerland and who during the taxable year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland and who is not subject to Swiss taxation for any other reason will be exempt from any Swiss income tax in respect of interest as well as capital gains realized on sale, conversion or redemption of the Bonds.

The Bonds are expected to qualify as "non-classical, transparent convertible bonds" (*transparente, nicht-klassische Wandelanleihe*) in accordance with the Circular No. 15 by the Swiss Federal Tax Administration (*Kreisschreiben Nr. 15 vom 3. Oktober 2017*).

The Swiss tax consequences are therefore generally as follows:

Swiss Withholding Tax

Each periodic interest payment, including accrued interest upon early redemption or conversion, will be subject to withholding tax (*Verrechnungssteuer*) currently at the rate of 35%. In case of a Fair Market Call, the difference between the payments under the Fair Market Call and the initial bond floor or Principal Amount, as the case may be, will be subject to withholding tax as well. Depending on the applicable swap rate and the credit rating of the Bonds, the positive difference between the bond floor at the time of early redemption, redemption or conversion and the initial bond floor may be subject to withholding tax as well. In each case, the Issuer will be required to withhold the withholding tax of currently 35% from any such payments made to a Bondholder or to charge the applicable withholding tax to a Bondholder, as the case may be.

Swiss resident recipients

Swiss resident individuals or legal entities incorporated in Switzerland are generally entitled to a full refund of withholding tax if they, in each case, among other things, are the beneficial owner of the Bonds at the time the interest is due and duly report the gross interest received on their personal income tax return or, in case of a legal entity, include the taxable profit in the income statement, for the relevant tax period.

Non-Swiss resident recipients

The recipient of the interest who is an individual or a legal entity not resident in Switzerland for tax purposes may be entitled to a full or partial refund of withholding tax if the country in which such recipient resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and if the further prerequisites of such treaty are met. Bondholders not resident in Switzerland should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) might differ from country to country. Bondholders not resident in Switzerland should consult their own legal, financial or tax advisors regarding receipt, ownership, purchase, sale or other dispositions of Bonds and the procedures for claiming a refund of withholding tax.

Swiss Income Tax

A Bondholder who is not a resident of Switzerland and who during the taxable year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland and who is not subject to Swiss taxation for any other reason will be exempt from any Swiss income tax in respect of periodic interest as well as any other income realized on sale, conversion, early redemption or redemption of the Bonds.

Interest Payments and Repayments of Nominal Value

Swiss resident individuals holding Bonds for private investment purposes are subject to Swiss federal income tax on each periodic interest payment, including accrued interest upon early redemption or conversion, and are required to include all payments of such interest received on such Bonds in their personal income tax return for the relevant tax period and will be taxed on the net taxable income for such tax period at the then prevailing tax rates. In case of a Fair Market Call, the difference between the payments under the Fair Market Call and the initial bond floor, the bond floor at the time of secondary market purchase of the Bonds, or Principal Amount, as the case may be, will be subject to Swiss federal income tax as well. Depending on the applicable swap rate and the credit rating of the Bonds, the positive difference between the bond floor at the time of early redemption, redemption or conversion and the initial bond floor or the bond floor at the time of secondary market purchase of the Bonds, as the case may be, may be subject to Swiss federal income tax as well. Foreign residents who hold Bonds through a permanent establishment or a fixed place of business in Switzerland and Swiss residents who hold Bonds as business assets (including individuals, who for income tax purposes, are classified as professional securities dealers (*gewerbsmässige Wertschriftenhändler*)) will be subject to Swiss federal income tax in respect of periodic interest payments received as well as any other income from the Bonds upon early redemption or redemption reflected in their income statement for the respective tax period.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/municipal income taxes.

Capital Gains realized upon Sale of the Bonds

Swiss resident individuals holding Bonds for private investment purposes will be generally exempt from Swiss federal income tax in respect of capital gains realized upon sale of the Bonds prior to maturity, except if they are considered as professional securities dealers (*gewerbsmässige Wertschriftenhändler*) for tax purposes or if the Bonds are classified as Bonds with a "predominant one-time interest payment" (*überwiegend einmalverzinsliche Obligation*).

If the Bonds classify as Bonds with a "predominant one-time interest payment", then Swiss resident individuals holding Bonds for private investment purposes are required to include in their personal income tax return for the relevant tax period any amount equal to the difference between the bond floor at sale and the bond floor at issuance or secondary market purchase, as applicable, and will be taxable on any net taxable income (including such amounts) for the relevant tax period.

Foreign residents who hold Bonds through a permanent establishment or a fixed place of business in Switzerland and Swiss residents who hold Bonds as business assets (including individuals, who for income tax purposes, are classified as professional securities dealers (*gewerbsmässige Wertschriftenhändler*)) will be subject to Swiss federal income tax on any income from the Bonds upon sale reflected in their income statement for the respective tax period.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/municipal income taxes.

Capital Gains upon Conversion of the Bonds

Swiss resident individuals holding Bonds for private investment purposes may, depending on the interest rate and the rating of the Bonds, be subject to Swiss federal income tax in respect of the positive difference between the bond floor at the time of conversion and the initial bond floor or the bond floor at the time of secondary market purchase of the Bonds, as the case may be. Foreign residents who hold Bonds through a permanent establishment or a fixed place of business in Switzerland and Swiss residents who hold Bonds as business assets (including individuals, who for income tax purposes, are classified as professional securities dealers (*gewerbsmässige Wertschriftenhändler*)) will be subject to Swiss federal income tax on any income from the Bonds upon sale reflected in their income statement for the respective tax period.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/municipal income taxes.

Taxes in relation to the Shares

Swiss Withholding Tax

Under present Swiss law, any dividends paid and similar cash or distributions in kind made on the Shares (including distributions of liquidation proceeds in excess of (i) the nominal value and (ii) the capital contribution reserves (*Reserven aus Kapitaleinlage*) of the Shares, and bonus shares) will be subject to withholding tax currently at a rate of 35% and the Issuer will be required to withhold tax at such a rate from any distribution made to a shareholder.

Furthermore, in case of a repurchase of own Shares by the Sika Group, the portion of the repurchase price which exceeds (i) the nominal value and (ii) the capital contribution reserves of the Shares may, in some cases (in particular, if the Shares are redeemed for subsequent cancellation), be characterized as taxable liquidation dividend which is subject to the withholding tax if certain conditions are met.

Following the capital contribution principle (*Kapitaleinlageprinzip*) according to article 5(1bis) of the Swiss federal withholding tax act, and provided certain conditions are met, the repayment of the total consideration (i.e., nominal value and capital contribution reserves, less cost received by the Sika Group at conversion of the Shares (or any shares issued thereafter) will not be subject to withholding tax. Any repayment of other contributions for which the capital contributions principle is applicable is not subject to withholding tax as well.

Swiss resident recipients

Swiss resident individuals or legal entities incorporated in Switzerland are generally entitled to a full refund of withholding tax if they, in each case, among other things, are the beneficial owner of the Shares at the time the distribution is due and duly report the gross distribution received on their personal income tax return or, in case of a legal entity, include the taxable profit in their income statement, for the relevant tax period.

Non-Swiss resident recipients

The recipient of a taxable distribution from the Issuer who is an individual or a legal entity not resident in Switzerland for tax purposes may be entitled to a full or partial refund of withholding tax if the country in which such recipient resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and if the further prerequisites of such a double taxation treaty are met. Shareholders not resident in Switzerland should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) may differ from country to country. Shareholders not resident in Switzerland should consult their own legal, financial or tax advisors regarding receipt, ownership, purchase, sale or other dispositions of Shares and the procedures for claiming a refund of withholding tax.

Swiss Income Tax

A holder of Shares who is not a resident of Switzerland and who during the respective taxation year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland for tax purposes and who is not subject to taxation for any other reason will be exempt from any Swiss income tax in respect of dividends received as well as capital gains realized on disposal of the Shares.

For Swiss resident shareholders and foreign resident shareholders who hold Shares through a permanent establishment or a fixed place of business in Switzerland the tax consequences are as follows:

Dividend Payments and Repayments of Nominal Value and Capital Contribution Reserves

Swiss resident shareholders and foreign resident shareholders who hold Shares through a permanent establishment or a fixed place of business in Switzerland will be generally subject to Swiss federal income tax on dividend payments received in respect of the Shares. Corporations and cooperative societies or individuals holding at least 10% of the shares may under certain conditions apply for participation relief.

Any repayment of (i) the nominal value and (ii) the capital contribution reserves (*Reserven aus Kapitaleinlage*) of the Shares is tax exempt, if the Shares are held by Swiss resident shareholders as private assets.

The above rules regarding the Swiss federal income tax normally also apply to Swiss cantonal/municipal income taxes.

Capital Gains realized upon Disposal of Shares

Swiss resident individuals who are holding Shares for private investment purposes will be generally exempt from Swiss federal income tax on gains realized through a disposal of Shares. However, income tax consequences may result for private investors considered as professional securities dealers (*gewerbsmässige Wertschriftenhändler*). Furthermore, in case of a repurchase of own Shares by the Sika Group, the portion of the repurchase price which exceeds (i) the nominal value and (ii) the capital contribution reserves of the Shares may, in some cases (in particular, if the Shares are redeemed for subsequent cancellation), be characterized as taxable liquidation dividend income if certain conditions are met.

Foreign resident shareholders who hold Shares through a permanent establishment or a fixed place of business in Switzerland and Swiss resident shareholders who hold Shares as business assets will generally be subject to Swiss federal income tax on any capital gains realized in respect of the Shares. Corporations and cooperative societies participating to at least 10% in the shares may under certain conditions apply for participation relief.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/municipal income taxes.

Stamp Taxes

The transfer of Bonds or Shares (secondary market) may be subject to Swiss transfer stamp duty (*Umsatzabgabe*) at the current rate of up to 0.15 % if such transfer or sale is made by or through the intermediary of a securities dealer resident in Switzerland or Liechtenstein, as defined in the Swiss Stamp Tax Act, and if no exception applies. In addition, the sale of Bonds or Shares by or through a member of the SIX Swiss Exchange may be subject to a stock exchange levy.

The delivery of Shares upon conversion to the Bondholders may either be subject to Swiss issuance stamp duty (*Emissionsabgabe*) (in the case of newly issued Shares out of conditional capital) or Swiss transfer stamp duty (*Umsatzabgabe*) (in the case of existing Shares). The Swiss issuance stamp duty payable upon the issuance of new Shares will amount, at the current rate, to 1 % of the applicable Conversion Price net of certain deductions and will be borne by the Issuer. Provided that no exemption applies, the Swiss transfer stamp duty will amount to 0.15 % and will be borne by the Issuer.

Automatic Exchange of Information

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement (the "**MCAA**"). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the "**AEOI**"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "**AEOI Act**") entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Based on such multilateral or bilateral agreements and the implementing laws of Switzerland, Switzerland has begun to collect data in respect of financial assets, including, as the case may be, bonds, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state.

Swiss Facilitation of the Implementation of the U.S. Foreign Account Tax Compliance Act

Switzerland has concluded an intergovernmental agreement with the U.S. to facilitate the implementation of FATCA (as defined below). The agreement ensures that the accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the U.S. and Switzerland. On October 8, 2014, the Swiss Federal Council approved a mandate for negotiations with the U.S. on changing the current direct-notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the U.S. tax authorities.

Payments on or with respect to the Bonds may be subject to U.S. withholding under FATCA

Under sections 1471 through 1474 of the U.S. Internal Revenue Code, agreements with the U.S. Internal Revenue Service relating thereto, or intergovernmental agreements or local laws relating to any of the foregoing (collectively referred to as "**FATCA**"), the Issuer, the Paying and Conversion Agent, an intermediary or a payor may, under certain circumstances, be required to withhold at a rate of up to 30 % on payments (including, after December 31, 2018, principal or proceeds of sales) made to Bondholders, payees or intermediary financial institutions unless such Bondholders, payees or intermediary financial institutions are FATCA compliant or exempt. However, withholding under FATCA should not apply to the extent that the Issuer is not considered a "financial institution" for purposes of FATCA.

The Issuer expects that it will not be treated as a financial institution for purposes of FATCA. Accordingly, payments with respect to the Bonds generally should not be subject to FATCA withholding. Nevertheless, if the Issuer were to be treated as a financial institution, it is possible that payments made after December 31, 2018 on Bonds issued more than six months after final regulations are published that define "foreign passthru payments" for purposes of FATCA would be subject to FATCA withholding in respect of the portion of any such payments as are considered to be "foreign passthru payments" under such final regulations.

Prospective investors should consult their tax advisers on how these rules may apply to the issuer and to payments they may receive in connection with the Bonds. No additional amounts will be paid in respect of any U.S. tax withheld or deducted under or in respect of FATCA. Prospective investors are encouraged to consult with their own tax advisers regarding the possible implications of this legislation on their investment in the Bonds.

INDEX TO FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2016	12/31/2017
Cash and cash equivalents	1, 26	1,155.0	1,037.9
Accounts receivable	2, 26	1,043.1	1,188.1
Inventories	3	600.8	729.5
Prepaid expenses and accrued income		89.0	116.2
Other current assets	4, 26	9.1	12.7
Current assets		**2,897.0**	**3,084.4**
Property, plant, and equipment	5	959.2	1,065.2
Intangible assets	6	1,021.2	1,314.2
Investments in associated companies	7	6.3	6.2
Deferred tax assets	8	159.7	228.1
Other non-current assets	4, 26	55.8	94.1
Non-current assets		**2,202.2**	**2,707.8**
ASSETS		**5,099.2**	**5,792.2**
Accounts payable	9, 26	587.0	730.9
Accrued expenses and deferred income	10	223.9	253.4
Bond	12, 13, 26	0.0	150.0
Income tax liabilities		92.0	147.0
Current provisions	14	20.8	20.0
Other current liabilities	11, 13, 26	44.3	48.7
Current liabilities		**968.0**	**1,350.0**
Bonds	12, 13, 26	698.7	549.0
Non-current provisions	14	57.5	56.4
Deferred tax liabilities	8	110.2	129.3
Employee benefit obligations	15	274.6	260.0
Other non-current liabilities	11, 13, 26	42.5	36.4
Non-current liabilities		**1,183.5**	**1,031.1**
LIABILITIES		**2,151.5**	**2,381.1**
Capital stock		1.5	1.5
Treasury shares		-11.0	-6.6
Reserves		2,933.8	3,389.8
Equity attributable to Sika shareholders		**2,924.3**	**3,384.7**
Non-controlling interests		23.4	26.4
SHAREHOLDERS' EQUITY	16	**2,947.7**	**3,411.1**
LIABILITIES AND SHAREHOLDERS' EQUITY		**5,099.2**	**5,792.2**

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	%	2016	%	2017	Change in %
Net sales	17, 29	**100.0**	**5,747.7**	**100.0**	**6,248.3**	**8.7**
Material expenses	18	-44.7	-2,566.6	-45.6	-2,849.2	
Gross result		**55.3**	**3,181.1**	**54.4**	**3,399.1**	**6.9**
Personnel expenses	19	-20.1	-1,159.1	-19.4	-1,212.1	
Other operating expenses	20	-18.4	-1,056.3	-17.9	-1,118.5	
Operating profit before depreciation		**16.8**	**965.7**	**17.1**	**1,068.5**	**10.6**
Depreciation and amortization expenses	5, 6, 21	-3.0	-170.4	-2.8	-172.2	
Operating profit	29	**13.8**	**795.3**	**14.3**	**896.3**	**12.7**
Interest income	23	0.0	2.6	0.0	1.9	
Interest expenses	22	-0.3	-20.4	-0.3	-18.3	
Other financial income	23	0.1	5.2	0.2	5.9	
Other financial expenses	22	-0.5	-27.4	-0.4	-24.0	
Income from associated companies	23	0.0	0.5	0.0	0.3	
Profit before taxes		**13.1**	**755.8**	**13.8**	**862.1**	**14.1**
Income taxes	8	-3.2	-189.2	-3.4	-213.1	
Net profit		**9.9**	**566.6**	**10.4**	**649.0**	**14.5**
Profit attributable to Sika shareholders		9.8	563.1	10.3	643.5	
Profit attributable to non-controlling interests	24	0.1	3.5	0.1	5.5	
Undiluted/diluted earnings per bearer share (in CHF)	25		221.81		253.52	14.3
Undiluted/diluted earnings per registered share (in CHF)	25		36.97		42.25	14.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF mn	Notes	%	2016	%	2017	Change in %
Net profit		**9.9**	**566.6**	**10.4**	**649.0**	**14.5**
Actuarial gains (+)/losses (-) on employee benefit obligations	15	0.7	44.4	1.0	63.9	
Income tax effect	8	-0.1	-6.4	-0.2	-11.6	
Items that will not be reclassified to profit or loss		**0.6**	**38.0**	**0.8**	**52.3**	
Exchange differences taken to equity		0.0	0.1	0.1	5.8	
Items that may be reclassified subsequently to profit or loss		**0.0**	**0.1**	**0.1**	**5.8**	
Other comprehensive income		**0.6**	**38.1**	**0.9**	**58.1**	
Comprehensive income		**10.5**	**604.7**	**11.3**	**707.1**	**16.9**
Attributable to Sika shareholders		10.4	600.7	11.2	702.1	
Attributable to non-controlling interests		0.1	4.0	0.1	5.0	

