

FAST AND SUCCESSFUL INTEGRATION OF PAREX ONE YEAR AFTER SIGNING



TOTAL SYNERGIES

More than
CHF 100 million
identified

QUICK ORGANI- ZATIONAL INTEGRATION

Over 20 countries
in fully integrated
management
structures

PROCUREMENT

Estimated
savings CHF 12
million

CROSS-SELLING

CHF 230 million
revenue
targeted with
over 100 projects

BUILDING TRUST



2019:

23%
ADDITIONAL
EMPLOYEES WITHIN
THE SIKA WORKFORCE

**CHF 1.3
BILLION**
PAREX
SALES

**CHF 100
MILLION**
OF EXPECTED
SYNERGIES

23
COUNTRIES TO
INTEGRATE INTO
LOCAL & REGIONAL
STRUCTURE

2,100+
EXCLUSIVE DAVCO SHOPS
SELLING SIKA PRODUCTS
IN CHINA

GOALS 2020:

15
COMPANIES TO BE LEGALLY
MERGED

CHF 30+ MILLION
ADDITIONAL
EBIT

9 OF 38
PAREX BRANDS TO BE
INTEGRATED FAST INTO
SIKA

100+
INITIATIVES TO EXECUTE
ON SPEND BETTER



DEAR FRIENDS

On January 8, 2019, exactly one year ago, we announced the signing of the Parex acquisition. Since then, we have been pressing ahead with the integration of Parex. Fully integrated management structures are already established in 20 of the 23 countries in which Parex is present. Joint business and procurement activities ensure that the synergy potential is fully exploited and the forecast synergies of CHF 80-100 million will be in the upper bandwidth range. Through cross-selling alone, we have identified CHF 230 million in sales with over 100 projects. Thanks to Parex, Sika has access to a billion-dollar distribution market in China. Sika solutions are currently sold in more than 2,000 Davco stores using a successful shop-in-shop concept.

We are delighted to see all the integration moves across the world. In the seven previous Parex integration newsletters, we shared many great examples which highlight the outstanding effort made by all countries to ensure that expertise, knowledge, competencies and synergies are fully optimized. Congratulations to the countries for the excellent progress made to date, and let's maintain the momentum throughout 2020!

« It is a real pleasure to work with all the teams across the world for the integration of Parex. The similar cultures, the common goals and the openness from both sides to learn from each other is the foundation of this successful project. It is inspiring to see all the progress that has been made in this first year, and we are looking forward to the year to come. »

