



SPEECH BY DR. PAUL J. HÄLG, CHAIRMAN OF THE BOARD OF DIRECTORS, ON STRATEGY AND THE CURRENT SITUATION

– The spoken word prevails –

Dear shareholders, ladies and gentlemen

2018 was a historic year for Sika, during which the course was set for further growth and sustainable success. The three-and-a-half-year takeover dispute between the Burkard family, Saint-Gobain, and Sika ended in May with a solution that is fair to all parties. Moreover, with the introduction of the single class of shares and the “one share, one vote” principle, we have taken a significant step in the enhancement of our corporate governance.

At this point, I would like to once again express my warmest thanks to all shareholders who have supported us over the last few years.

As well as being another very good year for business, 2018 was also proof that we can still pack a punch and grow strongly now that we have put the takeover dispute behind us. With sales reaching a record CHF 7.1 billion, operating profit of CHF 946 million, and net profit of CHF 687 million, we can look back on the past financial year with pride.

The results of the last few years have demonstrated that we are on the right track with our Strategy 2020, and are implementing it successfully. We have managed to increase both sales and EBIT on an annual basis ever since 2012.

As well as the operating results, our investment in future growth has also been impressive.



The slide behind me gives you an overview of our strategic initiatives of recent years.

Since 2015 we have registered more than 300 new patents, opened 37 new factories, established 11 new national subsidiaries, and effected 20 acquisitions involving sales volumes of almost CHF 800 million.

However, the largest acquisition in our history was announced in January of this year.

In 2019, we will complete the takeover of Parex, a leading company in the area of mortar for internal construction and facades. Parex is active in 23 countries, with a very strong presence in Asia in particular. Thanks to an additional annual sales volume of more than EUR 1.2 billion, this acquisition will make us the leading supplier worldwide in the mortar area and further strengthen our technology portfolio.

Our market has a volume of CHF 80 billion in 2020 and remains highly fragmented on the supplier side. In other words, there will be further opportunities to support our growth with acquisitions going forward.

In addition, a number of our competitors are facing major changes, which should have the effect of accelerating the consolidation process in the coming years. Our aim is to play an active role in this process and expand our leading market position further. At the same time, we will be taking care to ensure a good balance between organic and acquired growth.

With this in mind, we will be elaborating our strategy for the period until 2023 this year. The Board of Directors and Group Management



initiated this process back in September of last year, and have now involved further levels of management. In October, the new Strategy 2023 will be presented to investors, analysts, and the wider public.

At this point, I would like to provide you with some examples of the megatrends on which our strategic growth assumptions are based.

Take urbanization, for example: The global population is growing continuously, and an increasing number of people are being attracted to urban centers, which is giving rise to “mega-metropolises”. This phenomenon in turn calls for greater construction density, improved infrastructure, and new structural engineering solutions. And then there’s sustainability: Natural resources are becoming ever scarcer, and mankind’s awareness of the importance of the environment is changing. The demand for environmentally-friendly, low-emission, and safe products is, therefore, rising steadily. Or how about mobility? More and more people are becoming increasingly mobile, which is why new concepts are required for both individual and public transportation. Alternative drive systems and the reduction of emissions are becoming increasingly important, while lightweight construction requirements are rising inexorably.

These megatrends are driving the growth of our markets. And we have been successfully navigating these markets for decades, producing responses to the new challenges that arise.

Allow me to explore the megatrend of urbanization in a little more detail. Urban centers act like magnets. Worldwide, three million people a week move into cities; by 2050 no fewer than 7 out of 10 people will live in an urban environment. The consequence of this? Major cities are going vertical. This is the only way to create space for the growing number of people being drawn to urban living.



In 2010, there were 50 so-called “supertall” skyscrapers. By 2030 there are expected to be no fewer than 600 buildings of this kind, a 12-fold multiplication in the space of just 20 years.

Such supertall skyscrapers have significant requirements as regards construction materials and, thus, as regards Sika's products. Given the stringent standards that these buildings have to meet in terms of strength, concrete becomes a key construction material. Moreover, tall buildings require extensive foundations encompassing multiple below-ground stories. These must be reliably sealed against water penetration. The skyscrapers’ glass facades must be able to withstand strong winds and major fluctuations in temperature.

Sika has the right technologies for all these challenges, from additives for high-performance concrete and self-leveling mortars to waterproofing solutions and glass facade sealants. The example of urbanization shows that Sika has the right answers to modern megatrends, and is, therefore, well equipped to face the future.

However, Sika is more than just a broad range of innovative products.

We cultivate an entrepreneurial management culture in which decisions are taken promptly, at the lowest possible level, and in proximity to the market in question. The more than 100 heads of our national subsidiaries have full entrepreneurial responsibility for the day-to-day business, the financial result, and strategy implementation. This enables us to respond to changes in the market rapidly and with agility.

The customer is always the focus, and we are renowned for our comprehensive solution-based approach and technically adept experts. Partnership with our customers begins at the planning



phase, when specifications for the various elements are drawn up, and continues throughout the project and on to the construction site. This holistic approach, that Sika employs, proves to be a key competitive advantage on complex major projects in particular.

In addition, a holistic approach involves fulfilling our responsibilities toward society and the environment.

We signed up to the UN Global Compact back in 2009 and respect its 10 principles on human rights and ethical business practice. Furthermore, we do not tolerate any gray areas when it comes to our Code of Conduct.

Under the slogan “More Value, Less Impact”, we also commit to meeting certain objectives in the area of sustainability on an annual basis and report our progress in this respect in keeping with the globally recognized GR14 standard. For example, the Sika Group reduced its energy consumption by 5.8% last year.

It is our aim with our corporate strategy to do the right thing by all stakeholder groups. Up until now, we have managed that with aplomb and we talk of the Sika success story with pride. As Sika shareholders, you have benefited from this too. Sika has been able to increase its dividend year after year. For today’s General Meeting, the Board of Directors is once again proposing to the shareholders an increase in the gross dividend, namely from CHF 1.85 to CHF 2.05 per registered share.

Dear shareholders, as you can see, Sika is determined to continue its success story, generate lasting added value, and improve its already excellent reputation with customers, shareholders, and business partners alike. At this point, on behalf of myself and the other members of the Board of Directors, I would like to offer you, our



esteemed shareholders, our heartfelt thanks for the solid backing you have given us over the last few years. A special debt of gratitude is owed to Paul Schuler and the members of Group Management, who have led Sika to yet another record result, as well as to our workforce of some 20,600 employees for their great dedication and commitment.

We are looking forward to tackling the business challenges that await us this year, and would like to assure you that we will do so with dedication, enthusiasm, and tenacity, with a view to ensuring that 2019 is another successful year for all of us.

Thomas Hasler will now present to you another example of our successful strategy implementation, namely our Global Business segment.