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, 2016	**1.5**	**203.1**	**-0.9**	**-543.3**	**2,870.4**	**2,530.8**	**21.3**	**2,552.1**
Net profit					563.1	563.1	3.5	566.6
Other comprehensive income				-0.4	38.0	37.6	0.5	38.1
Comprehensive income	**0.0**	**0.0**	**0.0**	**-0.4**	**601.1**	**600.7**	**4.0**	**604.7**
Transactions with treasury shares [1]			-10.1		-8.6	-18.7		-18.7
Share-based payments					7.7	7.7		7.7
Dividends [2]					-198.0	-198.0	-1.9	-199.9
Inflation adjustment [4]					1.8	1.8		1.8
December 31, 2016	**1.5**	**203.1**	**-11.0**	**-543.7**	**3,274.4**	**2,924.3**	**23.4**	**2,947.7**
January 1, 2017	**1.5**	**203.1**	**-11.0**	**-543.7**	**3,274.4**	**2,924.3**	**23.4**	**2,947.7**
Net profit					643.5	643.5	5.5	649.0
Other comprehensive income				6.3	52.3	58.6	-0.5	58.1
Comprehensive income	**0.0**	**0.0**	**0.0**	**6.3**	**695.8**	**702.1**	**5.0**	**707.1**
Transactions with treasury shares [1]			4.4		-8.7	-4.3		-4.3
Share-based payments					5.4	5.4		5.4
Dividends [3]					-243.7	-243.7	-2.0	-245.7
Inflation adjustment [4]					0.9	0.9		0.9
December 31, 2017	**1.5**	**203.1**	**-6.6**	**-537.4**	**3,724.1**	**3,384.7**	**26.4**	**3,411.1**

1 Including income tax of CHF 0.4 million (CHF 0.1 million) in retained earnings.
2 Dividend per bearer share: CHF 78.00, dividend per registered share: CHF 13.00.
3 Dividend per bearer share: CHF 96.00, dividend per registered share: CHF 16.00.
4 Hyperinflation accounting has been applied since January 1, 2010, and concerns the subsidiary in Venezuela.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF mn	Notes	2016	2017
Operating activities			
Profit before taxes		755.8	862.1
Depreciation and amortization expenses	5, 6, 21	170.4	172.2
Increase (+)/decrease (-) in provisions/ employee benefit obligations and assets		12.3	-9.6
Increase (-)/decrease (+) in net working capital [1]		-29.5	-86.5
Non-liquidity-related other financial expenses (+)/income (-) as well as cash flow from hedging transactions [1]		26.4	-38.2
Other adjustments [1]	28	0.7	5.9
Income taxes paid		-200.4	-254.0
Cash flow from operating activities		**735.7**	**651.9**
Investing activities			
Property, plant, and equipment: capital expenditures	5	-149.5	-158.5
Property, plant, and equipment: disposals		5.5	8.3
Intangible assets: capital expenditures	6	-5.4	-4.9
Intangible assets: disposals		0.2	0.0
Acquisitions less cash and cash equivalents		-23.6	-320.4
Acquisitions (-)/disposals (+) of financial assets		0.1	-2.7
Cash flow from investing activities		**-172.7**	**-478.2**
Financing activities			
Increase in financial liabilities	13	13.0	17.0
Repayment of financial liabilities	13	-3.8	-55.4
Repayment of a bond	12	-250.0	0.0
Purchase of treasury shares		-56.7	-31.4
Sale of treasury shares		24.1	26.3
Dividend payment to shareholders of Sika AG		-198.0	-243.7
Dividends related to non-controlling interests		-1.9	-2.0
Cash flow from financing activities		**-473.3**	**-289.2**
Exchange differences on cash and cash equivalents		**-9.1**	**-1.6**
Net change in cash and cash equivalents		**80.6**	**-117.1**
Cash and cash equivalents at the beginning of the year	1	1,074.4	1,155.0
Cash and cash equivalents at the end of the year	1	1,155.0	1,037.9
Cash flow from operating activities contains:			
Dividends from associated companies		0.6	0.5
Interest received		2.6	1.8
Interest paid		-20.4	-14.4

1 Prior year restated due to the reclassification and separate disclosure of non-liquidity related other financial expenses/income as well as cash flows from hedging transactions.

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

CORPORATE INFORMATION

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

ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements of the Sika Group 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, 2017, were taken into account. The financial statements have been prepared according to the going-concern principle. The Consolidated Financial Statements have been prepared under the historical cost principle with the exception of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed on page 97 of the download version of this report.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting standards applied conform to those standards that were valid in the prior year. Exceptions are the following revised and new standards, which Sika applies since January 1, 2017. The application of these standards does not have any material impact on the Consolidated Financial Statements of the Group.

- Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses
- Amendments to IAS 7 – Cash flow statement disclosure initiative (see note 13 "Reconciliation of financial liabilities")
- Annual improvements (2014 – 2016 Cycle) – Collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology

A number of new standards and amendments to standards and interpretations are effective for the financial year 2018 and later, and have not been applied in preparing these Consolidated Financial Statements. If they had been applied in 2017 they would have had no significant effect on the Consolidated Financial Statements of the Group, except for IFRS 16:

- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions (effective as of January 1, 2018)
- Amendments to IFRS 7, IFRS 9 and IAS 39 – Hedge accounting (applicable as of January 1, 2018)
- IFRS 9 – Financial instruments (applicable as of January 1, 2018)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (applicable as of January 1, 2018)
- IFRIC 23 – Uncertainty over Income Tax Treatments (applicable as of January 1, 2019)
- IFRS 15 – Revenue from contracts with customers (applicable as of January 1, 2018):
  Entities need to apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Based on an detailed analysis there is no material effect on the Consolidated Financial Statements of the Group, only certain additional disclosures will be required. Sika's customer contracts primarily include the delivery of goods with no separate performance obligations.
- IFRS 16 – Leases (applicable as of January 1, 2019):
  The new leases standard will substantially change the financial statements. The differentiation between finance and operating lease arrangements which was required until now under IAS 17 is dropped in future for the lessee. The standard provides a single lessee accounting model, requiring lessees to recognize liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. In addition, a right to use the underlying asset needs to be recognized. The current operating lease commitments (see note 5) provide an indication of the impact of the implementation of IFRS 16 on the Group's consolidated balance sheet. In the income statement a shift from other operating expenses towards depreciation expenses will be caused. The leasing and rent payments will be replaced by the deprecation expenses of the recognized underlying assets. Operating profit will be released from the interest rate component on the leasing liability and charged to interest expenses.

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, 2017, prepared in accordance with uniform standards.

SUBSIDIARIES
Companies which are 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%, provided that 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".

OTHER NON-CONTROLLING INTERESTS
Other non-controlling interests are carried at fair value.

INTRA-GROUP TRANSACTIONS
Transactions within the Group are eliminated as follows:
- Intra-Group receivables and liabilities are eliminated in full.
- Intra-Group income and expenses and the unrealized profit margin from intragroup transactions are eliminated in full.

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

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of 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 at a later date.

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 acquisition of control or up to the effective date of loss of control.

SEGMENT REPORTING
Sika carries out its worldwide activities according to regions. Heads of regions are members of Group Management. Group Management is the highest operating executive body measuring the profit and loss of segments and allocating resources.

SIGNIFICANT ACCOUNTING ESTIMATES

The key assumptions concerning the future, as well as details of other key sources of estimation uncertainty on the balance sheet date, that entail a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

IMPAIRMENT OF GOODWILL

The Group tests for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units or groups of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates such as expected future cash flows and discount rates. The carrying value of goodwill as of December 31, 2017, was CHF 889.3 million (CHF 678.7 million). Further details are presented in note 6.

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 WITH INDEFINITE USEFUL LIVES

Trademarks with indefinite useful lives are tested annually for impairment. The impairment test is performed on the cash-generating unit or group of cash-generating units to which the trademark is allocated. This group can comprise several operating segments. The calculations of the recoverable amount require the use of estimates such as expected future cash flows and discount rates. The carrying value of trademarks with indefinite useful lives as of December 31, 2017, was CHF 72.4 million (CHF 72.4 million). Further details are presented in note 6.

CUSTOMER RELATIONS

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, as well as historic empirical data concerning customer loyalty. 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 carry forward 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 analysis 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 live 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.

VALUATION PRINCIPLES

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 financial statements of the foreign subsidiaries are translated into Swiss francs as follows:
– Balance sheet at year-end rates
– Income statements at annual average rates

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

The rates listed below were applied:

Country	Currency	Quantity	2016 Balance sheet[1] CHF	2016 Income statement[2] CHF	2017 Balance sheet[1] CHF	2017 Income statement[2] CHF
Egypt	EGP	100	5.59	10.05	5.49	5.52
Argentina	ARS	100	6.41	6.68	5.10	5.95
Australia	AUD	1	0.74	0.73	0.76	0.75
Brazil	BRL	100	31.30	28.19	29.45	30.87
Chile	CLP	10,000	15.23	14.55	15.87	15.16
China	CNY	100	14.67	14.83	14.99	14.56
Euro zone	EUR	1	1.07	1.09	1.17	1.11
Great Britain	GBP	1	1.24	1.33	1.32	1.27
India	INR	100	1.50	1.47	1.53	1.51
Indonesia	IDR	100,000	7.58	7.40	7.21	7.36
Japan	JPY	100	0.87	0.91	0.87	0.88
Canada	CAD	1	0.76	0.74	0.78	0.76
Colombia	COP	10,000	3.39	3.23	3.27	3.33
Mexico	MXN	100	4.93	5.28	4.95	5.21
Poland	PLN	100	24.35	25.00	28.02	26.05
Russia	RUB	1,000	16.70	14.66	16.86	16.86
Sweden	SEK	100	11.24	11.52	11.89	11.52
Thailand	THB	100	2.85	2.79	2.99	2.90
Turkey	TRY	100	28.97	32.70	25.74	27.00
USA	USD	1	1.02	0.98	0.98	0.98
Vietnam	VND	100,000	4.48	4.40	4.30	4.33

1 Year-end rates.
2 Annual average rates.

CONSOLIDATED BALANCE SHEET

CASH AND CASH EQUIVALENTS
This position includes cash and cash equivalents with a maturity of less than three months.

RECEIVABLES
Accounts receivable are recorded following the deduction of an allowance for doubtful debts necessary for business purposes. A specific provision for impairment is carried out on accounts receivable balances for which payment is considered at risk.

INVENTORIES
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.

PREPAID EXPENSES AND ACCRUED INCOME
This item includes prepaid expenses and accrued income unrelated to accounts receivable.

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

DEPRECIATION SCHEDULE

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

INTANGIBLE ASSETS

Internally generated patents, trademarks, and other rights are not capitalized. Research and development expenditures for new products are recognized in the income statement, since these do not fulfill the recognition criteria. Acquired intangible assets are usually 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 through use within the Group and that its cost can be reliably measured. Conditions for capitalization are the technical feasibility of the asset and the intention and ability to complete its development, as well as the availability of adequate resources. Sika has created an SAP platform with standard processes that a number of companies have been using since 2010. The further rollout will take several years to complete. The capitalized costs are transferred to the companies in the year of first use.

AMORTIZATION SCHEDULE

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

1 Software is usually written off over three years with the exception of the SAP platform. For details see note 6.

Acquired trademarks are amortized insofar as a useful life can be determined. Otherwise trademarks are not amortized. The indefinite useful life assessment is reviewed annually.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

LEASING

Fixed assets acquired under finance leasing contracts and therefore owned by the Group in respect to risks and rewards of ownership, are classified as finance leases. Such assets are carried at the fair value of the lease property or, if lower, present value of the minimum lease payments and are reported as non-current assets and financial liabilities. Assets classified as finance leasing are depreciated over their estimated useful life or any shorter term of the lease. Unrealized earnings from sale and leaseback transactions that fall under the definition of finance leasing are shown as a liability and are realized over the lease term. Payments for operating leases are recorded as operating expenses and are charged accordingly to the income statement.

DEFERRED TAXES (ASSETS/LIABILITIES)

Deferred taxes are calculated using the liability method. According to this method the effects on income taxes resulting from temporary differences between Group-internal and taxable balance sheet values are recorded as deferred tax assets or deferred tax liabilities, respectively. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recognized or the liability is settled based on the rates (and tax laws) that have been substantively enacted. Changes in deferred taxes are reflected in the income tax expense, the statement of comprehensive income, or directly in equity. Deferred income tax liabilities are provided for taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets including those that can be applied to carried forward tax losses are recognized to the extent that their realization is probable. Deferred tax liabilities are recognized for all taxable temporary differences insofar as the accounting regulations foresee no exception.

LIABILITIES

Current liabilities consist of liabilities with maturities of less than twelve months. Income tax liabilities include taxes due and accrued. Non-current liabilities include loans and provisions with a term of more than one year.

PROVISIONS

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 (see note 27) are not recognized in the balance sheet but only for acquisitions. Potential losses due to future incidents are not recognized in the balance sheet.

EMPLOYEE BENEFIT OBLIGATIONS

The Group maintains various employee benefit plans that differ in accordance with local practices. Group contributions to defined contribution plans are recognized in the income statement. Defined benefit plans are administered either through self-governed pension funds (funded) or recognized directly in the balance sheet (unfunded). The amount of the liabilities resulting from defined benefit plans is regularly determined by independent experts under application of the projected unit credit method. Actuarial gains and losses are recognized directly in the statement of other comprehensive income and are not reclassified subsequently to profit and loss. Asset surpluses of employee pension funds are considered under application of IFRIC 14 only to the extent of possible future reimbursement or reduction of contributions.

CAPITAL STOCK

The capital stock is equal to the par value of all issued bearer and registered shares.

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.

HYPERINFLATION

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

RETAINED EARNINGS

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

FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are classified into the following categories:

- Financial assets and financial liabilities held for trading as well as designated by the Group and derivatives, “at fair value through profit and loss”: these are initially recognized at fair value. Gains and losses arising from changes in the fair value are presented in the financial result. The designation as at fair value through profit and loss is consistent with the entity’s risk management and investment strategy.
- Loans and receivables: this category includes loans granted and credit balances. The valuation occurs at nominal value insofar as repayment within one year is foreseen. Otherwise they are classified as assets carried at amortized cost using the effective interest method.
- All other financial assets are classified as available-for-sale. The assets are carried at fair value and gains and losses arising from changes in the fair value are presented in other comprehensive income. Upon sale, permanent depreciation in value or other divestiture, the cumulative gains and losses that had been recognized in other comprehensive income are reclassified from equity to the income statement.
- Non-current financial liabilities are carried at amortized cost. Once they have been settled, financial liabilities are derecognized.

All purchases and sales of financial assets and liabilities are recognized on the settlement date. Financial assets are derecognized when Sika loses the rights to receive cash flows from the investment. Normally this occurs through the sale of assets or the repayment of granted loans or accounts receivable. The financial liabilities include financing debts that are carried at amortized cost using the effective interest method.

On each balance sheet date the Group assesses whether a financial asset is impaired. If objective evidence exists that an impairment of financial assets carried at amortized cost has occurred, then the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. If in the case of accounts receivable there is objective evidence that not all amounts due will be rendered according to the originally agreed invoicing conditions (for example when there is a high probability of insolvency or significant financial difficulties at a debtor), an impairment is recognized through use of an allowance account. The derecognition of receivables occurs when they are assessed as uncollectible. If an available-for-sale asset is impaired in its value, the cumulative loss – measured as the difference between the acquisition cost and the current fair value – is removed from equity and recognized in the income statement.

INCOME STATEMENT

NET SALES

Proceeds from the sale of goods and services are only reported in the income statement if risks and rewards of ownership have been substantially transferred to the purchaser, revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. Net sales include all revenues from the sale of goods and services less discounts granted.