PHILIPPE JOST
Head Construction

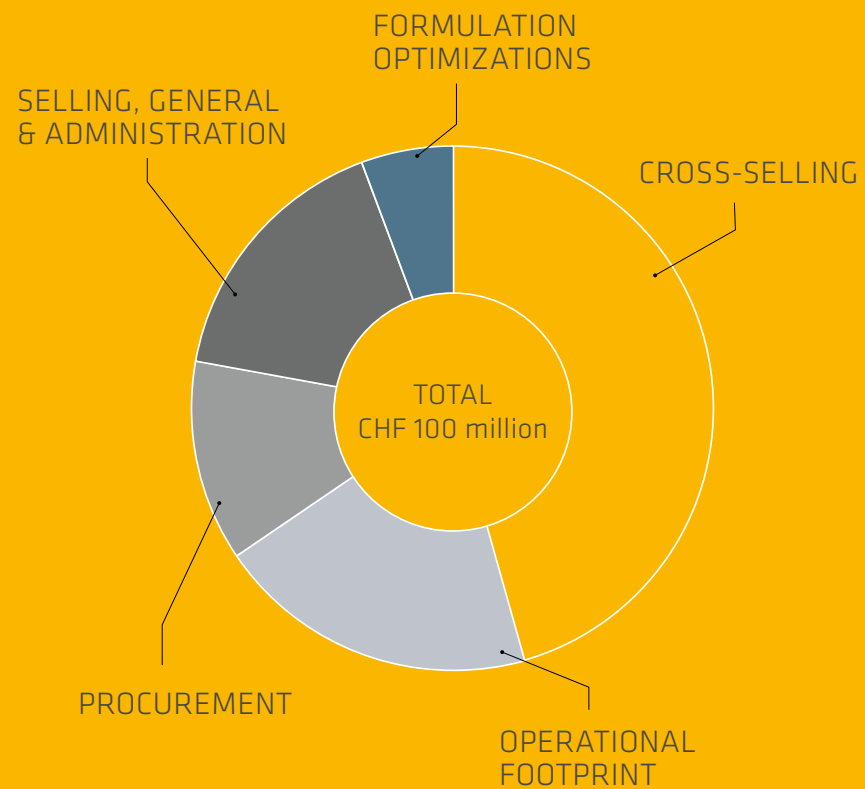
PAUL SCHULER
CEO

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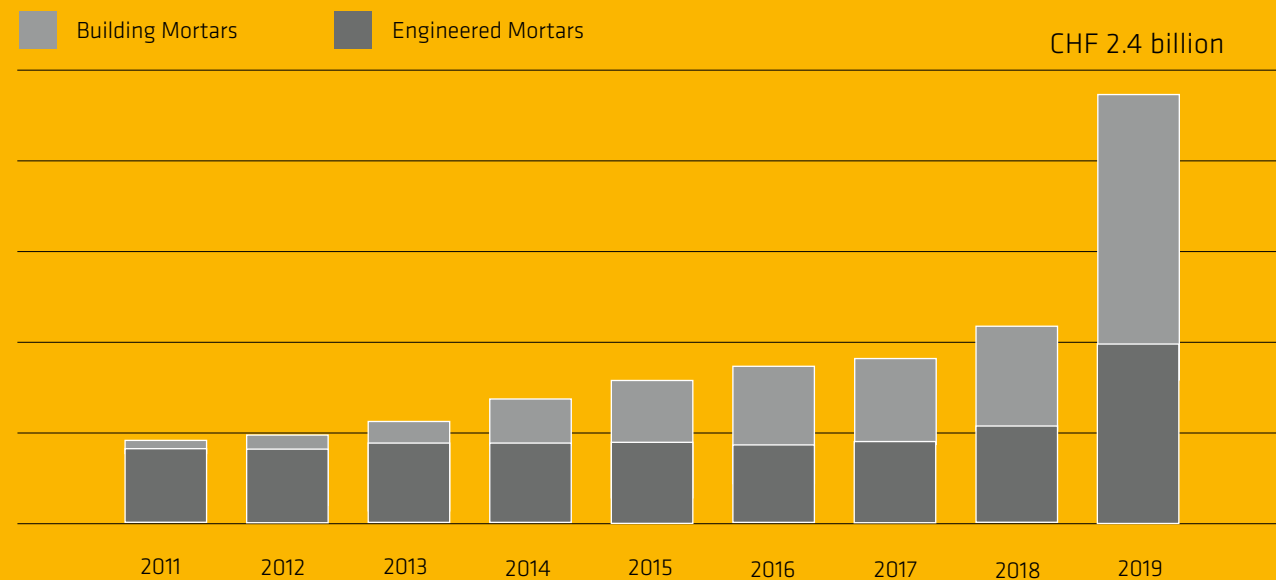
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FRONT COVER PHOTO: Sika and Parex Brazil closing celebrations at Sika Brazil Headquarters in Osasco

SYNERGIES BY LEVER



DEVELOPMENT IN BUILDING FINISHING 2011 TO 2019



FIRST KEY JOINT ACTIVITIES

AUSTRALIA

On September 6 and 7, Sika and Davco hosted the final of the Parex Tiler Contest in Australia. Following seven regional competitions, the finalists were invited to compete in Sydney. The winner was sent to China where the International Final took place in November. The full product range of Sika and Davco products helped to increase the competitors' efficiency. It was a great opportunity for the joint teams to reinforce strong partnerships with the tilers.

