SPEECH OF DR. PAUL J. HÄLG, CHAIRMAN OF THE BOARD OF DIRECTORS

- The spoken word shall prevail -

Dear shareholders, ladies and gentlemen,

Before we now move on to the individual agenda items, I would once again like to set out the position of the Board of Directors on the hostile takeover attempt by Saint-Gobain to you all.

Why is the Board so resolutely against this transaction? Why does the Board enjoy the support of an impressive united front put up by shareholders, management, employees, financial analysts and politicians?

Essentially, the reasons remain the same as those that applied at the time of the initial announcement 16 months ago:

- **Complete control with just a 16% stake**
  Saint-Gobain would like to gain full control of Sika by holding just 16% of its share capital. To achieve this, Saint-Gobain is paying the sellers, the Burkard heirs, a premium of 80%. Anyone who controls the Board of Directors has full control of Sika. Up until now, Sika has always had a majority of independent Board members. This structure has been one of the key factors behind our company's success, and over the decades has also guaranteed an appropriate representation of all shareholders in the highest governing body. It is now Saint-Gobain's declared aim to secure a majority on the Board of Directors and to take over the office of Board chair, despite holding only a minority stake. The remaining shareholders would therefore only represent a minority in the Board, even though they hold a vast majority of 84 percent of the capital. The consequences for public shareholders would be drastic: They would no longer be effectively represented in the Board of Directors, and would be completely at the mercy of Saint-Gobain and its decisions. As a result of its majority in the Board, Saint-Gobain would call the tune in the future and would be in a position to enforce its own interests

with respect to all key decisions – such as the definition of strategy, investments and acquisitions, and above all the composition of the Group Management and appointments to other key positions.

- **Fatal prioritization of Saint-Gobain's interests and competitive distortion**
  Saint-Gobain would have a strong incentive to put Saint-Gobain's own business first over Sika's wherever conflicts of interest arise. Why would this be the case? Because Saint-Gobain would effectively only receive a sixth of every franc of profit made by Sika, as it holds only a 16% capital stake. By contrast, in Saint-Gobain's own business, it does not have to share the profit with anyone.

  This incentive to disadvantage Sika would have fatal consequences, in particular in the following three in certain areas:

  The first area is the mortar business, in which Sika competes directly with Weber, a wholly owned subsidiary of Saint-Gobain. It would be only logical to close Sika factories and have the corresponding mortar products manufactured by Saint-Gobain instead. This would result in Sika losing its expertise and competitive edge. The same holds true for acquisitions; again, it would be rather Weber than Sika to which promising acquisitions would be granted.

  Secondly, there is every reason to fear that Saint-Gobain would exploit Sika's strong position in growth markets to the detriment of Sika itself. Sika is active in 94 countries while Saint-Gobain is present in 60 countries only. Here it would be easy for Saint-Gobain to misuse Sika companies as a platform from which to leverage its own market entry. This would obviously come at the cost of Sika's own growth. How could that be in Sika's interest?

  Thirdly, in case of restructurings, it is to be expected that Saint-Gobain will give preference to its own workforce and that dismissals will first be made at Sika's facilities. After all, there have been no binding guarantees given in respect of Sika jobs so far, even if the public statements of Mr de Chalendar have been designed to convey a different impression.

- **Unrealistic synergies, high degree of wastage**
  Even 16 months after the original announcement, Saint-Gobain has yet to provide us with substantive evidence that the claimed synergies can be realized. In this context, it is telling that while Saint-Gobain may have devoted plenty of time to discussions with the press and analysts, Mr de Chalender has failed to find the time to explain his intentions to Sika's Board of Directors and Group Management directly and in person.

  Mere basic considerations suffice to question such purported synergies:

  - Essentially, the realization of synergies requires the complete integration of the purchased entities. But that is not an option in this case, as only 16% of the capital of Sika is to be acquired. In order to protect the interests of the other owners – namely the public shareholders – any kind of collaboration would require complicated and expensive agreements. We know of no case in the economy which aimed at achieving – let alone achieved – operating synergies in such a scenario.