CONSTRUCTION CONTRACTS

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

PERSONNEL EXPENSES

Personnel expenses include all payments to persons operating in an employment relationship with Sika. This item also encompasses such expenditures as pension fund contributions, health insurance contributions, and taxes and levies directly associated with personnel compensation.

EMPLOYEE PARTICIPATION PLAN – SHARE-BASED PAYMENTS

The Group operates a number of share-based compensation plans. The total amount to be recognized in profit and loss is determined by reference to the fair value at grant date of the equity instrument. The expenses are recognized in personnel expenses over the vesting period.

RESEARCH AND DEVELOPMENT

Research expenses are recognized in the income statement. Development expenses are not capitalized if the recognition criteria have not been met.

DEPRECIATION AND AMORTIZATION EXPENSES

Property, plant, and equipment are depreciated using the straight-line method based on the expected useful life of the asset. Intangible assets are ususally amortized using the straight-line method.

INTEREST EXPENSE/OTHER FINANCIAL EXPENSES

In general, all interests and other expenses paid for the procurement of loans are recognized in the income statement. Any borrowing costs accrued in the course of development projects, e.g. the construction of new production facilities or software development, are capitalized together with the assets created.

INTEREST INCOME/OTHER FINANCIAL INCOME

Interest income is recognized pro rata temporis using the effective interest method. Dividend income is recognized when the right to receive payment is established.

INCOME TAXES

Income tax expenses include income taxes based on current taxable income and deferred taxes.

SCOPE OF CONSOLIDATION AND ACQUISITIONS

The Consolidated Financial Statements of the Sika Group comprise the financial statements of Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland, as well as its subsidiaries (see list starting on page 135 et seq. of the download version of this report) and associated companies (see note 7). In the year under review the scope of consolidation was expanded to include the newly acquired companies (see the next pages) and the following companies:

- Sika El Salvador S.A. de C.V., Antiguo Cuscatlán, El Salvador
- Sika Sénégal SARLU, Dakar, Senegal
- Sikalkoat de México, S.A. de C.V., Corregidora, Mexico
- Sika Bangladesh Limited, Dhaka, Bangladesh

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

- Schönox GmbH, Rosendahl, Germany, was merged with Sika Deutschland GmbH, Stuttgart, Germany.
- FRC Fiber, Limited Company, Tuscaloosa, USA, was merged with Sika Corporation, Lyndhurst, USA.
- Sika Automotive Ltda., São Paulo, Brazil, was merged with Sika SA, Osasco, Brazil.

ACQUISITIONS 2016

In 2016, Sika acquired various companies or parts of companies. The purchase prices and their allocation (PPA) did not change and are now final.

ACQUIRED NET ASSETS AT FAIR VALUES

in CHF mn	Acquisitions 2016[1]
Cash and cash equivalents	3.6
Accounts receivable	4.3
Inventories	3.3
Other current assets	0.5
Property, plant, and equipment	4.7
Intangible assets	12.0
Total assets	**28.4**
Current bank loans	0.2
Accounts payable	2.0
Other current liabilities	2.0
Provisions	0.2
Deferred tax liabilities	2.2
Other non-current liabilities	0.4
Total liabilities	**7.0**
Acquired net assets	**21.4**
Goodwill	23.7
Total purchase price	**45.1**
Cash in acquired assets	-3.6
Use of Sika bearer shares	-14.0
Payments still due (per December 31, 2016)	-3.9
Net cash outflow	**23.6**

1 L.M. Scofield, FRC Industries, Ronacrete (Far East) Ltd.; individually not material.

Since the purchase, the acquisitions have contributed sales of CHF 15.9 million and net profit of CHF 0.5 million in 2016. If the acquisitions had taken place on the first day of the accounting period, their additional contribution to consolidated net sales would have been CHF 21.1 million. Consolidated net profit would have been CHF 1.3 million higher.

The directly attributable transaction costs of all acquisitions amounted to CHF 0.5 million and were charged to other operating expenses.

ACQUISITIONS 2017

In 2017, Sika acquired various companies.

Company	Type of transaction	Stake in %	Closing date
Rmax Operating LLC, USA	Share deal	100.0	1/31/2017
Bitbau Dörr GmbH, Austria	Share deal	100.0	2/21/2017
ABC Sealants, Turkey	Share deal	100.0	8/23/2017
KVK Holding a.s., Czech Republic	Share deal	100.0	10/5/2017
Butterfield Color Inc., USA	Share deal	100.0	10/31/2017
Grupo Industrial Alce, Mexico	Asset deal		12/15/2017
Emseal Joint Systems, Ltd., USA	Share deal	100.0	12/19/2017

RMAX OPERATING LLC
On January 31, 2017, Sika acquired Rmax Operating LLC, an US-based market leader in the production of insulation products for complete building envelope solutions (roofing and wall systems). The acquisition brings technology and know-how that will accelerate Sika's growth in the North American market.

Since the purchase, Rmax has contributed sales of CHF 66.6 million and net profit of CHF 5.7 million. If the acquisition had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 5.4 million. Consolidated net profit would have been CHF 0.8 million higher. Accounts receivable of Rmax had a gross value of CHF 8.2 million and were adjusted since CHF 0.5 million were classified as non-recoverable.

KVK HOLDING A.S.
In October, Sika further acquired KVK Holding headquartered in Prague, Czech Republic. KVK is a leading manufacturer of waterproofing and roofing systems and produces a wide range of mortar products. With the strategically located facilities Sika will strengthen its production platform and expand its geographical footprint in the Czech market. Furthermore, KVK's strong relationships with major builders' merchants will allow Sika to significantly enhance its presence in the Czech market.

Since the purchase, KVK has contributed sales of CHF 11.9 million and net loss of CHF 1.2 million. If the acquisition had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 38.0 million. Consolidated net profit would have been CHF 3.2 million higher. Accounts receivable of KVK had a gross value of CHF 10.1 million and were adjusted since CHF 0.1 million were classified as non-recoverable.

EMSEAL JOINT SYSTEMS, LTD.
On December 19, 2017, Sika acquired Emseal Joint Systems, Ltd., an US-based market leader in the development and manufacturing of structural expansion joint products for new construction and refurbishment. The acquisition perfectly complements Sika's range of sealing and bonding products and offers extensive cross-selling opportunities for other Sika technologies. With manufacturing in Westborough, Massachusetts, and Toronto, Canada, Emseal is well-positioned geographically to supply the North American market.

As the acquisition was completed shortly before the end of the year, Emseal has not yet contributed any share of sales. Due to the tax rate reduction in the USA, however, there has been a profit since the purchase of CHF 5.0 million. If the acquisition had taken place on the first day of the business year, its additional contribution to consolidated net sales would have been CHF 39.7 million. Consolidated net profit would have been CHF 4.1 million higher. Accounts receivable of Emseal had a gross value of CHF 3.9 million and none were classified as non-recoverable.

OTHER ACQUISITIONS

In February, Sika further acquired Bitbau Dörr GmbH, a leading waterproofing system manufacturer, headquartered in Innsbruck, Austria. The acquisition of Bitbau Dörr will enable Sika to expand its product portfolio. The product portfolio includes complete waterproofing systems for roofs, buildings, and civil engineering applications.

In August, Sika acquired ABC Sealants, a leading manufacturer of sealants and adhesives, headquartered in Istanbul, Turkey. The acquisition will strengthen Sika's market position in Turkey and further establish Sika as a comprehensive supplier of solutions for interior finishing applications.

On October 31, Sika further acquired Butterfield Color, Inc., a US-based market leader in the production of decorative concrete floor products and systems. The products range from colors and sealers to innovative tools for stamping and texturing. Acquiring Butterfield now adds an unmatched contractor presence and, establishes Sika as the clear market leader in this fast-growing market.

In addition, Sika acquired certain assets of Grupo Industrial Alce, Mexico, in mid-December to expand its own portfolio of waterproofing systems for roofs and buildings and to further expand its manufacturing footprint in Mexico. The product offerings will allow Sika to become market leader in bituminous membranes and number two in liquid-applied membranes.

The other acquisitions have contributed sales of CHF 58.8 million and a net profit of CHF 1.9 million. If the acquisitions had taken place on the first day of the accounting period, their additional contribution to net sales would have been CHF 42.8 million. Consolidated net profit would have been 3.5 million higher.

Accounts receivable have a gross value of CHF 11.2 million and were adjusted since CHF 1.4 million were classified as non-recoverable.

ACQUIRED NET ASSETS AT FAIR VALUE

in CHF mn	Rmax	KVK	Emseal	Other acquisitions[1]
Cash and cash equivalents	0.0	0.9	0.3	5.2
Accounts receivable	7.7	10.0	3.9	9.8
Inventories	5.6	8.6	2.4	12.2
Other current assets	0.7	1.9	0.7	0.8
Property, plant, and equipment	5.1	22.1	1.9	11.2
Intangible assets	45.9	12.6	38.4	23.4
Total assets	**65.0**	**56.1**	**47.6**	**62.6**
Short-term loans and bank overdrafts	1.2	6.9	0.0	4.2
Accounts payable	3.0	5.2	2.2	6.8
Other current liabilities	1.1	3.2	1.5	2.5
Long-term loans and financial liabilities	0.0	20.0	9.4	0.5
Provisions	0.9	1.2	0.5	0.0
Employee benefit liabilities	0.0	0.3	0.0	1.9
Deferred tax liabilities	0.1	4.0	13.8	1.8
Other non-current liabilities	0.1	0.0	0.0	0.0
Total liabilities	**6.4**	**40.8**	**27.4**	**17.7**
Acquired net assets	**58.6**	**15.3**	**20.2**	**44.9**
Goodwill	53.1	25.0	66.1	44.9
Total purchase consideration	**111.7**	**40.3**	**86.3**	**89.8**
Cash in acquired assets	0.0	-0.9	-0.3	-5.2
Payments still due (per December 31, 2017)	0.0	0.0	0.0	-1.3
Net cash outflow	**111.7**	**39.4**	**86.0**	**83.3**

1 Bitbau Dörr, ABC Sealants, Butterfield, and Grupo Industrial Alce; individually not material.

The purchase price of the other acquisitions include performance-related contingent considerations for which a market value of CHF 1.3 million was estimated.

Since the purchase prices and the purchase price allocations for all acquisitions still entail some uncertainty, all positions with the exception of “Cash and cash equivalents” are provisional. Product synergies and combined distribution channels and product portfolios justify the goodwill recognized. Goodwill in the amount of CHF 82.0 million is tax-deductible.

The directly attributable transaction costs of all acquisitions amounted to CHF 3.9 million and were charged to other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CASH AND CASH EQUIVALENTS CHF 1,037.9 MN (CHF 1,155.0 MN)
The cash management of the Group includes cash pooling, in which cash and cash equivalents available within the Group are pooled. The item "Cash and cash equivalents" includes cash and cash equivalents with a maturity of less than three months, bearing interest at a respectively valid rate.

2. ACCOUNTS RECEIVABLE CHF 1,188.1 MN (CHF 1,043.1 MN)
The following tables show accounts receivable, the development of the allowance for doubtful debts as well as the portion of not overdue and overdue receivables including their age structure. Accounts receivable are non-interest-bearing and are generally due within 30 to 90 days.

MOVEMENTS ON THE ALLOWANCE FOR DOUBTFUL DEBTS

in CHF mn	2016	2017
January 1	65.4	65.9
Additions to or increase in allowances	17.1	18.2
Reversal of allowances	-5.3	-7.0
Utilization of allowances	-9.7	-9.4
Exchange differences	-1.6	0.8
December 31	**65.9**	**68.5**

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

in CHF mn	2016	2017
Net accounts receivable	**1,043.1**	**1,188.1**
Of which		
Not overdue	793.7	908.5
Past due < 31 days	158.1	174.7
Past due 31 – 60 days	43.8	48.1
Past due 61 – 180 days	36.5	43.9
Past due > 181 days	11.0	12.9

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.

3. INVENTORIES CHF 729.5 MN (CHF 600.8 MN)

in CHF mn	2016	2017
Raw materials and supplies	182.4	227.6
Semi-finished goods	44.4	52.7
Finished goods	311.3	378.5
Merchandise	62.7	70.7
Total	**600.8**	**729.5**

4. OTHER ASSETS CHF 106.8 MN (CHF 64.9 MN)

The assets contained in this category and any changes in them can be seen in the following table.

OTHER CURRENT ASSETS

in CHF mn	2016	2017
Derivatives (at fair value through profit and loss)	4.3	5.1
Loans (loans and receivables)	3.0	5.3
Securities (at fair value through profit and loss)	1.8	2.2
Other financial assets	**9.1**	**12.6**
Other non-financial assets	0.0	0.1
Other current assets	**9.1**	**12.7**

OTHER NON-CURRENT ASSETS

in CHF mn	2016	2017
Securities (at fair value through profit and loss)	38.3	45.3
Loans (loans and receivables)	1.7	1.5
Other financial assets	**40.0**	**46.8**
Employee benefit assets [1]	15.8	47.3
Other non-current assets	**55.8**	**94.1**

1 Includes the excess of assets for employee benefit plans with defined benefits, see note 15.

5. PROPERTY, PLANT, AND EQUIPMENT CHF 1,065.2 MN (CHF 959.2 MN)

in CHF mn	Property	Plant	Equipment	Plants and buildings under construction	Total
At January 1, 2016					
Acquisition cost	113.5	641.0	1,489.6	83.1	2,327.2
Cumulative depreciation and impairment	-1.4	-388.7	-1,012.2	-0.6	-1,402.9
Net values at January 1, 2016	**112.1**	**252.3**	**477.4**	**82.5**	**924.3**
Additions	2.9	10.5	59.7	76.4	149.5
Acquired on acquisition	1.7	1.1	1.8	0.1	4.7
Exchange differences	0.3	0.0	1.7	1.4	3.4
Disposals	-0.7	-1.2	-1.9	0.0	-3.8
Reclassifications [1]	7.5	41.4	57.5	-107.0	-0.6
Depreciation charge for the year	0.0	-20.9	-97.4	0.0	-118.3
At December 31, 2016	**123.8**	**283.2**	**498.8**	**53.4**	**959.2**

As January 1, 2017					
Acquisition cost	125.3	692.5	1,582.6	53.4	2,453.8
Cumulative depreciation and impairment	-1.5	-409.3	-1,083.8	0.0	-1,494.6
Net values at January 1, 2017	**123.8**	**283.2**	**498.8**	**53.4**	**959.2**
Additions [2]	7.7	31.9	41.3	102.1	183.0
Acquired on acquisition	6.3	6.6	25.0	2.4	40.3
Exchange differences	1.7	4.8	6.6	0.1	13.2
Disposals	-2.6	-0.9	-2.7	0.0	-6.2
Reclassifications [1]	0.1	7.3	60.4	-67.8	0.0
Depreciation charge for the year	0.0	-21.2	-103.1	0.0	-124.3
At December 31, 2017	**137.0**	**311.7**	**526.3**	**90.2**	**1,065.2**
Acquisition cost	138.7	748.6	1,702.0	90.2	2,679.5
Cumulative depreciation and impairment	-1.7	-436.9	-1,175.7	0.0	-1,614.3
Net values at December 31, 2017	**137.0**	**311.7**	**526.3**	**90.2**	**1,065.2**

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

In principle all plants are owned by subsidiaries. Some smaller plants as well as the adhesive plant in Düdingen, Switzerland, and a Swiss logistics center are financed by operating leases. Operating leases also relate to data processing equipment and copiers as well as vehicles used by the sales force. Leasehold contracts are insignificant. Plant and equipment includes machinery, vehicles, equipment, furnishings, and hardware. Rent and operating lease expenses in the amount of CHF 112.4 million (CHF 104.7 million) were recognized.