INTEGRATION OF TEAMS

JOINT PRODUCT PROMOTION



SINGAPORE

Using Davco stores to leverage Sika brand recognition, Sika Singapore distributes the full range of Sika and Davco solutions within its distribution channels. There are now Sika corners within Davco shops, which supports the growth of the Sealing & Bonding and Waterproofing products across the country.

FULL PRODUCT RANGE OFFERING

MERGER OF DISTRIBUTION CHANNELS



RESEARCH & DEVELOPMENT EMEA

Last October, the regional R&D Cementitious Specialists EMEA Meeting took place in Verona, Italy. Sika and Parex teams were invited to exchange, discuss and share their expertise and knowledge. The main topics were formulation assessments, hands-on product benchmarking and innovation workshops. A great way to learn from each other and build the growth for the future together.

INTEGRATION OF ORGANIZATIONS

EXCHANGE OF KNOWLEDGE



CHILE

Two members of the Parex Marketing team joined the Sika Marketing team in September 2019. Thanks to this collaboration, a new concept for trade shows has been designed, which includes the most famous Parex brands in Chile: Cadina and Presec. This has proven to be a great opportunity to leverage the recognition of our brands, and to send a strong signal to the market.

INTEGRATION OF TEAMS

COMMON BRANDING





HIGH DISTRIBUTION GROWTH IN CHINA

GROWTH TRAJECTORY IN CHINA

More than 25 million new apartments and hundreds of thousands of high-rise apartment blocks are built every year in China. The country continues to develop at breakneck pace, and the key driver of this trend is urbanization. By 2030, seven out of every ten Chinese inhabitants will be urban dwellers, and a further 150 million people will have moved to the city in the meantime.

BUILDING FINISHING BUSINESS BOOMS

In parallel to this surge in need for new accommodation, demand for construction materials used in the finishing of buildings is also rocketing. China differs from the world's other major construction market in one very particular way: be it in Shanghai, Shenyang, or Hangzhou, construction companies build apartment blocks as shell constructions. The fitting of kitchens, installation of bathrooms or the laying of floors is the task of the apartment owner.

For Sika, the Chinese market offers enormous potential,

particularly in the mortar business, and this potential has increased with the successful integration of Parex. "Sika has a strong brand and broad spectrum of products, while Parex has the distribution network and the direct access to clients on the retail side," explains Olivier Chaudet, Head of Building Finishing China. "When it comes to the finishing of buildings, Sika offers a wide of range products, from facade mortar, tile glue, and waterproofing systems through to sealants and adhesives. And with the takeover of Parex, we have at a stroke acquired a presence in 1,200 cities, and thus cover around half of the entire market."

INCREASING SHARE OF SALES ACROSS THE GROUP

Sika is looking to increase its share of sales not only in China, but all over the world. By 2023, the group aims to increase the proportion of its business done in distribution to more than 40%. This will enable Sika to gain additional market share, particularly in countries where its products have up until now been primarily sold directly through projects, via general contractors and planners.

The integration of Parex has given Sika an enormous boost in China. The company now has access to the 3,000 exclusive shops of Davco – the brand under which Parex sells its products – as well as a further 110,000 points of sale across the country. This is a crucial breakthrough, as it is not the major construction markets that dominate the business in China. In order to meet their needs, local craftsmen typically drive their trucks and vans to one of the shopping streets on the urban periphery, where numerous shops vie for their business. And here, next to Davco products, Sika is now offering a selection of the very best sealants and adhesives. "Right next to established mortar products, craftsmen can find everything they need to install basins and bathtubs efficiently and reliably," points out Olivier Chaudet.