	Operating leases		Finance leases					
	2016	2017	2016			2017		
in CHF mn	Minimum payments	Minimum payments	Minimum payments	Interest	Present value of payments	Minimum payments	Interest	Present value of payments
Within 1 year	88.9	88.8	0.1	0.0	0.1	0.2	0.0	0.2
1 – 5 years	170.7	151.2	0.3	0.0	0.3	0.3	0.0	0.3
Over 5 years	57.6	67.8	0.0	0.0	0.0	0.0	0.0	0.0
Total	**317.2**	**307.8**	**0.4**	**0.0**	**0.4**	**0.5**	**0.0**	**0.5**

6. INTANGIBLE ASSETS CHF 1,314.2 MN (CHF 1,021.2 MN)

in CHF mn	Goodwill	Software	Trademarks	Customer relations	Other intangibles	Total
At January 1, 2016						
Acquisition costs	669.2	147.9	124.8	319.9	102.0	1,363.8
Cumulative amortization and impairment	-7.5	-106.0	-22.4	-133.7	-56.3	-325.9
Net values at January 1, 2016	**661.7**	**41.9**	**102.4**	**186.2**	**45.7**	**1,037.9**
Additions	0.0	5.2	0.0	0.0	0.2	5.4
Acquired on acquisition	23.7	0.0	3.7	6.7	1.6	35.7
Exchange differences	-6.7	0.1	0.5	0.0	-0.1	-6.2
Disposals	0.0	-0.1	0.0	0.0	0.0	-0.1
Reclassifications (net)	0.0	0.8	0.0	0.0	-0.2	0.6
Amortization for the year	0.0	-13.8	-7.1	-22.8	-8.4	-52.1
At December 31, 2016	**678.7**	**34.1**	**99.5**	**170.1**	**38.8**	**1,021.2**
At January 1, 2017						
Acquisition costs	685.7	148.4	108.5	310.4	103.2	1,356.2
Cumulative amortization and impairment	-7.0	-114.3	-9.0	-140.3	-64.4	-335.0
Net values at January 1, 2017	**678.7**	**34.1**	**99.5**	**170.1**	**38.8**	**1,021.2**
Additions	0.0	4.4	0.3	0.0	0.2	4.9
Acquired on acquisition	189.1	0.1	19.0	87.7	13.5	309.4
Exchange differences	21.5	0.8	0.0	4.1	0.2	26.6
Amortization for the year	0.0	-9.2	-6.4	-24.7	-7.6	-47.9
At December 31, 2017	**889.3**	**30.2**	**112.4**	**237.2**	**45.1**	**1,314.2**
Acquisition costs	896.4	154.1	127.9	403.8	117.6	1,699.8
Cumulative amortization and impairment	-7.1	-123.9	-15.5	-166.6	-72.5	-385.6
Net values at December 31, 2017	**889.3**	**30.2**	**112.4**	**237.2**	**45.1**	**1,314.2**

The intangible assets (except for goodwill and trademarks with indefinite useful lives) each have finite useful lives over which the assets are amortized. The internally developed SAP platform used since 2010 will be amortized on the basis of its effective use within the Group. The carrying value was CHF 20.4 million (CHF 23.3 million) as of December 31, 2017. The remaining useful life is estimated to be between 4 and 7 years.

Trademarks may have an indefinite useful life because they are influenced by internal and external factors such as strategic decisions, competitive and customer behavior, technical development, and changing market requirements. The carrying value of trademarks with indefinite useful lives amounts to CHF 72.4 million (CHF 72.4 million) and is subject to an annual impairment test.

GOODWILL ITEMS TESTED FOR IMPAIRMENT. Impairment tests were performed on all goodwill items. The carrying amounts of trademarks with indefinite useful lives are allocated to the carrying amounts of the cash-generating units in accordance with the proportionate share of sales. The impairment tests are based on the discounted cash flow method. The calculation of the value in use is based on the target figures and cash flow forecasts. The forecasting horizon is three years as approved by the Board of Directors. The growth rates upon which the forecast is set correspond to the market expectations of the cash-generating units and range between 4.7% and 11.8% (4.3% and 10.0%) per year. The sensitivity analysis carried out shows that a realistic change in the key assumptions (-1% in growth rates or +0.5% of the discount rate) would not result in the realizable value falling below the book value. The cash flow forecast beyond the planning period is extrapolated using a growth rate of 2.0% to 3.9% (2.5% to 4.5%). The discount rates are determined on the basis of the weighted average cost of capital of the Group, with country- and currency-specific risks within the context of cash flows taken into consideration. The business segments within the regions constitute the cash-generating units.

GOODWILL ASSIGNED TO CASH-GENERATING UNITS

in CHF mn	Growth rates (%)[1]	Discount rates (%)[2]	Trademarks with indefinite useful lives	Goodwill
December 31, 2016				
Construction business EMEA	2.5	8.3	29.1	403.0
Industrial manufacturing EMEA	2.6	8.3		19.6
Construction business North America	2.8	10.6	43.3	107.4
Construction business Latin America	4.5	18.4		11.0
Construction business Asia/Pacific	3.5	10.7		89.2
Automotive	3.2	9.6		48.5
Total			**72.4**	**678.7**
December 31, 2017				
Construction business EMEA	2.1	7.2	27.7	466.5
Industrial manufacturing EMEA	2.2	7.4		20.9
Construction business North America	2.3	9.8	44.7	238.3
Construction business Latin America	3.9	17.7		22.3
Construction business Asia/Pacific	2.5	9.8		90.1
Automotive	2.0	8.7		51.2
Total			**72.4**	**889.3**

1 Growth rate beyond the planning period.
2 Pre-tax discount rates (%).

7. INVESTMENTS IN ASSOCIATED COMPANIES CHF 6.2 MN (CHF 6.3 MN)
The following associated companies are included in the Consolidated Financial Statements as of December 31, 2017: Condensil SARL, France (Sika stake 40%), Part GmbH, Germany (50%), Sarna Granol AG, Switzerland (50%), Hayashi-Sika Automotive Ltd., Japan (50%), Chemical Sangyo Ltd., Japan (50%), and Seven Tech Co. Ltd., Japan (50%). The stakes are unchanged compared to the prior year.

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

ASSOCIATED COMPANIES (PARTICIPATIONS BETWEEN 20% AND 50%)

in CHF mn	2016	2017
Sales	20.2	21.7
Profit	0.4	0.3

8. INCOME TAXES

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

in CHF mn	2016	2017
1 year or less	0.0	0.0
1 – 5 years	5.6	7.8
Over 5 years or non-expiring	2.6	6.0
Total	**8.2**	**13.8**

The underlying average tax rate is 27.1% (24.8%).

RECONCILIATION OF NET DEFERRED TAX ASSETS

in CHF mn	2016	2017
January 1	**16.3**	**49.5**
Credited (+)/debited (-) to income statement	40.0	81.0
Credited (+)/debited (-) to other comprehensive income	-6.4	-11.6
Exchange differences	1.8	-0.4
Acquisitions/divestments	-2.2	-19.7
December 31	**49.5**	**98.8**

ORIGIN OF DEFERRED TAX ASSETS AND LIABILITIES

			2016			2017
in CHF mn	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses brought forward	20.1		20.1	13.6		13.6
Current assets	22.5	-10.1	12.4	22.1	-13.3	8.8
Property, plant, and equipment	7.9	-31.7	-23.8	8.1	-28.8	-20.7
Other non-current assets [1]	29.3	-56.4	-27.1	115.9	-70.3	45.6
Liabilities	79.9	-6.0	73.9	68.4	-7.7	60.7
Withholding taxes on dividends	0.0	-6.0	-6.0	0.0	-9.2	-9.2
Total	**159.7**	**-110.2**	**49.5**	**228.1**	**-129.3**	**98.8**

1 Increase in deferred tax assets of CHF 94.6 million in 2017 due to the transfer of intangible assets for CHF 1,000.0 million from Sika AG to Sika Technology AG, a wholly-owned subsidiary of Sika AG.

In the year under review, deferred tax assets from carried forward tax losses of CHF 5.6 million (CHF 4.0 million) were offset and deferred carried forward tax losses of CHF 0.7 million (CHF 0.6 million) were generated. As a result of valuation adjustments, they increased by CHF 0.5 million (reduction of CHF 12.9 million).

The tax rate decreased to 24.7% (25.0%). Income taxes of CHF 213.1 million (CHF 189.2 million) consist of:

INCOME TAXES

in CHF mn	2016	2017
Income tax during the year under review	227.9	291.9
Deferred income tax	-40.0	-81.0
Income tax from prior years	1.3	2.2
Total	**189.2**	**213.1**

RECONCILIATION BETWEEN ANTICIPATED AND EFFECTIVE TAX EXPENSE

in CHF mn	%	2016	%	2017
Profit before taxes		755.8		862.1
Anticipated tax expense	**24.0**	**181.4**	**23.4**	**201.7**
Non-taxable income/non-tax-deductible expenses	0.4	3.5	0.6	5.6
Change in anticipated tax rate	0.0	0.1	-0.1	-1.0
Adjusted tax expense from earlier periods	0.2	1.3	0.2	2.2
Valuation adjustment on deferred tax assets	-1.4	-10.8	0.2	1.7
Withholding tax on dividends, licenses, and interests	2.2	16.9	2.5	21.4
Other [1]	-0.4	-3.2	-2.1	-18.5
Tax expense as per consolidated income statement	**25.0**	**189.2**	**24.7**	**213.1**

1 In 2017, this includes a net tax effect of CHF -16.3 million (income taxes of CHF 78.3 million and deferred tax income of CHF 94.6 million) resulting from the sale of intangible assets for CHF 1,000 million from Sika AG to Sika Technology AG.

The anticipated average Group income tax rate of 23.4% (24.0%) corresponds with the average tax on profits of the individual Group companies in their respective fiscal jurisdictions. The change in the anticipated tax rate is attributable to changing profits of the Group companies in their respective fiscal jurisdictions and to changes in their tax rates in some cases.

9. ACCOUNTS PAYABLE CHF 730.9 MN (CHF 587.0 MN)
Accounts payable do not bear interest and will usually become due within 30 to 60 days.

10. ACCRUED EXPENSES AND DEFERRED INCOME CHF 253.4 MN (CHF 223.9 MN)
Accrued expenses and deferred income relate to outstanding invoices and liabilities for the past financial year, including performance-based compensation payables to employees and social security expenses in the following year. In addition, deferred revenues for warranty extensions in the amount of CHF 4.0 million (CHF 4.1 million) are included (see note 17).

11. OTHER LIABILITIES CHF 85.1 MN (CHF 86.8 MN)

OTHER CURRENT LIABILITIES

in CHF mn	2016	2017
Derivatives (at fair value through profit and loss)	10.5	5.7
Bank loans	19.8	22.6
Other financial liabilities	14.0	20.4
Other current liabilities	**44.3**	**48.7**

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

OTHER NON-CURRENT LIABILITIES

in CHF mn	2016	2017
Bank loans	0.0	0.9
Other financial liabilities	8.7	3.4
Other non-financial liabilities [1]	33.8	32.1
Other non-current liabilities	**42.5**	**36.4**

1 Includes deferred revenue in the amount of CHF 32.1 million (CHF 33.8 million). For details see note 17.

12. BONDS CHF 150.0 MN SHORT-TERM/CHF 549.0 MN LONG-TERM (CHF 0.0 MN/CHF 698.7 MN)

Sika AG has the following bonds outstanding:

		2016		2017
in CHF mn	Book value	Nominal	Book value	Nominal
1.000% 2012 – 2018	149.9	150.0	150.0	150.0
1.125% 2013 – 2019	199.7	200.0	199.8	200.0
1.750% 2012 – 2022	149.9	150.0	149.9	150.0
1.875% 2013 – 2023	199.2	200.0	199.3	200.0
Total	**698.7**	**700.0**	**699.0**	**700.0**

13. RECONCILIATION OF FINANCIAL LIABILITIES

in CHF mn	Bank loans	Bonds	Other financial liabilities	Total financial liabilities
As January 1, 2017	**19.8**	**698.7**	**33.2**	**751.7**
Proceeds	14.4	0.0	2.6	17.0
Repayments	-46.9	0.0	-8.5	-55.4
Cash flow	**-32.5**	**0.0**	**-5.9**	**-38.4**
Acquired on acquisition	37.2	0.0	5.0	42.2
Exchange differences	-1.0	0.0	0.4	-0.6
Other changes	0.0	0.3	-3.2	-2.9
Non-cash movements	**36.2**	**0.3**	**2.2**	**38.7**
At December 31, 2017	**23.5**	**699.0**	**29.5**	**752.0**

14. PROVISIONS CHF 76.4 MN (CHF 78.3 MN)

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

From the sum of provisions, CHF 56.4 million (CHF 57.5 million) are shown as non-current liabilities, since an outflow of funds is not expected within the next twelve months.

For provisions of CHF 20.0 million (CHF 20.8 million), an outflow of funds is expected during the next twelve months. These amounts are shown as current provisions.

in CHF mn	Warranties	Sundry risks	Provisions Total
Current provisions	13.1	6.9	20.0
Non-current provisions	29.2	27.2	56.4
Provisions	**42.3**	**34.1**	**76.4**
Reconciliation			
At January 1, 2017	**45.8**	**32.5**	**78.3**
Additions	16.9	8.6	25.5
Assumed on acquisition	0.3	2.3	2.6
Exchange differences	0.9	0.1	1.0
Utilization	-15.6	-5.3	-20.9
Reversal	-6.0	-4.1	-10.1
At December 31, 2017	**42.3**	**34.1**	**76.4**

15. EMPLOYEE BENEFIT OBLIGATIONS

To complement the benefits provided by state-regulated pension schemes, Sika maintains additional employee pension plans for a number of subsidiaries. In principle these fall into the following categories:

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

DEFINED BENEFIT PENSION FUNDS. Defined benefit pension plans for staff exist at 41 Group companies. The biggest plans are in Switzerland, accounting for 78.5% (79.5 %) of Sika's entire defined benefit pension obligations and 96.2% (96.2%) of plan assets.

SWISS PENSION PLANS. Sika companies in Switzerland have legally independent foundations for this purpose, thereby segregating their pension obligation liabilities. In accordance with local statutory requirements, Sika has no obligations to these pension plans beyond the regulatory contributions and any recapitalization contributions that may become necessary. According to IAS 19, the Swiss pension plans qualify as defined benefit plans, so the actuarially calculated surplus or deficit is recognized in the consolidated balance sheet.

The supreme governing body of the pension fund is composed of equal numbers of employee and employer representatives. There is also a management pension scheme and a welfare foundation, which provide statutory benefits, and a scheme that enables employees to take early retirement.

Both the Sika pension fund and the welfare foundation bear the investment risks and the age risk themselves. As the supreme governing body of the pension fund, the Board of Trustees is responsible for investment. The investment strategy is defined so as to ensure that the benefits can be provided when they become due. The pension fund has concluded a contract for matching reinsurance for the risks of death and invalidity. The insurance-related and investment risks of the management pension scheme are fully reinsured. The retirement pension is calculated using the retirement assets available at the time of retirement multiplied by the conversion rates specified in the regulations. The employee has the opportunity to withdraw pension benefits in the form of a lump sum.

The Federal Law on Occupational Retirement, Survivors', and Disability Pensions (BVG) governs the way in which employees and employer must jointly participate in any restructuring measures in the event of a significant deficit, such as by making additional contributions. 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.

This year the benefits of the insurance plan were adjusted by reducing the conversion rate and increasing the savings contributions. This led to an adjustement in the pension plan and is therefore recognized in the income statement as a gain on a plan curtailment (CHF 9.9 million).

			2016			2017
in CHF mn	Assets[1]	Liabilities	Net	Assets[1]	Liabilities	Net
Employee benefit plans with defined benefits	15.8	210.0	194.2	47.3	184.5	137.2
Other employee commitments	29.2	64.6	35.4	35.3	75.5	40.2
Total	**45.0**	**274.6**	**229.6**	**82.6**	**260.0**	**177.4**

1 Includes employee benefit assets recognized in balance sheet for employee benefit plans with defined benefits (see note 4) as well as financial assets for non-qualifying pension plans recognized in other non-current financial assets (securities).