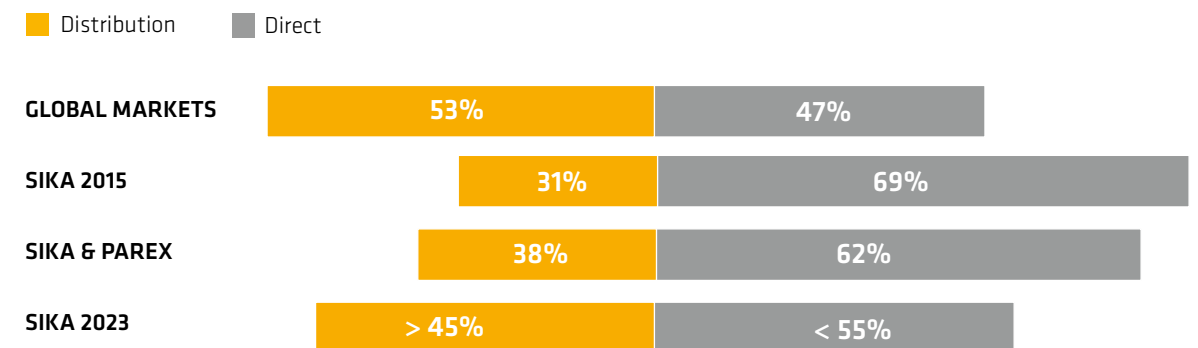
ANNUAL TILER COMPETITION

To help craftsmen use the products in the best way possible, Davco offers targeted training in its stores. Every year, more than 60,000 tilers throughout China learn the benefits of Davco's product range in this way.

The bond with craftsmen is also strengthened at the annual tiler competition. Since 2014, competitions have been held, first regionally and then nationally, to identify the best tilers in China. In 2019, thousands of professionals took part in 47 regional competitions, and more than 20 qualified for the national competition.

For the first year the competition went international and included not just the best tilers from China, but also from Paraguay, Argentina, France, Morocco and Australia. The winner and runner-up were tilers from China, followed closely by the Australian champion.

GLOBAL DISTRIBUTION: LARGE POTENTIAL FOR GROWTH



World Final Tiler Competition, Guangzhou, China





PARNATUR®, the first “easy-to-spray” thermal and phonic insulation hemp based mortar

INNOVATIVE JOINT R&D SOLUTIONS

SYNERGIES FOR FORMULATION COST AND PRODUCT PERFORMANCES

Significant efforts were put into benchmarking similar product couples and comparing formulations in order to optimize product performance and realize cost savings.

Differences in formulation costs mainly stem from:

- Formulation know-how
- Alternative raw materials
- Economies of scale (procurement, production)

“An impressive number of over 100 initiatives has already been identified to achieve synergies and optimization of both Parex and Sika products using our vast formulation know-how and expertise. The findings are not only starting to be implemented in countries where Parex is present, but are also being rolled-out to other Sika entities.” *Luz Grani-zo, Corporate Technology Head Cementitious Systems*

INNOVATION FOR SUSTAINABLE PRODUCTS

During 2019, Parex launched PARNATUR®, the first “easy-to-spray” thermal and phonic insulation hemp based mortar. It uses the hemp aggregates to achieve its unique performances and is a patent protected bio-sourced mortar solution for indoor comfort, acoustic and thermal insulation.

“The launch of PARNATUR® is an excellent example of how we are demonstrating our leading role in developing innovative binder concepts and products for the construction business. Together with the expertise of Sika, we are able to develop and roll-out sustainable solutions on a global scale.” *Evelyne Prat, Head R&D at Parex Group*



100+ INITIATIVES IDENTIFIED TO ACHIEVE SYNERGIES

2019 PAREX LAUNCHED PARNATUR®



AN INTERVIEW WITH GONZALO CAUSIN, GENERAL MANAGER SIKA SPAIN

PLEASE GIVE A SHORT OVERVIEW OF THE PAREX & SIKA BUSINESSES IN SPAIN

The focus of Parex in Spain is on the facade and tile-setting mortar business, whereas Sika is active across all the Target Markets. In terms of sales channels, Sika sells approximately half of its business via distribution, whereas Parex has a share of 65% in distribution and 35% in direct sales.

WHAT WAS YOUR FIRST REACTION WHEN YOU LEARNED ABOUT THE PAREX ACQUISITION?

I felt like it was a great opportunity for Sika Spain to grow and reach a leading position in the Building Finishing business, especially in the facade segment. Parex has a very strong position in the facade market, particularly in high-end solutions such as hydrophobic & photocatalytic renderings (e.g. Parex Aquasol) or ETIC Systems (External Thermal Insulation Composite Systems). Clearly, both organizations can become a unique market player offering comprehensive solutions for the building envelope.



AS THE GENERAL MANAGER OF SIKA SPAIN, CAN YOU DESCRIBE YOUR KEY ACTIONS AND RESPONSIBILITIES SINCE THE START OF THE INTEGRATION?

Firstly, I had to learn the whole Parex business model and understand the company culture. Secondly, was important to identify key talents within the Parex organization to achieve a

smooth integration and secure know-how and business expertise for the future. Thirdly, we are working on identifying and realizing synergies, especially opportunities to increase market share in the different application fields where Parex is active.

WHAT WILL BE YOUR FOCUS IN TERMS OF THE INTEGRATION FOR 2020?

Motivate Parex and Sika people to make it happen, and achieve our targets so that we can grow together.



l-r: Matthias Arnet, Marlene Morin, Yannick Hanselmann, Frederic Herbaut

STRONG COUNTRY SUPPORT FROM THE IMO TEAM

To ensure a consistent integration among all the countries involved, an IMO (“Integration Management Office”) team was nominated to assist with key integration topics including operations, cross-selling and Human Resources, and to provide support when needed.

Frederic Herbaut, Matthias Arnet, Marlene Morin and Yannick Hanselmann make up the IMO team, ensuring the proper integration of Parex. As a multifunctional team (Product, Branding, Distribution, General Management and Finance), they work with all involved functions to guarantee a successful integration. By adopting a systematic approach, the IMO team ensures that synergies are on track.

The team is excited to see all the advances across the 23 companies.

The IMO team works closely with the regional integration managers, local integration managers, General Managers and additional parties involved in the process. Due to its size and potential, the integration must be properly coordinated, and monitored. All the people involved are committed to its success and are working together to ensure a successful outcome.

If you have any questions for the IMO Team regarding the integration, please email imo@ch.sika.com.

26 PEOPLE WORKING IN THE CORE INTEGRATION TEAM

IMO TEAM RESPONSIBILITIES

PMI-REPORTING AND MONITORING PROCESS

- Provide Group Management with visibility on synergy achievement and one-time costs
- Allow for course corrections when deviations from plan occur
- Provide accurate and timely reporting on the realization of synergies, cost of achieving synergies and overall merger value
- Close management of investment and costs incurred to integrate, restructure and realize synergies
- Facilitate support, review and offer input from the IMO and Steering Committee on progress toward full synergy realization and risk mitigation

FUNCTIONAL COORDINATION & RISK MANAGEMENT

- Continuous alignment with Group functions (e.g. IT, Tax, HR) on key integration activities and ensure all cross-functional interdependencies are resolved
- Raise critical risks and deviations to Steering Committee
- Drumbeat phone calls planned once a month

BEST PRACTICE SHARING

- Identify best demonstrated practices based on real pilots and execution, and facilitate cross-country sharing and exchange
- Determine specific focus topics each month
- Build an overview with status for Spend Better, HR and Legal Mergers
- Define macro-steps for Operations

COACHING & CAPABILITY SHARING

- Act as sparring partner that guides country teams
- Anticipate risks and support mitigation

PAREX BRANDS INTEGRATION

- Monitoring the Parex brand integration plans, together with the countries
- Consolidating and tracking the plans across all regions
- Supporting market analysis and brand positioning

AN INTERVIEW WITH BRUNO JEREZ, HEAD CORPORATE DISTRIBUTION

WHAT WAS YOUR REACTION WHEN YOU LEARNED ABOUT THE PAREX ACQUISITION?

Excitement! I have known Parex for a long time, and I know they have good products and good people that bring a lot of new opportunities.



WHAT OPPORTUNITIES?

Sika and Parex now have the unique chance to develop the category “Floor Covering”. With our combined expertise, and all the products from our companies (Sika, Parex, Schönnox), our tile adhesive and self-leveling lines can cover the needs of our end-users. This also gives us access to a new market, and is a great way to increase our market share.