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

MOVEMENT IN THE NET DEFINED BENEFIT OBLIGATION

in CHF mn	Present value of obligation	Fair value of plan assets	Impact of asset ceiling	Total
At January 1, 2016	**-883.9**	**657.7**	**-0.9**	**-227.1**
Current service cost	-31.4			-31.4
Interest expense/interest income	-10.6	6.5		-4.1
Total expense recognized in income statement	**-42.0**	**6.5**		**-35.5**
thereof Switzerland	-31.7	5.7		-26.0
thereof others	-10.3	0.8		-9.5
Return on plan assets, excluding amounts included in interest income		24.3		24.3
Gains (+)/losses (-) from change in financial assumptions	4.3			4.3
Gains (+)/losses (-) from change in demographic assumptions	10.3			10.3
Experience gains (+)/losses (-)	4.6			4.6
Change in asset ceiling			0.9	0.9
Total remeasurement recognized in other comprehensive income	**19.2**	**24.3**	**0.9**	**44.4**
thereof Switzerland	35.8	22.3	0.9	59.0
thereof others	-16.6	2.0	0.0	-14.6
Exchange differences	1.1	-0.3		0.8
Contributions by employers		18.4		18.4
Contributions by plan participants	-12.1	12.1		0.0
Benefits paid	28.9	-22.8		6.1
Settlements paid	1.5	-1.5		0.0
Acquired in a business combination and others	-1.3	0.0		-1.3
At December 31, 2016	**-888.6**	**694.4**	**0.0**	**-194.2**
thereof Switzerland	-706.7	667.7	0.0	-39.0
thereof others	-181.9	26.7	0.0	-155.2

in CHF mn	Present value of obligation	Fair value of plan assets	Impact of asset ceiling	Total
At January 1, 2017	**-888.6**	**694.4**	**0.0**	**-194.2**
Current service cost	-28.7			-28.7
Interest expense/interest income	-8.4	5.3		-3.1
Past service cost and gains and losses on settlements and curtailments	9.9			9.9
Total expense recognized in income statement	**-27.2**	**5.3**		**-21.9**
thereof Switzerland	-16.8	4.7		-12.1
thereof others	-10.4	0.6		-9.8
Return on plan assets, excluding amounts included in interest income		61.1		61.1
Gains (+)/losses (-) from change in financial assumptions	4.2			4.2
Gains (+)/losses (-) from change in demographic assumptions	-0.1			-0.1
Experience gains (+)/losses (-)	0.3			0.3
Change in asset ceiling			-1.6	-1.6
Total remeasurement recognized in other comprehensive income	**4.4**	**61.1**	**-1.6**	**63.9**
thereof Switzerland	0.3	62.3	-1.6	61.0
thereof others	4.1	-1.2	0.0	2.9
Exchange differences	-12.9	1.7		-11.2
Contributions by employers		19.1		19.1
Contributions by plan participants	-13.2	13.2		0.0
Benefits paid	40.7	-32.0		8.7
Settlements paid	0.1	0.0		0.1
Acquired in a business combination and others	-1.7	0.0		-1.7
At December 31, 2017	**-898.4**	**762.8**	**-1.6**	**-137.2**
thereof Switzerland	-705.6	734.0	-1.6	26.8
thereof others	-192.8	28.8	0.0	-164.0

The contributions that are expected to be paid into the defined benefit pension plans for 2018 amount to CHF 21.3 million.

The Group's total expenses for employee benefits are included in the Consolidated Financial Statements under "Personnel expenses".

The stated deficit results mainly from the defined benefit obligation of the unfunded benefit plans of CHF 146.9 million (CHF 139.2 million). Schemes in Germany, in particular, do not have segregated assets. For the Swiss pension plans the result is a surplus of CHF 26.8 million (underfunding of CHF -39.0 million).

MAJOR CATEGORIES OF TOTAL PLAN ASSETS

in CHF mn	Switzerland	Others	2016 Total	Switzer-land	Others	2017 Total
Cash and cash equivalents	25.0	14.2	39.2	45.7	6.4	52.1
Equity instruments	269.7	2.6	272.3	308.1	2.5	310.6
Debt instruments	235.8	1.8	237.6	230.7	1.9	232.6
Real estate investments	114.2	0.0	114.2	126.7	10.2	136.9
Other assets	23.0	8.1	31.1	22.8	7.8	30.6
Total	**667.7**	**26.7**	**694.4**	**734.0**	**28.8**	**762.8**

Most of the plan assets of the pension schemes are invested in assets with quoted market prices. In the year under review, 10.6% (12.7%) of the investments in real estate and 8.5% (6.1%) of the other assets did not have a quoted market price.

AMOUNTS INCLUDED IN PLAN ASSETS

in CHF mn	2016	2017
Shares Sika AG	23.9	31.7
Own property occupied by Sika	9.4	11.0
Total	**33.3**	**42.7**

ACTUARIAL ASSUMPTIONS (WEIGHTED AVERAGE)

	2016 Switzerland	2016 Others	2017 Switzerland	2017 Others
Discount rate in the year under review (%)	0.7	1.9	0.7	2.1

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

in CHF mn	Change in assumption	Impact on defined benefit obligation Switzerland	Others
Discount rate	+0.25%	-27.0	-7.3
Discount rate	-0.25%	28.9	7.7

NUMBER OF PLANS AND INSURED PERSONS

	2016 Switzerland	2016 Others	2017 Switzerland	2017 Others
Total number of defined benefit plans	5	37	5	38
thereof number of defined benefit plans funded	4	10	4	10
thereof number of defined benefit plans unfunded	1	27	1	28
Average weighted duration in years	16.2	16.8	15.9	16.2

16. SHAREHOLDERS' EQUITY CHF 3,411.1 MN (CHF 2,947.7 MN)
Equity accounts for 58.9% (57.8%) of the balance sheet total.

CAPITAL STOCK

in CHF mn	Number	2016	2017
Registered shares, nominal value CHF 0.10	2,333,874	0.2	0.2
Bearer shares, nominal value CHF 0.60	2,151,199	1.3	1.3
Capital stock		**1.5**	**1.5**

The Board of Directors proposes to the Annual General Meeting payment of a dividend of CHF 18.50 per registered share and of CHF 111.00 per bearer share, in the total amount of CHF 281.8 million, to the shareholders of Sika AG.

The capital stock is divided into the following categories:

	Bearer shares[1] nominal value CHF 0.60	Registered shares nominal value CHF 0.10	Total[1]
12/31/2016 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107
12/31/2017 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107

1 Includes treasury shares, 1,098 bearer shares, and 270 registered shares (2,666 bearer shares), which do not carry voting and dividend rights.

17. NET SALES CHF 6,248.3 MN (CHF 5,747.7 MN)
Sales of goods account for practically all net sales. In comparison with the prior year, net sales denominated in Swiss francs increased by 8.7%. Taking currency effects amounting to -0.3% into consideration, sales increased in local currencies by 9.0%, including a growth from acquisitions of 2.7%.

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. In 2017, revenues of CHF 4.2 million (CHF 4.2 million) were recognized. The contract balances are included in accrued expenses and deferred income (see note 10) as well as in other non-current non-financial financial liabilities (see note 11).

18. MATERIAL EXPENSES CHF 2,849.2 MN (CHF 2,566.6 MN)
Material expenses increased as a percentage of net sales by 0.9 percentage points mainly due to higher raw material costs and acquisition effects. The gross result decreased from 55.3% to 54.4%. Material expenses include the value adjustment expenses for unsaleable goods and depreciation and amortization due to inventory differences in the amount of CHF 25.5 million (CHF 24.0 million).

19. PERSONNEL EXPENSES CHF 1,212.1 MN (CHF 1,159.1 MN)
Personnel expenses decreased in relation to sales from 20.1% to 19.4%, mainly due to further efficiency improvements and selective structural adjustments in some countries.

in CHF mn	2016	2017
Wages and salaries	941.0	990.9
Social charges	218.1	221.2
Personnel expenses	**1,159.1**	**1,212.1**

EMPLOYEE BENEFIT COSTS

in CHF mn	2016	2017
Employee benefit plans with defined benefits [1]	31.4	18.8
Other employee benefit plans	38.5	41.3
Employee benefit costs	**69.9**	**60.1**

1 Includes pension expense recognized in income statement (see note 15) without interest income/interest expenses.

EMPLOYEE PARTICIPATION PLAN – SHARE-BASED PAYMENTS
Sika operates the following share-based compensation plans:

PERFORMANCE BONUS (SHORT-TERM INCENTIVE). Sika Senior Management (by definition, Sika Senior Management includes the management level reporting into Group Management, 167 participants) and Group Management receive shares of Sika AG as a component of their variable compensation. The shares are granted at the average market price of the first five trading days in April of the subsequent business year. The allocated shares are subject to a blocking period of four years. The following different share plans are in place:

Sika Senior Managers may draw optionally 0%, 20% or 40% of the performance bonus in the form of shares of Sika AG. As remuneration for the services rendered by them in 2016, they drew 591 shares at a fair value of CHF 3.6 million in 2017 (CHF 6,075 per share). In 2016, the fair value of the compensation for 2015 amounted to CHF 3.2 million (824 shares at CHF 3,870).

Members of the Group Management may draw optionally 0%, 20% or 40% of the performance bonus in the form of shares of Sika AG. As compensation for the services rendered by them in 2016, in 2017, they drew 103 shares at a fair value of CHF 0.6 million (CHF 6,075 per share). In 2016, the fair value of the compensation for 2015 amounted to CHF 1.2 million (303 shares at CHF 3,870).

LONG-TERM INCENTIVE (LTI-PLAN). The long-term incentive for members of the top management (extended Group Management) is granted in performance share units (PSU) that will be paid out in shares of Sika AG after a three-year vesting period. In 2017, 1,242 shares at a fair value of CHF 7.5 million (CHF 6,075 per share) were allocated to the members of the top management as part of the LTI. In 2016, the fair value of the compensation for 2015 amounted to CHF 5.7 million (1,477 shares at CHF 3,870).

The long-term variable remuneration for Sika Senior Managers is granted in performance share units (PSU). The PSUs are paid out in cash after a three-year vesting period. For senior managers who are transferred to another country during the vesting period, a pro-rata payout is made immediately in form of shares for the time of the vesting period that has elapsed until the transfer. The shares are granted at the fair value of the grant date and are blocked until the end of the vesting period. In 2017, 63 shares at a fair value of CHF 0.5 million were allocated. In 2016, the fair value of the compensation for 2015 amounted to CHF 0.2 million (40 shares).

Share-based remunerations are made by means of the transfer of treasury shares of Sika AG. The personnel expenses recognized for services received in the 2017 business year totaled CHF 30.1 million (CHF 26.7 million) of which the amount of CHF 5.4 million (CHF 7.7 million) was taken to equity and the amount of CHF 24.7 million (CHF 19.0 million) was recognized under liabilities.

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

20. OTHER OPERATING EXPENSES CHF 1,118.5 MN (CHF 1,056.3 MN)

Other operating expenses showed a below-average development compared to volume growth, with the cost ratio improving from 18.4% to 17.9%. Cost savings were recorded in particular in other administrative expenses and warranty costs. Furthermore, the costs for logistics and distribution have developed slightly above average.

in CHF mn	2016	2017
Production and operation [1]	373.0	398.8
Logistics and distribution	264.6	295.1
Sales, marketing, and travel costs	206.2	218.5
Administration and other costs [2]	212.5	206.1
Total	**1,056.3**	**1,118.5**

1 This position includes primarily rental and lease expenses as well as costs for maintenance, repairs, and energy.
2 This position includes primarily costs of services and consulting in the fields of law, tax, and information technology. Furthermore it covers training costs and government fees as well as costs for warranty settlements and legal claims.

Expenditures on research and development in the Group during the year under review totaled CHF 180.8 million (CHF 172.1 million), roughly equivalent to 2.9% (3.0%) of sales. Research and development expenses are included in personnel expenses, other operating expenses, as well as in depreciation and amortization expenses.

21. DEPRECIATION AND AMORTIZATION EXPENSES CHF 172.2 MN (CHF 170.4 MN)

The amount includes the regular depreciation and amortization expenses of tangible and intangible assets.

22. INTEREST EXPENSES/OTHER FINANCIAL EXPENSES CHF 42.3 MN (CHF 47.8 MN)

Interest expenses consist mainly of interest expenses for bond issues outstanding in the amount of CHF 10.4 million (CHF 12.2 million). Other financial expenses include foreign exchange gains and losses from the management of foreign currency as well as net gains and losses from hedging and revaluation of loans to Group companies denominated in foreign currencies. Other financial expenses decreased to CHF 24.0 million (CHF 27.4 million). A net loss of CHF 56.0 million (net loss of CHF 13.4 million) on financial assets and liabilities held at fair value through profit or loss was recognized in the income statement under other financial expenses.

23. INTEREST INCOME/OTHER FINANCIAL INCOME/INCOME FROM ASSOCIATED COMPANIES CHF 8.1 MN (CHF 8.3 MN)

Short-term surpluses in liquidity in various countries led to interest income of CHF 1.9 million (CHF 2.6 million). Income from associated companies is CHF 0.3 million (CHF 0.5 million).

24. NON-CONTROLLING INTERESTS CHF 5.5 MN (CHF 3.5 MN)

Most important companies with non-controlling interests:
- Sika Arabia Holding Co. WLL, Bahrain (49%)
- Sika UAE LLC, UAE (49%)
- Sika Saudi Arabia Co. Ltd., Saudi Arabia (49%)
- Sika Gulf B.S.C., Bahrain (49%)
- Sika Qatar LLC, Qatar (49%)

25. EARNINGS PER SHARE CHF 253.52 (CHF 221.81)

	2016	2017
Undiluted ("basic EPS")		
Net profit (in CHF mn)	563.1	643.5
Weighted average number of shares [1]		
Bearer shares [2]/units	2,149,695	2,149,317
Registered shares [3]/units	2,333,874	2,333,739
Earnings per share		
Bearer share [2]/CHF	221.81	253.52
Registered share [3]/CHF	36.97	42.25

1 Excluding treasury shares held in the Group.
2 Nominal value: CHF 0.60.
3 Nominal value: CHF 0.10.

Earnings per share (EPS) amount to CHF 253.52 (CHF 221.81). The EPS have been calculated on the basis of net profit after non-controlling interests and the number of shares entitled to dividend, weighted over the course of the year. No dilution effect resulted because no options or convertible bonds are outstanding. For the business year 2016 the dividend amounted to CHF 96.00 per bearer share and to CHF 16.00 per registered share.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments and the related risk management of the Sika Group are presented in this note.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

		2016		2017	
in CHF mn	Level	Book value	Fair value	Book value	Fair value
Financial assets					
Cash and cash equivalents		1,155.0		1,037.9	
Loans and receivables		1,047.8		1,194.9	
Financial assets at fair value through profit and loss	1	40.1	40.1	47.5	47.5
Financial assets at fair value through profit and loss (derivatives)	2	4.3	4.3	5.1	5.1
Total		**2,247.2**		**2,285.4**	
Financial liabilities					
Bank overdrafts		19.8		23.5	
Bonds	2	698.7	738.0	699.0	736.6
Accounts payable		587.0		730.9	
Other financial liabilities		22.7		23.8	
Financial liabilities measured at amortized cost		**1,328.2**		**1,477.2**	
Financial liabilities at fair value through profit and loss (derivatives)	2	10.5	10.5	5.7	5.7
Total		**1,338.7**		**1,482.9**	

The book value of cash and cash equivalents, loans and receivables, bank overdrafts, accounts payable, and other financial liabilities almost equals the fair value.

The hierarchy below classifies financial instruments, by valuation method. The different levels have been defined as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: procedures in which all input parameters having an essential effect on the registered market value are either directly or indirectly observable.
- Level 3: procedures applying to input parameters that have an essential effect on the registered market value but are not based on observable market data.

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

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

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 Group's financial risk management program focuses on hedging volatility risks.

The corporate finance department identifies, evaluates, and hedges financial risks in close cooperation with the Group's operating units.

PLEDGED OR CEDED ASSETS (ENCUMBERED ASSETS), TO SECURE OWN OBLIGATIONS

in CHF mn	2016	2017
Receivables	1.7	0.0
Property, plant, and equipment	0.6	1.1
Total book value of encumbered assets	**2.3**	**1.1**

OPEN DERIVATIVES

				Contractual value upon maturity	
	Replacement value		Contract value	Up to 3 months	3 to 12 months
in CHF mn	(+)	(-)			
Open derivatives 2016					
Forward contracts (foreign exchange)	2.4	-2.1	183.9	50.6	133.3
Swaps (foreign exchange)	1.9	-8.4	965.6	328.0	637.6
Total derivatives	**4.3**	**-10.5**	**1,149.5**	**378.6**	**770.9**
Open derivatives 2017					
Forward contracts (foreign exchange)	0.3	-1.7	166.9	90.8	76.1
Swaps (foreign exchange)	4.8	-4.0	1,013.0	335.8	677.2
Total derivatives	**5.1**	**-5.7**	**1,179.9**	**426.6**	**753.3**

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.

Sika carries out a sensitivity analysis for the dominant foreign currencies Euro and US Dollar. The assumption is that the Euro and US Dollar respectively change against all other currencies by +/- 10%. The other currencies remain constant. The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments, Group-internal financing, and foreign currency hedge transactions in the corresponding currencies. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. All other variables are held constant. The impact on shareholders' equity is insignificant.