WHAT DO YOU SEE AS THE NEXT STEPS FOR THE INTEGRATION?

We will be working on the synergies within countries when it comes to the two brands. Most of the time we have complementary products, and different distributors, so we have to analyze where we can benefit the most from these cross-selling opportunities.

For the countries where Parex was not present, we can now develop this new category in order to strengthen our position in Distribution. Indeed, due to this acquisition, the distribution share within the Sika turnover has increased from 31% to 38%. We are now a stronger player in the mortar industry, and this is exciting!

CHF 230 MILLION
OF REVENUE
TARGETED WITH
CROSS-SELLING



ENHANCING OUR STRONG GLOBAL BRAND

SIKA - A STRONG GLOBAL BRAND

Sika strongly believes in a single brand strategy with one strong corporate brand and positioning. The brand has proven to be a valuable global asset that provides a seal of quality which our employees, customers and all stakeholders can rely on.

PAREX'S ASSET - STRONG REGIONAL BRANDS

With the acquisition of Parex, new strong regional brands were added to the Sika brand portfolio. They are a valuable asset that Sika will not only leverage, but also respect and treat with the utmost care.

FAST YET CAREFUL INTEGRATION

Sika will not only expedite the integration of the Parex brands, but will also carefully plan and execute the process to ensure that brand value is not being destroyed.

Corporate, in collaboration with expert teams in the countries, will decide on the brand strategy for every country and region. The goal is to further strengthen Sika's position as a global leader in the construction market.

To ensure that the brand integration process can be carried out efficiently and that internal processes and responsibilities are clear to everyone, Sika's co-branding guidelines were updated and enhanced.

PAREX'S STRONGEST BRANDS



ParexLanko has enjoyed strong recognition in tile adhesives by Builder Merchants for over 40 years with a particularly strong presence in Parex's home market, France.



Klaukol is the clear market leader in Argentina for ceramic tile setting materials with a brand awareness rate of almost 80%.



Davco is the strongest regional brand and the leader in tile adhesives and grouts in APAC with 110,000 point of sale in China alone.

PROCUREMENT

Procurement is the largest area of quick savings. We have secured more than CHF 12 million and further negotiations are on-going. We are also taking this opportunity to review the conditions with our suppliers, and to develop action plans to harmonize our raw materials. This will help us to be more efficient in the long term, and provide our customers with better solutions.

CHF 12 MILLION
ESTIMATED
PROCUREMENT
SAVINGS

INTERVIEW WITH ERIC LEMPEREUR, HEAD CORPORATE TARGET MARKET BUILDING FINISHING



WHAT DOES IT FEEL LIKE TO WORK FOR SIKA?

I am very proud and excited to work for Sika. Sika was always a benchmark, if not "the" benchmark, for Parex in everything that we did. Hence, the acquisition news was very positive for Parex teams since this was a unique opportunity to join a solid industry-driven group that would offer a larger and very complementary opportunity for growth.

WHAT ARE THE MAIN STRENGTHS OF THE TWO COMPANIES?

Sika has now become one of the few top three global leaders in Building Finishing. Sika offers one of the broadest product and service portfolios within the industry. It is actually amazing to see the diversity of tile setting and facade solutions that we can offer across the world since our product concepts and formulations adapt to local construction practices, climates, living standards and aesthetic requirements. We are able to combine technical performance and functional requirements with aesthetics, as well as ease and robustness of application, as in the case of tile grouts and facade finishing. Sika is one of the very few companies able to master construction systems from basement to roof and the connections between the different components of the building envelope. Last but certainly not least, it's the

people that make the difference, and Sika has solid, experienced and enthusiastic teams.

WHERE DO YOU SEE THE MOST POTENTIAL?