SENSITIVITY ANALYSIS ON EXCHANGE RATES

Impact on profit before tax in CHF mn	2016	2017
EUR: +10%	-6.3	-6.0
EUR: -10%	6.3	6.0
USD: +10%	-5.8	-12.1
USD: -10%	5.8	12.1

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

INTEREST RATE RISK. Interest rate risks result from changes in interest rates, which could have a negative impact on the Group's financial position, cash flow, and earnings situation. Interest rate risk is limited through the issue of fixed-interest long-term bonds (nominal CHF 700.0 million). A change in the rate of interest would therefore alter neither annual financial expenses nor shareholders' equity materially. Local bank loans and mortgages are insignificant. Interest rate developments are closely monitored by management.

CREDIT RISK. Credit risks arise from the possibility that the counterparty to a transaction may not be able or willing to discharge its obligations, thereby causing the Group to suffer a financial loss. Counterparty risks are minimized by only concluding contracts with reputable business partners and banks. In addition, receivable balances are monitored on an ongoing basis via internal reporting procedures. Potential concentrations of risks are reduced by the large number of customers and their geographic dispersion. No individual customer represents more than 2.0% of the Group's net sales. The Group held no securities for loans and accounts receivable at year-end 2016 nor at year-end 2017. The largest possible risk represented by these items is the carrying amount of the accounts receivable and any warranties granted.

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

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

MATURITY PROFILE OF FINANCIAL LIABILITIES

in CHF mn	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
December 31, 2016				
Bank loans	19.8	0.0	0.0	19.8
Bonds	10.1	381.5	360.1	751.7
Accounts payable	587.0	0.0	0.0	587.0
Other financial liabilities	14.0	7.8	0.9	22.7
Financial liabilities measured at amortized cost	**630.9**	**389.3**	**361.0**	**1,381.2**
Financial liabilities at fair value through profit and loss	10.5	0.0	0.0	10.5
Total	**641.4**	**389.3**	**361.0**	**1,391.7**
December 31, 2017				
Bank loans	22.6	0.9	0.0	23.5
Bonds	160.1	377.8	203.7	741.6
Accounts payable	730.9	0.0	0.0	730.9
Other financial liabilities	20.4	2.7	0.7	23.8
Financial liabilities measured at amortized cost	**934.0**	**381.4**	**204.4**	**1,519.8**
Financial liabilities at fair value through profit and loss	5.7	0.0	0.0	5.7
Total	**939.7**	**381.4**	**204.4**	**1,525.5**

CAPITAL MANAGEMENT. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies, or processes during the years ended December 31, 2017, and December 31, 2016. The Group monitors its equity using the equity ratio, which is shareholders' equity divided by total capital.

27. FUTURE OBLIGATIONS

CONTINGENT LIABILITIES. Given the Group's international operations, there are inherent tax risks which cannot be conclusively estimated. In ongoing business activity the Group may be involved in legal proceedings such as lawsuits, claims, investigations, and negotiations due to product liability, mercantile law, environmental protection, health, and safety, etc. There are no current proceedings of this nature pending which could have significant influence on business operations, or on the Group's financial position or income. The Group is active in countries in which political, economic, social, and legal developments could impair business activity. The effects of such risks which can occur in the normal course of business is unforeseeable. In addition, their probability of occurrence lies below 50%.

CAPITAL COMMITMENTS. Significant capital expenditure for property, plant, and equipments contracted for as at December 31, 2017, but not recognized as liabilities is CHF 61.8 million (no material commitments at the end of 2016).

28. CASH FLOW STATEMENT

DETAILS TO THE CASH FLOW STATEMENT. Compared with the prior year, cash flow was influenced by:

- a higher net profit before taxes (CHF 106.3 million)
- an increase in net working capital (CHF -57.0 million)
- changes of non-cash financial income as well as cash flows from hedging transactions (CHF -64.6 million)
- higher tax payments (CHF -53.6 million)
- a strongly higher acquisition activity (CHF -296.8 million)
- no repayment of bonds (CHF 250.0 million)
- a higher dividend payment (CHF -45.7 million)

in CHF mn	2016	2017
Operating activities	735.7	651.9
Investment activities	-172.7	-478.2
Financing activities	-473.3	-289.2
Exchange differences	-9.1	-1.6
Net change in cash and cash equivalents	**80.6**	**-117.1**

FREE CASH FLOW AND OPERATING FREE CASH FLOW

in CHF mn	2016	2017
Cash flow from operating activities	735.7	651.9
Net investment in		
Property, plant, and equipment	-144.0	-150.2
Intangible assets	-5.2	-4.9
Acquisitions less cash and cash equivalents	-23.6	-320.4
Acquisitions (-)/disposals (+) of financial assets	0.1	-2.7
Free cash flow	**563.0**	**173.7**
Acquisitions / disposals less cash and cash equivalents	23.6	320.4
Acquisitions (+)/disposals (-) of financial assets	-0.1	2.7
Operating free cash flow	**586.5**	**496.8**

OTHER ADJUSTMENTS. Included in “Other adjustments” are:

in CHF mn	2016	2017
Non-liquidity-related interest expenses (-)/income (+)	-6.7	0.0
Profit (-)/loss (+) from disposals of non-financial assets	-1.8	-2.1
Personnel expenses settled through treasury shares	7.7	5.4
Others [1]	1.5	2.6
Total	**0.7**	**5.9**

1 Prior year restated due to the reclassification and separate disclosure of non-liquidity related other financial expenses/income as well as cash flows from hedging transactions.

29. SEGMENT REPORTING

Sika conducts its worldwide activities according to regions. Heads of regions are members of Group Management. Group Management is the highest operative executive body measuring the profit and loss of segments and allocating resources. The key figure of profit by which the segments are directed is that of operating profit, which stands in correlation with the Consolidated Financial Statements. The financing (including financial expenditures and revenues) as well as income taxes are managed uniformly across the Group and are not assigned to the individual segments. The composition of the regions is shown on page 77 of the download version of this report.

Products and services from all product groups are sold in all regions. Customers derive from the building and construction industry or from the area of industrial manufacturing. Sales are assigned according to company locations. Taxes and any effects of financing are allocated to other segments and activities. Transfer prices between segments are calculated according to generally accepted principles.

“Other segments and activities” include the automotive segment, expenditures for Group headquarters, and the proceeds from services. In addition they contain expenses and income that cannot be allocated to an individual region.

The acquired companies Rmax Operating LLC, USA, Butterfield Color Inc., USA, and Emseal Joint Systems, Ltd., USA, were assigned to region North America. Bitbau Dörr GmbH, Austria, and ABC Sealants, Turkey, as well as KVK Holding a.s., Czech Republic, were assigned to region EMEA. The assets of Grupo Industrial Alce, Mexico, were allocated to region Latin America.

NET SALES

			2016			2017
in CHF mn	With third parties	With other segments	Total	With third parties	With other segments	Total
EMEA	2,695.3	111.5	2,806.8	2,874.9	125.4	3,000.3
North America	922.6	22.1	944.7	1,094.0	18.3	1,112.3
Latin America	564.3	0.3	564.6	590.0	0.7	590.7
Asia/Pacific	1,080.7	12.8	1,093.5	1,132.7	13.9	1,146.6
Other segments and activities	484.8	–	484.8	556.7	–	556.7
Eliminations		-146.7	-146.7		-158.3	-158.3
Net sales	**5,747.7**	**–**	**5,747.7**	**6,248.3**	**–**	**6,248.3**
Products for construction industry			4,518.9			4,905.4
Products for industrial manufacturing			1,228.8			1,342.9

CHANGES IN NET SALES/CURRENCY IMPACT

in CHF mn	2016	2017	Change compared to prior year (+/- in %) In Swiss francs	In local currencies	Currency impact
By region					
EMEA	2,695.3	2,874.9	6.7	7.5	-0.8
North America	922.6	1,094.0	18.6	18.4	0.2
Latin America	564.3	590.0	4.6	3.3	1.3
Asia/Pacific	1,080.7	1,132.7	4.8	5.2	-0.4
Other segments and activities	484.8	556.7	14.8	14.0	0.8
Net sales	**5,747.7**	**6,248.3**	**8.7**	**9.0**	**-0.3**
Products for construction industry	4,518.9	4,905.4	8.6	9.0	-0.4
Products for industrial manufacturing	1,228.8	1,342.9	9.3	8.7	0.6

OPERATING PROFIT

in CHF mn	2016	2017	Change compared to prior year	(+/- in %)
By region				
EMEA	395.6	425.8	30.2	7.6
North America	166.0	193.6	27.6	16.6
Latin America	109.2	112.5	3.3	3.0
Asia/Pacific	205.7	221.2	15.5	7.5
Other segments and activities	-81.2	-56.8	24.4	n.a.
Operating profit	**795.3**	**896.3**	**101.0**	**12.7**

RECONCILIATION OF SEGMENT RESULT AND NET PROFIT

in CHF mn	2016	2017
Operating profit	**795.3**	**896.3**
Interest income	2.6	1.9
Interest expenses	-20.4	-18.3
Other financial income	5.2	5.9
Other financial expenses	-27.4	-24.0
Income from associated companies	0.5	0.3
Profit before taxes	**755.8**	**862.1**
Income taxes	-189.2	-213.1
Net profit	**566.6**	**649.0**

in CHF mn	2016 Depreciation/ Amortization	2016 Capital expenditures	2017 Depreciation/ Amortization	2017 Capital expenditures
EMEA	84.6	75.2	85.2	60.4
North America	21.4	20.6	24.4	33.4
Latin America	11.2	18.6	12.4	24.3
Asia/Pacific	25.4	23.4	25.2	25.1
Other segments and activities	27.8	17.1	25.0	44.7
Total	**170.4**	**154.9**	**172.2**	**187.9**

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

	Net sales				Non-current assets[1]			
in CHF mn	2016	%	2017	%	2016	%	2017	%
Switzerland	316.5	5.5	363.4	5.8	474.2	23.9	474.8	19.9
USA	955.3	16.6	1,131.0	18.1	254.6	12.8	495.7	20.8
Germany	663.7	11.6	668.0	10.7	239.0	12.0	252.9	10.6
All other	3,812.2	66.3	4,085.9	65.4	1,018.9	51.3	1,162.2	48.7
Total	**5,747.7**	**100.0**	**6,248.3**	**100.0**	**1,986.7**	**100.0**	**2,385.6**	**100.0**

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

OTHER INFORMATION

RELATED PARTIES

As of the balance sheet date of December 31, 2017, Sika had received notification of three significant shareholders whose voting rights exceed 3%: (1) The Burkard-Schenker family, who, according to information provided by the family, held 52.92% of all voting rights via Schenker-Winkler Holding AG (SWH) as of December 31, 2017. On December 8, 2014, the Burkard-Schenker family announced the sale of their Sika participation to Compagnie de Saint-Gobain ("Saint-Gobain"), and, on December 11, 2014, the Burkard-Schenker family and Saint-Gobain announced the formation of a group. On April 7, 2015, the Burkard-Schenker family and Saint-Gobain announced the dissolution of their group. Saint-Gobain itself announced on April 7, 2015, that it held 52.92% of all voting rights via SWH. Legal proceedings are ongoing in connection with the planned transaction, which, as far as the company is aware, has not yet been completed. (2) A group consisting of Threadneedle Asset Management Limited, Threadneedle Investment Services Limited, Threadneedle Management Luxembourg S.A., FIL Limited, William H. Gates III and Melinda French Gates as well as Bill & Melinda Gates Foundation Trust, which owned 4.77% of all voting rights on the balance sheet date. (3) BlackRock, Inc., which owned 3.41% of all voting shares on the balance sheet date. A list of changes in significant shareholdings reported to the Disclosure Office of SIX Swiss Exchange during the year under review can be found at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html. There are no cross-shareholdings exceeding 3%, either in terms of capital or votes.

As of the balance sheet date of December 31, 2016, Sika had received notification of three significant shareholders whose voting rights exceed 3%: (1) The Burkard-Schenker family, who, according to information provided by the family, held 52.92% of all voting shares via Schenker-Winkler Holding AG as at December 31, 2016. (2) BlackRock, Inc., which owned 4.93% of all voting shares on the balance sheet date. (3) A group consisting of Threadneedle Asset Management Limited, Threadneedle Investment Services Limited, Threadneedle Management Luxembourg S.A., FIL Limited, William H. Gates III, Melinda French Gates and Bill & Melinda Gates Foundation Trust, which owned 5.00% of all voting shares on the balance sheet date.

ASSOCIATED COMPANIES. In the year under review, goods and services totaling CHF 10.4 million (CHF 10.6 million) were delivered to associated companies. These transactions occurred on the usual conditions between wholesale partners.

EMPLOYEE BENEFIT PLANS. In Switzerland, employee benefit plans are handled through independent foundations, to which a total of CHF 24.0 million (CHF 23.5 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 2017 amounted to CHF 0.6 million (CHF 0.6 million).

All transactions were conducted at market conditions.

REMUNERATION OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

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

in CHF mn	2016	2017
Current benefits	7.0	8.1
Share-based payments [1]	9.5	6.4
Pension benefits	1.2	1.2
Total	**17.7**	**15.7**

1 Refer to note 19, employee participation plan - share-based payments.

Detailed information regarding remuneration of the Board of Directors and Group Management are included in the compensation report (as of page 53 of the download version of this report). Information regarding participations of the Board of Directors and Group Management of Sika AG can be found in the Sika AG's Financial Statements (on page 147 of the download version of this report).

RELEASE OF FINANCIAL STATEMENTS FOR PUBLICATION

The Board of Directors of Sika AG approved the Consolidated Financial Statements for publication on February 21, 2018. The financial statements will be submitted for approval to the Annual General Meeting on April 17, 2018.

EVENTS AFTER THE BALANCE SHEET DATE

The following events occurred between December 31, 2017, and the release of these Consolidated Financial Statements:

ACQUISITIONS. On January 15, 2018, Sika acquired a 75% majority stake in Index S.p.A. Construction Systems and Products, Italy, a leading manufacturer of roofing and waterproofing systems. By acquiring Index, Sika will extend its product range and significantly strengthen its position in the Italian market. Its product portfolio consists of technologically advanced bituminous membranes for roofing and waterproofing, products for thermal and acoustic insulation, as well as waterproofing and repair mortars. In 2017, Index generated annual sales of around CHF 115 million. A put-and-call agreement has been concluded with the seller for the remaining 25% shares in the company. The owner of the minority interests can exercise his put option from April 2018. Sika can exercise the call option from the beginning of 2019. Therefore, Sika considers the outstanding minority interests to have already been acquired and will consolidate the stake to 100%. The total expected cash outflow is estimated at CHF 185 million. Since the final determination of the purchase price and the conversion of the accounting from a successfully managed family business to Sika's international accounting standards have not yet been completed, the information required to prepare a detailed purchase price allocation is not yet available.

In February 2018, Sika further acquired Faist ChemTec Group, a leading manufacturer of high-performance engineered, structure-borne acoustic solutions for the automotive industry. Faist ChemTec has strong technology and process know-how in modified bituminous and rubber-based extruded products for the structure-borne noise management in the automotive industry. Sika's strength in airborne noise treatments and reinforcing parts is complemented by these acquired technologies. In addition, Sika will gain knowledge in acoustic technology for the white goods market and the construction industry. Faist ChemTec achieved sales of around CHF 190 million in 2017. The cash outflow for the acquisition amounted to CHF 348 million. The antitrust authorities approved the transaction at the beginning of February 2018. The detailed figures were accessed when the transaction was completed on February 16. As the transaction was only completed so shortly before the publication of the Consolidated Financial Statements, it has not yet been possible to make independent valuations of the assets and liabilities.

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	40,471	100	
Algeria	❑ Sika El Djazaïr SpA, Les Eucalyptus	DZD	313,400	100	◆
Austria	❍ Sika Österreich GmbH, Bludenz	EUR	2,500	100	◆ ★
	❍ Bitbau Dörr GmbH, Innsbruck	EUR	37	100*	
Azerbaijan	❍ Sika Limited Liability Comp., Baku	AZN	5,311	100	◆
Bahrain	❍ Sika Gulf B.S.C., Adliya	BHD	1,000	51*	◆ ★ ✲
	▲ Sika Arabia Holding Company WLL, Manama	BHD	6,000	51	
Belarus	❍ S I K A Bel LLC, Minsk	USD	300	100	
Belgium	❍ Sika Belgium NV, Nazareth	EUR	10,264	100	◆ ★
	✜ Sika Automotive Belgium S.A., Saintes	EUR	1,649	100	◆ ★
Bosnia-Herzegovina	✜ Sika BH d.o.o., Sarajevo	BAM	795	100	
Bulgaria	✜ Sika Bulgaria EOOD, Sofia	BGN	340	100	◆ ★
Cameroon	✜ Sika Cameroon SARL, Douala	XAF	982,500	100	
Croatia	✜ Sika Croatia d.o.o., Zagreb	HRK	4,000	100	◆ ★
Czech Republic	❍ Sika CZ, s.r.o., Brno	CZK	30,983	100	◆ ★
	▲ KVK Holding a.s., Prague	CZK	2,058	100*	
	❍ KVK PARABIT, a.s., Svoboda nad Upou	CZK	97,232	100*	
	❍ Krkonošské vápenky Kunčice, a.s., Kunčice nad Labem	CZK	25,000	100*	
Denmark	❍ Sika Danmark A/S, Farum	DKK	6,000	100	◆ ★
Djibouti	✜ Sika Djibouti FZE, Djibouti City	USD	300	100	
Egypt	❍ Sika Egypt for Construction Chemicals S.A.E., Cairo	EGP	10,000	100	◆ ★ ✲
	❍ Sika Manufacturing for Construction, S.A.E., Cairo	EGP	2,000	100	◆ ★ ✲
Estonia	✜ Sika Estonia Oü, Tallinn	EUR	3	100	
Ethiopia	❍ Sika Abyssinia Chemicals Manufacturing PLC., Addis Abeba	ETB	49,760	100	
Finland	❍ Oy Sika Finland Ab, Espoo	EUR	850	100	◆ ★
France	❍ Sika France SAS, Paris	EUR	18,018	100	◆ ★ ✲
	❍ Axson France SAS, Cergy-Pontoise Cedex	EUR	1,343	100*	◆ ★ ✲
Germany	▲ Sika Holding GmbH, Stuttgart	EUR	26,000	100*	
	❍ Sika Deutschland GmbH, Stuttgart	EUR	75	100*	◆ ★
	❍ Sika Automotive GmbH, Hamburg	EUR	5,300	100*	◆ ★
	❍ Sika Trocal GmbH, Troisdorf	EUR	4,000	100*	◆ ★
	▮ Sika Bauabdichtungs-GmbH, Stuttgart	EUR	50	100*	
Greece	❍ Sika Hellas ABEE, Kryoneri	EUR	9,000	100	◆ ★ ✲
Hungary	✜ Sika Hungária Kft., Budapest	HUF	483,000	100	◆ ★
Iran	❍ Sika Parsian P.J.S. Co., Tehran	IRR mn	203,424	100	
Iraq	❍ Sika for General Trading LLC, Erbil	IQD	1,000	100	
Ireland	✜ Sika Ireland Ltd., Dublin	EUR	1,270	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	◆ ★ ✲
	✜ Axson Italia S.r.l., Saronno	EUR	50	100*	

Country		Company[1]		Capital stock in thousands	Voting- and capital share in %	Certification
Ivory Coast	❍	Sika Côte d'Ivoire SARL, Abidjan	XOF	804,200	100	
Jordan	✥	The Swiss Construction Chemicals Co. Ltd., Amman	JOD	50	100	
Kazakhstan	❍	Sika Kazakhstan LLP, Almaty	KZT	690,394	100	◆★
Kenya	❍	Sika Kenya Ltd., Nairobi	KES	50,000	100	
Kuwait	✥	Sika Kuwait for Construction Materials & Paints Co WLL, Shuwaikh Industrial Area	KWD	55	51*	
Latvia	❍	Sika Baltic SIA, Riga	EUR	1,237	100	
Lebanon	❍	Sika Near East SAL, Beirut	LBP	400	100	
Mauritius	❍	Sika (Mauritius) Ltd., Plaine Lauzun	MUR	2,600	100*	◆
Morocco	❍	Sika Maroc, Casablanca	MAD	55,000	100	◆★✲
Mozambique	❍	Sika Moçambique Limitada, Maputo Province	MZN	205,691	100	
Netherlands	❍	Sika Nederland B.V., Utrecht	EUR	1,589	100	◆★✲
Nigeria	❍	Sika Manufacturing Nigeria Limited, Lagos	NGN	510,350	100	
Norway	❍	Sika Norge AS, Skjetten	NOK	42,900	100	◆★
Oman	✥	Sika LLC, Muscat	OMR	150	51	
Pakistan	❍	Sika Pakistan (Pvt.) Ltd., Lahore	PKR	499,969	100	
Poland	❍	Sika Poland Sp.z.o.o., Warsaw	PLZ	12,188	100	◆★✲
Portugal	❍	Sika Portugal – Productos Construção Indústria SA, Vila Nova de Gaia	EUR	1,500	100	◆★
Qatar	✥	Sika Qatar LLC, Doha	QAR	200	51*	◆
Romania	❍	Sika Romania s.r.l., Brasov	RON	1,285	100	◆★✲
Russia	❍	Sika LLC, Lobnya	RUB	535,340	100	◆★
Saudi Arabia	❍	Sika Saudi Arabia Co Ltd., Riyadh	SAR	41,750	51	◆★
Senegal	❍	Sika Sénégal SARLU, Dakar	XOF	900,000	100	
Serbia	❍	Sika Srbija d.o.o., Simanovci	EUR	373	100	
Slovakia	✥	Sika Slovensko spol. s.r.o., Bratislava	EUR	1,131	100	◆★
	❍	Axson Central Europe s.r.o, Zlaté Moravce	EUR	7	100	◆★
	✥	KVK Slovakia, s.r.o., Bratislava	EUR	7	100*	
Slovenia	✥	Sika Slovenija d.o.o., Trzin	EUR	1,029	100	◆★
South Africa	❍	Sika South Africa (Pty) Ltd., Pinetown	ZAR	25,000	100	◆★✲
Spain	❍	Sika S.A.U., Alcobendas	EUR	19,867	100	◆★✲
	✥	Axson Technologies Spain S.L., Les Franqueses del Valles	EUR	80	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, Zurich	CHF	100	100	
	❍	Klebag AG, Ennetbürgen	CHF	100	100*	
Tanzania	❍	Sika Tanzania Construction Chemicals Limited, Dar es Salaam	TZS mn	3,459	100	
Tunisia	❏	Sika Tunisienne Sàrl, Douar Hicher	TND	150	100*	◆★

Country		Company[1]		Capital stock in thousands	Voting- and capital share in %	Certification
Turkey	❍	Sika Yapi Kimyasallari A.S., Tuzla	TRY	6,700	100	◆★✲
	❍	ABC Kimya Sanayi ve Dış Ticaret Anonim Şirketi, Istanbul	TRY	5,200	100*	
UAE	❍	Sika UAE LLC, Dubai	AED	1,000	51*	◆★✲
	✜	Sika International Chemicals LLC, Abu Dhabi	AED	300	51*	
Ukraine	❍	LLC «Sika Ukraina», Kiev	UAH	2,933	100	◆
United Kingdom	❍	Sika Ltd., Welwyn Garden City	GBP	10,000	100	◆★✲
	❍	Everbuild Building Products Ltd., Leeds	GBP	21	100*	◆★✲
	❍	Incorez Ltd., Preston	GBP	1	100	◆★✲
	✜	Axson UK Ltd., Suffolk	GBP	1	100*	
North America						
Canada	❍	Sika Canada Inc., Pointe Claire/QC	CAD	5,600	100	◆★
USA	❍	Sika Corporation, Lyndhurst/NJ	USD	72,710	100	◆★
	▲	Sarnafil Services Inc., Canton/MA	USD	1	100*	★
	❍	Axson Tech US Inc., Madison Heights/MI	USD	4,602	100*	◆★
	❍	L.M. Scofield Company, Commerce/CA	USD	32	100*	
	❍	Rmax Operating LLC, Dallas/TX	USD	11,220	100*	
	❍	Butterfield Color, Inc., Aurora/IL	USD	1	100*	
	❍	Emseal Joint Systems Ltd., Westborough/MA	USD	1,040	100*	
	❍	Emseal LLC, Westborough/MA	USD	1	100*	◆★
Latin America						
Argentina	❍	Sika Argentina SAIC, Caseros	ARS	7,600	100	◆★✲
Bolivia	❍	Sika Bolivia SA, Santa Cruz de la Sierra	BOB	1,800	100	◆
Brazil	❍	Sika S/A, Osasco	BRL	280,981	100	◆★✲
Chile	❍	Sika S.A. Chile, Santiago de Chile	CLP mn	4,430	100	◆★
Colombia	❍	Sika Colombia SA, Tocancipá	COP mn	14,500	100	◆★
Costa Rica	❍	Sika productos para la construcción S.A., Heredia	CRC	825,005	100	
Dom. Republic	❍	Sika Dominicana SRL, Santo Domingo Oeste	DOP	12,150	100	
Ecuador	❍	Sika Ecuatoriana SA, Guayaquil	USD	1,982	100	◆★
El Salvador	✜	Sika El Salvador S.A. de C.V., Antiguo Cuscatlán	USD	2	100	
Guatemala	❍	Sika Guatemala SA, Ciudad de Guatemala	GTQ	2,440	100	
Mexico	❍	Sika Mexicana SA de CV, Corregidora	MXN	270,053	100	◆★
	❍	Sikalkoat de México, S.A. de C.V., Corregidora	MXN	15,050	100*	
	❍	Axson Mexico S.A. de CV, Mexico City	MXN	700	100*	◆
Nicaragua	✜	Sika Nicaragua S.A., Managua	NIO	20,000	100	
Panama	❍	Sika Panamá SA, Ciudad de Panamá	USD	200	100	
	▲	Sika Latin America Mgt. Inc, Ciudad de Panamá	USD	10	100	
Paraguay	❍	Sika Paraguay S.A., Asunción	PYG mn	40	100	
Peru	❍	Sika Perú S.A.C., Lima	PEN	3,500	100	◆★
Uruguay	❍	Sika Uruguay SA, Montevideo	UYP	22,800	100	◆★
Venezuela	❍	Sika Venezuela SA, Valencia	VEF	29,441	100	

Country		Company[1]		Capital stock in thousands	Voting- and capital share in %	Certification
Asia/Pacific						
Australia	❍	Sika Australia Pty. Ltd., Wetherill Park	AUD	4,000	100	◆★✲
Bangladesh	✜	Sika Bangladesh Limited, Dhaka	BDT	809	100	
Cambodia	❍	Sika (Cambodia) Ltd., Phnom Penh	KHR	422,000	100	
China	❍	Sika (China) Ltd., Suzhou	USD	35,000	100	◆★✲
	❍	Sika Sarnafil Waterproofing Systems (Shanghai) Ltd., 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 (Hebei) Building Material Ltd., Zhengding County	CNY	30,000	85*	◆★✲
	❍	Axson Technologies Shanghai Co. Ltd., Shanghai	CNY	2,666	100*	◆
	❍	Ronacrete (Guangzhou) Construction Products Limited, Guangzhou	CNY	16,924	100*	
Hong Kong	❍	Sika Hong Kong Ltd., Shatin	HKD	30,000	100	◆★
	✜	Ronacrete (Far East) Ltd., Shatin	HKD	450	100*	
India	❍	Sika India Private Ltd., Mumbai	INR	45,000	100	◆★
	✜	Axson India Private Limited, Pune	INR	3,000	100*	
Indonesia	❍	Sika Indonesia P.T., Bogor	IDR mn	3,282	100	◆★
Japan	❍	Sika Ltd., Shinagawa	JPY	490,000	100	◆★
	✜	Dic Proofing Co. Ltd., Tokyo	JPY	90,000	100*	
	❍	Dyflex Co. Ltd., Tokyo	JPY	315,175	100	◆★
	▮	DCS Co. Ltd., Toda-shi	JPY	30,000	100*	
	❍	Axson Japan K.K., Okazaki-shi	JPY	10,000	100*	
Korea	❍	Sika Korea Ltd., Seoul	KRW mn	5,596	100	◆★
Malaysia	❍	Sika Kimia Sdn. Bhd., Nilai	MYR	5,000	100	◆★
	▲	Sika Harta Sdn. Bhd., Nilai	MYR	10,000	100	
	❍	LCS Optiroc Sdn. Bhd., Johor Bahru	MYR	100	100	◆★✲
Mongolia	❍	Sika Mongolia LLC, Ulaanbaatar	MNT mn	7,091	100	
Myanmar	❍	Sika Myanmar Limited, Dagon Myothit (South) Township	MMK	541,363	100	
New Zealand	❍	Sika (NZ) Ltd., Auckland	NZD	1,100	100	◆★
Philippines	❍	Sika Philippines Inc., Las Pinas City	PHP	55,610	100	◆★
Singapore	❍	Sika Singapore Pte. Ltd., Singapore	SGD	400	100	◆
	▲	Sika Asia Pacific Mgt. Pte. Ltd., Singapore	SGD	100	100	
	❍	LCS Optiroc Pte. Ltd., Singapore	SGD	1,000	100	◆★✲
Sri Lanka	❍	Sika Lanka (Private) Limited, Ekala	LKR	129,100	100	◆★
Taiwan	❍	Sika Taiwan Ltd., Taoyuan County	TWD	40,000	100	◆★
Thailand	❍	Sika (Thailand) Ltd., Chonburi	THB	200,000	100	◆★✲
Vietnam	❍	Sika Limited (Vietnam), Dong Nai Province	VND mn	44,190	100	◆★

❑ Production, sales, construction contracting
❍ Production and sales
✜ Sales
▲ Real estate and service companies
▮ Construction contracting

◆ ISO 9001 (Quality Management)
★ ISO 14001 (Environmental Management)
✲ OHSAS 18001 (Occupational Health and Safety)

1 For associated companies see note 7.
* Company indirectly held by Sika AG.

REPORT OF THE STATUTORY AUDITORS TO THE ANNUAL GENERAL MEETING OF SIKA AG, BAAR

STATUTORY AUDITOR'S 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 December 31, 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and appendix to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 89 to 138 of the download version of this report) give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

BASIS FOR OPINION

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE – VALUATION

AREA OF FOCUS. Goodwill and intangible assets with indefinite useful life represent 17% of the Group's total assets and 28% of the Group's total shareholders' equity as at December 31, 2017. Intangible assets with indefinite useful life is a brand. Goodwill recorded by the Group represents the purchase price in excess of the fair value of net assets of businesses acquired.
As stated in the accounting principles included in the notes to the consolidated financial statements, the carrying amounts of goodwill and intangible assets with indefinite useful life is tested annually or more frequently if impairment indicators are present. The Group performed its annual impairment tests of goodwill and intangible assets with indefinite useful life in the third quarter of 2017 and determined that there was no impairment. Key assumptions as well as the results of the impairment tests are disclosed in note 6 of the consolidated financial statements. In determining the recoverable amount of cash-generating units ("CGU"), management must apply judgment when using assumptions in respect of future market and economic conditions such as the economic growth and expected inflation rates. Due to the significance of the carrying values of goodwill and intangible assets with indefinite useful life and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

OUR AUDIT RESPONSE. We assessed the Group's internal control over its annual impairment test and key assumptions applied as well as the proper authorization and approval. Further, we assessed whether the CGU structure is aligned with the organizational structure. We included in our team a valuation expert to assist us with our assessment of the WACC, expected inflation rates and the model used. We assessed sensitivities in the available headroom of CGUs and whether a possible change in assumptions such as forecasted EBITDAs, growth rate in the first year, long-term growth rate, and WACC could cause the carrying amount to exceed its recoverable amount. We also assessed the historical accuracy of the Group's estimates and long-term business plans. Finally, we assessed the adequacy of the Group's disclosures included in note 6 of the consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

OTHER INFORMATION IN THE ANNUAL REPORT

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

Our opinion on the consolidated financial statements does not cover the other information in the annual report 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 in the annual report 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.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Zurich, February 21, 2018

ERNST & YOUNG LTD

CHRISTOPH MICHEL	MARC RÜEGSEGGER
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

SIKA AG, BAAR FINANCIAL STATEMENTS

SIKA AG BALANCE SHEET AS OF DECEMBER 31

in CHF mn	Notes	2016	2017
Cash and cash equivalents	1	448.6	362.8
Securities		0.1	0.1
Other current receivables from subsidiaries	2	1,508.5	2,560.9
Other current receivables from third parties	2	2.3	2.1
Prepaid expenses and accrued income		2.4	4.4
Current assets		**1,961.9**	**2,930.3**
Investments	3	1,364.7	1,612.7
Property, plant, and equipment		0.3	0.2
Other non-current assets	4	20.7	5.8
Non-current assets		**1,385.7**	**1,618.7**
ASSETS		**3,347.6**	**4,549.0**
Accounts payable to subsidiaries	5	7.9	1.7
Accounts payable to third parties	5	1.0	0.8
Current interest-bearing liabilities to subsidiaries	6	181.7	228.7
Current interest-bearing liabilities to third parties	6	0.0	150.0
Other current liabilities to subsidiaries		0.0	2.0
Accrued expenses and deferred income	7	40.4	90.7
Current provisions	9	1.9	2.4
Current liabilities		**232.9**	**476.3**
Non-current interest-bearing liabilities	6	700.0	550.0
Other non-current liabilities	8	2.5	2.1
Non-current provisions	9	2.6	1.9
Non-current liabilities		**705.1**	**554.0**
LIABILITIES		**938.0**	**1,030.3**
Share capital		1.5	1.5
Legal capital reserves		56.5	56.5
Legal retained earnings		4.0	4.0
Voluntary retained earnings		121.7	121.7
Profit brought forward		2,236.9	3,341.6
Treasury shares	10	-11.0	-6.6
Shareholders' equity	11	**2,409.6**	**3,518.7**
LIABILITIES AND SHAREHOLDERS' EQUITY		**3,347.6**	**4,549.0**

SIKA AG INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	2016	2017
Dividend income	12	337.4	391.9
Financial income	13	20.3	37.5
Trademark licenses income	14	71.8	48.6
Other income	15	19.3	22.5
Income		**448.8**	**500.5**
Financial expenses	16	-23.4	-24.5
Personnel expenses		-16.2	-16.5
Other operating expenses	17	-35.6	-20.8
Operating profit before depreciation		**373.6**	**438.7**
Impairment losses (-)/reversal of an impairment loss (+) on investments		-2.8	-1.8
Depreciation and amortization expenses	18	-8.0	-0.1
Extraordinary, non-recurring or prior-period income	19	289.0	1,000.0
Extraordinary, non-recurring or prior-period expenses	20	-1.0	0.0
Net profit before taxes		**650.8**	**1,436.8**
Direct taxes	21	-28.4	-88.4
Net profit for the year		**622.4**	**1,348.4**

NOTES TO THE SIKA AG FINANCIAL STATEMENT

PRINCIPLES

GENERAL
The 2017 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.