Building Finishing is mainly about housing, be it detached houses or high-rise buildings in ever-growing megacities. The new Target Market Building Finishing aims to provide Sika with reinforced access to new home building in fast-developing countries and home improvement and home thermal insulation in the highest income countries. We have a great portfolio of solutions to address both distribution and craftsmen needs. At the same time, our tile setting, facade and interior wall product ranges are currently only significantly being sold in a little more than 40 countries. This provides Sika with a great opportunity to roll-out its building finishing product range in all the other Sika countries. In those countries where Sika and Parex are already both present in building finishing, the respective product range and channels are most often fully complementary, thus paving the way for many cross-selling initiatives.

WHAT WILL BE YOUR TASKS IN 2020 AS THE HEAD OF THE NEWLY CREATED TARGET MARKET BUILDING FINISHING AT SIKA?

My first task is to get to know as many of the 24,000 employees in 101 countries as possible and to learn the Sika way. I still have a long way to go to complete this! All jokes aside, one of the first tasks will be to further develop a growth strategy with the regional and country teams as well as with R&D and all other departments within the group. This is about prioritizing, identifying the key success factors and the way we want to access the market, and preparing adapted product offerings to the country clusters that we target. Building Finishing is a new target market for a number of countries, hence sharing knowledge, best demonstrated practices and training will be at the very heart of our tasks.

FAST ADOPTION OF SIKA'S BRAND IDENTITY

Sika has pursued a fast integration of Parex. This is reflected in Sika's strong visual presence at various touchpoints.



Parex Headquarters, Shanghai



First shop-in-shop unit in a Davco store in China



Parex Headquarters and factory, Singapore



Sika Yellow Shop, China



Promotion of all brands at a tradeshow in Brazil



Sikaflex display unit at Davco store, Australia



Parex employees wearing Sika branded shirts



Davco plant, Shanghai



Opening celebrations of first shop-in-shop unit in a Davco store in China



Branding showroom at the Parex Headquarters, Shanghai



Davco plant in Guangzhou, China



Parex Headquarters, Shanghai



Sika and Parex Qatar teams together



Opening of third Sika Yellow Shop in Guangzhou, China

PULSE CHECK SURVEY

In order to gain an insight into how the integration process is moving along and being perceived, a survey was sent to 679 Sika and Parex employees in November 2019. The overall response rate was 58.5%, with a stronger participation from Parex.

The survey feedback has been taken into account, and the IMO team, along with the General Managers and the Integration managers, will continue to work on this.

84.3%
BELIEVE WE HAVE THE NECESSARY PEOPLE, CAPABILITIES, AND RESOURCES TO ACHIEVE THE SYNERGY GOAL AND ACHIEVE A SUCCESSFUL INTEGRATION

88.1%
AGREE OR STRONGLY AGREE THAT THEY FEEL POSITIVE ABOUT THE SIKA & PAREX COMBINATION



58.2%
WOULD LIKE TO HAVE MORE DETAILED INFORMATION



Sika Managers of Region Americas at the Sika Management Forum Americas, Argentina

ACHIEVEMENTS AND NEXT STEPS

2019 was the year of the first quick wins and the year of planning. The Sika and Parex teams spent the year getting to know each other, understanding the existing processes, and identifying potential synergies.

Last September, all plans were approved by Sika Management, and the first initiatives are being implemented. A clear focus was to develop cross-selling initiatives, for example with access to new distribution channels, to ensure future growth.

In 2020 our focus is on achieving an additional CHF 30 million of EBIT, starting to integrate nine Parex brands into Sika and legally merging 15 companies. To do so, each country has its roadmap, with clear milestones.

That being said, as every situation and country is unique, the length of the synergy process can vary depending on the country. But what matters is the goal to reach CHF 100 million of synergies by the end of 2022.

We also want to ensure the integration processes are well understood and that every team, Sika and former Parex employee, feels as if they belong to the same company: Sika.

With this in mind, we are listening to feedback and improving our communications process, and a new pulse check survey will be launched beginning of Q2 2020. People are the key success factors of any integration, and it is our role to ensure that everyone feels empowered.