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. CASH AND CASH EQUIVALENTS CHF 362.8 MN (CHF 448.6 MN)
All bank deposits are held in interest-bearing accounts, whereof CHF 330.3 million (CHF 406.7 million) are invested in Swiss francs and CHF 32.5 million (CHF 41.9 million) in foreign currencies.

2. OTHER CURRENT RECEIVABLES FROM SUBSIDIARIES AND THIRD PARTIES CHF 2,563.0 MN (CHF 1,510.8 MN)
Receivables consist of short-term loans to subsidiaries in the amount of CHF 2,548.9 million (CHF 1,497.0 million). The increase is due to the sale of the umbrella brand to Sika Technology AG of CHF 1,000.0 million.

In addition, Sika AG has receivables of CHF 12.0 million (CHF 11.5 million) from Sika subsidiaries and receivables from third parties in the amount of CHF 2.1 million (CHF 2.3 million).

3. INVESTMENTS CHF 1,612.7 MN (CHF 1,364.7 MN)
The change in shareholdings is essentially attributable to the acquisition of new subsidiaries and capital increases.

Major participations are indicated on the list of Group companies beginning on page 135 of the download version of this report.

4. OTHER NON-CURRENT ASSETS CHF 5.8 MN (CHF 20.7 MN)
The other non-current assets contain the discounts and issue costs for bonds as well as non-current receivables from subsidiaries.

5. ACCOUNTS PAYABLE TO SUBSIDIARIES AND THIRD PARTIES CHF 2.5 MN (CHF 8.9 MN)
The total includes liabilities to subsidiaries in the amount of CHF 1.7 million (CHF 7.9 million) and liabilities to third parties in the amount of CHF 0.8 million (CHF 1.0 million).

6. INTEREST-BEARING LIABILITIES CHF 378.7 MN CURRENT/CHF 550.0 MN NON-CURRENT (CHF 181.7 MN/CHF 700.0 MN)
The current interest-bearing liabilities consist of loans to subsidiaries resulting from the worldwide cash management concept.

Furthermore, included in interest-bearing liabilities is the following bond:

1.000%	fixed-interest bond	2012 to 7/12/2018	CHF 150.0 mn

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

1.125%	fixed-interest bond	2013 to 11/14/2019	CHF 200.0 mn
1.750%	fixed-interest bond	2012 to 7/12/2022	CHF 150.0 mn
1.875%	fixed-interest bond	2013 to 11/14/2023	CHF 200.0 mn

7. ACCRUED EXPENSES AND DEFERRED INCOME CHF 90.7 MN (CHF 40.4 MN)
Accrued expenses and deferred income include pro rata interest, employee-related accruals as well as other accrued expenses. Furthermore, accrued taxes in the amount of CHF 82.1 million (CHF 23.6 million) are included in 2017, resulting from the sale of the umbrella brand to Sika Technology AG.

8. OTHER NON-CURRENT LIABILITIES CHF 2.1 MN (CHF 2.5 MN)
The other non-current liabilities contain the premium, less issue costs of the bonds in the amount of CHF 1.5 million (CHF 2.0 million).

9. PROVISIONS CHF 2.4 MN CURRENT/CHF 1.9 MN NON-CURRENT (CHF 1.9 MN/CHF 2.6 MN)
The current provisions contain commitments of CHF 2.0 million to the Sika pension fund as well as liabilities from forward contracts and conditional purchase price obligations.

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

10. TREASURY SHARES CHF 6.6 MN (CHF 11.0 MN)
Treasury shares are appropriated for Group-wide share-based payment plans and used to invest liquid assets. The shares are traded at market price; in 2017 the average trading price was CHF 6,450 (CHF 4,119).

in CHF mn	Units	Share value
At January 1, 2016	**343**	**0.9**
Reductions	-8,349	-33.0
Additions	14,358	56.8
Acquisition Scofield	-3,686	-13.7
At December 31, 2016	**2,666**	**11.0**
At January 1, 2017	**2,666**	**11.0**
Reductions	-6,114	-33.7
Additions	5,153	31.3
Acquisition Scofield	-337	-2.0
At December 31, 2017	**1,368**	**6.6**

11. SHAREHOLDERS' EQUITY CHF 3,518.7 MN (CHF 2,409.6 MN)
The shareholders' equity exceeds the prior year's level. The ratio of shareholders' equity to balance sheet total increased from 72.0% to 77.4%.

in CHF mn	Capital stock	Legal capital reserves[1]	Retained earnings[2]	Treasury shares	Share-holders' equity
January 1, 2016	**1.5**	**56.5**	**1,938.2**	**-0.9**	**1,995.3**
Dividend payment			-198.0		-198.0
Transactions with treasury shares				-10.1	-10.1
Net profit for the year			622.4		622.4
December 31, 2016	**1.5**	**56.5**	**2,362.6**	**-11.0**	**2,409.6**
January 1, 2017	**1.5**	**56.5**	**2,362.6**	**-11.0**	**2,409.6**
Dividend payment			-243.7		-243.7
Transactions with treasury shares				4.4	4.4
Net profit for the year			1,348.4		1,348.4
December 31, 2017	**1.5**	**56.5**	**3,467.3**	**-6.6**	**3,518.7**

1 Thereof CHF 0.3 million capital contribution reserves.
2 Retained earnings: legal retained earnings, voluntary retained earnings, and profit brought forward.

The capital stock remains unchanged. The increase in net profit is mainly due to the sale of the umbrella brand to Sika Technology AG. In April 2017, the dividend of CHF 243.7 million was paid to shareholders from the profit carried forward from 2016.

There is CHF 155,893.20 in contingent capital, unrestricted in time, comprising 259,822 bearer shares with a per-share nominal value of CHF 0.60. These shares are reserved for the exercise of option or conversion rights.

The capital stock consists of:

	Bearer shares[1] nominal value CHF 0.60	**Registered shares nominal value CHF 0.10**	**Total[1]**
12/31/2016 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107
12/31/2017 (units)	2,151,199	2,333,874	4,485,073
Nominal value (CHF)	1,290,719	233,387	1,524,107

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

12. DIVIDEND INCOME CHF 391.9 MN (CHF 337.4 MN)
Dividends from subsidiaries are recognized in this position.

13. FINANCIAL INCOME CHF 37.5 MN (CHF 20.3 MN)
Financial income includes interest income and gains from foreign exchange transactions.

14. TRADEMARK LICENSES INCOME CHF 48.6 MN (CHF 71.8 MN)
Sika AG receives license fees for the use of trademarks from subsidiaries. In the previous year, royalties were collected for the umbrella brand and product brands. In the year under review, only royalties for the umbrella brand were collected, as all royalties on product brands are collected by Sika Technology AG.

15. OTHER INCOME CHF 22.5 MN (CHF 19.3 MN)
Other income includes valuation adjustments and income from the allocation of cost to subsidiaries.

16. FINANCIAL EXPENSES CHF 24.5 MN (CHF 23.4 MN)
Financial expenses include the interest costs on bonds as well as foreign currency losses on loans to subsidiaries.

17. OTHER OPERATING EXPENSES CHF 20.8 MN (CHF 35.6 MN)
This position includes the holding company's general expenses. Other operating expenses mainly include legal and consulting fees, costs related to management training as well as marketing expenses. In addition, a provision in the amount of CHF 8.1 million was released in the year under review in connection with trademark rights.

18. DEPRECIATION AND AMORTIZATION CHF 0.1 MN (CHF 8.0 MN)
The decrease in depreciation and amortization is due to the fact that, in the previous year, product brand rights which were transferred to Sika Technology AG as of December 31,2016, were still being amortized.

19. EXTRAORDINARY, NON-RECURRING OR PRIOR-PERIOD INCOME CHF 1,000.0 MN (CHF 289.0 MN)
Extraordinary income includes the gain from the sale of the umbrella brand to Sika Technology AG, a wholly-owned subsidiary of Sika AG, in the amount of CHF 1,000.0 million. The previous year's income of CHF 289.0 million is attributable to the sale of the product trademarks.

20. EXTRAORDINARY, NON-RECURRING OR PRIOR-PERIOD EXPENSES CHF 0.0 MN (CHF 1.0 MN)
The extraordinary expenses in the previous year include a one-off cost allocation from a subsidiary.

21. DIRECT TAXES CHF 88.4 MN (CHF 28.4 MN)
In the reporting period the increase in direct taxes is based on the non-recurring profit made from the sale of the umbrella brand to Sika Technology AG.

OTHER INFORMATION

FULL-TIME EQUIVALENTS
The number of full-time equivalents for the reporting year is 46 (41) employees.

CONTINGENT LIABILITIES
Letters of guarantee and letters of comfort are issued to finance business transactions. No guarantees are required for the established zero-balance cash pooling. 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.

in CHF mn	2016	2017
Letters of guarantee		
Issued	92.2	84.9
Used	0.0	0.0
Letters of comfort		
Issued	5.0	8.7
Used	0.3	0.5
Credit lines to subsidiaries		
Issued	0.0	0.0
Used	0.0	0.0

NET RELEASE OF HIDDEN RESERVES
There is no net release of hidden reserves.

MAJOR SHAREHOLDERS
On December 31, 2017, the company had 51 (50) registered shareholders. Information regarding major shareholders can be found on page 133 of the download version of this report.

PARTICIPATIONS IN SIKA AG

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

	Number of shares 2016	2017
Board of Directors		
Paul Hälg, Chairman	577	577
Urs F. Burkard [1]	67	67
Frits van Dijk	92	92
Willi K. Leimer	67	67
Monika Ribar	89	89
Daniel J. Sauter	2,067	2,067
Ulrich W. Suter	67	67
Jürgen Tinggren	99	99
Christoph Tobler	167	167
Group Management		
Paul Schuler, CEO	828	942
Jan Jenisch	1,650	n.a.
Mike Campion	n.a.	117
Christoph Ganz	431	431
Heinz Gisel	504	n.a.
Thomas Hasler	265	259
Frank Höfflin	n.a.	103
Yumi Kan	86	99
Ivo Schädler	n.a.	92
Ernesto Schümperli	913	n.a.
José Luis Vásquez	877	678
Adrian Widmer	241	261
Total	**9,087**	**6,274**

1 Urs F. Burkard also has an interest in Schenker-Winkler Holding, which holds 2,330,853 registered shares and, according to information provided by the Burkard-Schenker family, 42,634 bearer shares in Sika AG.

In connection with share-based compensation plans the following number of shares were allocated. The shares are granted at the average market price of the first five trading days of April of the subsequent business year. In the year under review the average market price was CHF 6,290 (CHF 3,870).

	2016		2017	
in CHF thousands	Units	Nominal	Units	Nominal
Board of Directors	0	0.0	0	0.0
Group Management	599	2,315.7	406	2,553.7
Employees	213	823.5	139	874.3
Total	**812**	**3,139.2**	**545**	**3,428.0**

PROPOSED APPROPRIATION OF PROFIT BROUGHT FORWARD

THE BOARD OF DIRECTORS PROPOSES TO THE ANNUAL GENERAL MEETING THE FOLLOWING APPROPRIATION OF PROFIT BROUGHT FORWARD:

in CHF mn	2016	2017
Composition of the profit brought forward		
Net profit for the year	622.4	1,348.4
Results carried forward from prior year	1,614.5	1,993.2
Profit brought forward	**2,236.9**	**3,341.6**
Dividend payment		
Dividend payment out of the profit brought forward [1]	243.7	281.8
Results carried forward	**1,993.2**	**3,059.8**

1 Dividend payment for shares entitled to dividends (without treasury shares as per December 31, 2017).

For the year 2016, the Board of Directors' dividend proposal amounted to CHF 102.00 per bearer share and CHF 17.00 per registered share, totalling CHF 258.8 million. Instead, the annual general meeting approved a dividend of CHF 96.00 per bearer share and CHF 16.00 per registered share, resulting in a distribution of CHF 243.7 million in the current financial year.

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

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

in CHF	2016	2017
Bearer share [1] nominal value CHF 0.60		
Gross dividend	96.00	111.00
35% withholding tax on gross dividend	33.60	38.85
Net dividend	**62.40**	**72.15**
Registered share nominal value CHF 0.10		
Gross dividend	16.00	18.50
35% withholding tax on gross dividend	5.60	6.48
Net dividend	**10.40**	**12.03**

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

Payment of the dividend is tentatively scheduled for Monday, April 23, 2018.

Registered shareholders will receive payment of the dividend at the address provided to the company for the purposes of dividend distribution.

The Annual General Meeting of Sika AG will be held on Tuesday, April 17, 2018.

Baar, February 21, 2018

For the Board of Directors
The Chairman:
DR PAUL HÄLG

REPORT OF THE STATUTORY AUDITORS TO THE ANNUAL GENERAL MEETING OF SIKA AG, BAAR

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Sika AG, which comprise the balance sheet, income statement, and notes to the financial statements (pages 147 to 156 of the download version of this report), for the year ended December 31, 2017.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements for the year ended December 31, 2017, comply with Swiss law and the company's articles of incorporation.

REPORT ON KEY AUDIT MATTERS BASED ON THE CIRCULAR 1/2015 OF THE FEDERAL AUDIT OVERSIGHT AUTHORITY

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

INVESTMENTS IN SUBSIDIARIES

AREA OF FOCUS. Sika AG holds investments in subsidiaries that represent 35% of the total assets on stand-alone level. The various investments are disclosed in note "List of Group Companies" of the consolidated financial statements of Sika AG. Total investments are material to the entity and may be subject to changes in value. Accordingly, management performs regular impairment considerations and calculations to determine the value of each single investment. The investments in subsidiaries were considered significant to our audit as the amounts concerned are material and the assessments involve judgment in preparing the underlying key assumptions for the valuation.

OUR AUDIT RESPONSE. Our audit work for the valuation of the investments consisted of auditing management's valuation assessment and the underlying key assumptions. We also assessed the historical accuracy of the Company's estimates and long-term business plans. We performed our own calculations to assess the valuation of each investment.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 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 profit brought forward complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, February 21, 2018

ERNST & YOUNG LTD

CHRISTOPH MICHEL
Licensed audit expert
(Auditor in charge)

MARC RÜEGSEGGER
Licensed audit expert