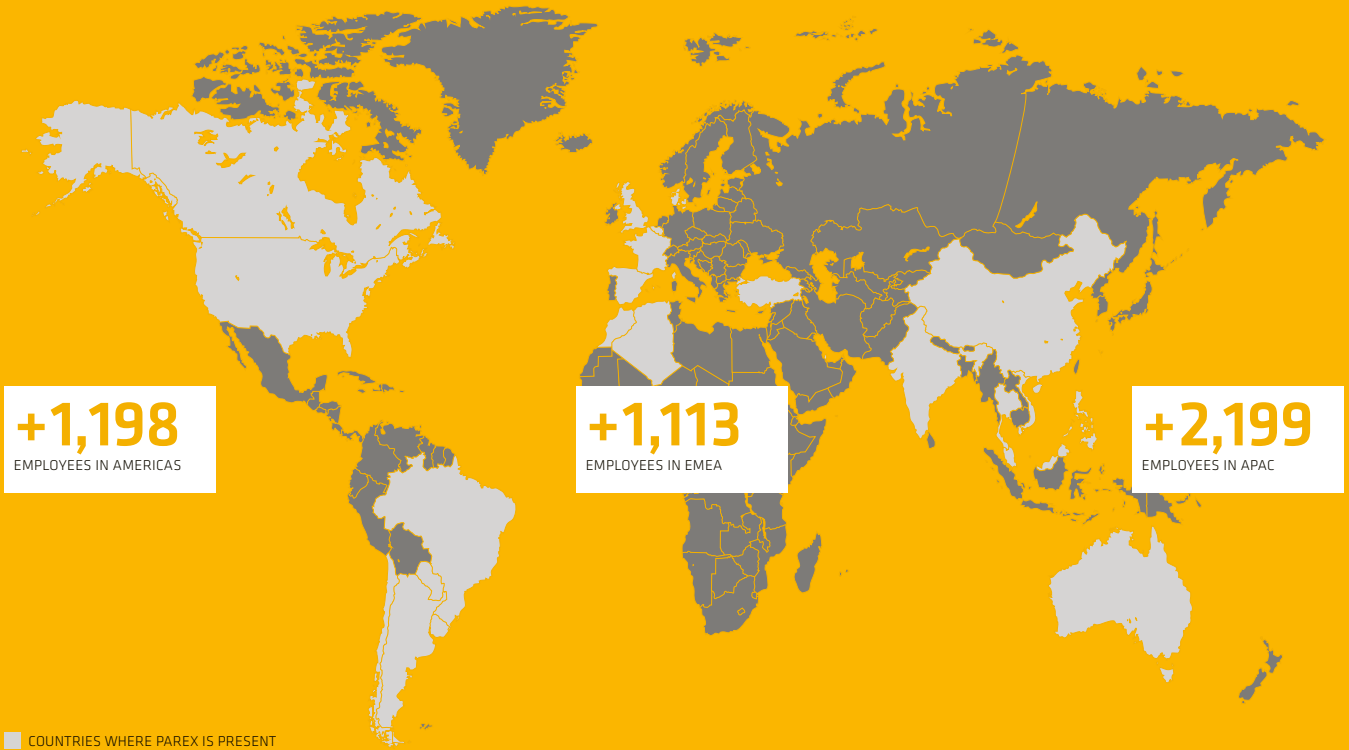
Finally, 2020 will give Sika countries that were not involved in the Parex integration the opportunity to benefit from the acquisition. With new product lines, and thanks to the newly established Target Market Building Finishing, every business will be able to increase their market share in this field.

Exciting times are ahead as we see numerous opportunities to extend our expertise.

We are looking forward to working together in 2020.

CHF 100 MILLION GOAL FOR SYNERGIES BY THE END OF 2022

WE WELCOME OUR NEW PAREX COLLEAGUES - AN ADDITIONAL BOOST FOR OUR BUSINESS IN 23 COUNTRIES!



TOGETHER WE ARE NOW MORE THAN 24,500 EMPLOYEES WORLDWIDE DEDICATED TO OUR CUSTOMERS.

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BUILDING TRUST