  Furthermore, synergies would only be possible in areas where both Sika and Saint-Gobain are active. In addition, such areas would need to represent a logical as well as a geographical fit. Hence, such an overlap for activities of Sika and Saint-Gobain is limited, leaving only mortar sales of around CHF 550 million. And this is now supposed to represent the basis for realizing € 70 million of synergies at Sika? This would essentially mean virtually doubling what is already a high level of operating profit in this area. This becomes utterly unrealistic, in particular when you listen to Saint-Gobain's explanations. For example, savings are supposed to be made on the purchasing side, even though 90% of mortar consists of low-price sand and cement – commodities which are almost exclusively bought locally.

- The illusion of additional sales potential is also being persistently repeated: Saint-Gobain continues to assert that additional sales can be generated to Sika's benefit outside of the mortar area – i.e. that Saint-Gobain will sell products to Sika and vice versa. Such affirmation, too, lacks any plausibility:

  - Saint-Gobain is a leading distributor of construction materials, and is already a major client of Sika. If additional sales were attractive in this area, they would long since have been achieved.

  - Sika purchases goods from Saint-Gobain with a total value of only CHF 1.2 million per year. Given an overall sales volume of more than CHF 3 billion, this is less than 0.1%. Why should this be any different in the future – unless the group parent company were to impose such a development at Sika's expense?

  - Under the proposed ownership structure, Sika would equally be disadvantaged by the intended joint market presence. If joint offerings were to be imposed from above, it may be assumed that the uneven distribution of profits would see the margin of Saint-Gobain products benefit at the expense of Sika's own margin.

- **Negative operating consequences for Sika**
  Moreover, Sika could expect to suffer significant negative operating consequences as a result of the hostile takeover. In the assessment of the Board of Directors, such consequences would extend to the company as a whole:

  Focus switch from Strategy 2018 to synergy realization

  For Saint-Gobain, the focus lies on realizing the few synergies rather than the Strategy 2018. However, the cooperation models to be imposed by Saint-Gobain run counter to Sika's own business model, which is based on a clear assignment of responsibility for results and wide-ranging entrepreneurial freedom. Ladies and gentlemen, at this point I would like to remind you that Sika was able to increase its profit at EBIT level last year by CHF 80 million on a currency-adjusted basis. Set against this profit increase, the synergies as promised by Saint-Gobain fade into insignificance.

Downward convergence

It is only reasonable to assume that a change in control would see Sika's performance trajectory fall off and converge with the less impressive level of performance recorded by Saint-Gobain. What incentive would there be to raise Sika's performance levels to new heights, given a controlling parent with a much less impressive track record? On a comparable basis, and excluding the sold Verallia business, Sika delivered a higher level of net profit in absolute terms than Saint-Gobain last year – despite being only an eighth of its size.

Management losses

It would be only logical to expect management departures at Sika, specifically in growth markets. The problem of managers leaving the Group is even seen by consultants working for the controlling family as a "clear expertise loss" threat. Even for the remaining Sika staff, the culture shock following the takeover would have repercussions the severity of which we cannot properly evaluate from today's standpoint. Saint-Gobain's persistent refusal to engage in dialogue has provoked extremely negative responses from our employees.

Client losses

In the key distribution business, Saint-Gobain is one of many Sika clients. Competitors of Saint-Gobain which are at the same time Sika clients have already indicated that they will review their business relationship with Sika in the event of a change in control.

- **Downgrading of financial rating**

The contemplated transaction will also have negative percussions for the financing side. Various rating agencies have already made it clear that Sika's credit rating would be downgraded in the event of a takeover of control by

Saint-Gobain. This illustrates the negative impact of the transaction very clearly.

Ladies and gentlemen, all of these arguments speak for themselves. This transaction is not in the interests of Sika. It solely helps to enrich the Burkard heirs and gives the possibility to Saint-Gobain to gain full control of Sika which it will certainly use to its own advantage.

With joint efforts, the Burkard heirs and Saint-Gobain have been trying to gloss over the negative consequences of this hostile takeover – and we expect them to try to do the same again here today. So let me scrutinize right now the most frequently-cited arguments of the Burkard heirs and Saint-Gobain:

- Sika is supposed to remain an independent company. "Sika will remain Sika" they write on their adverts. How does that fit with their parallel intention for wide-ranging cooperation models and synergies between Sika and Saint-Gobain which are de facto equivalent to an integration into the group?
- Corporate governance agreements are supposed to protect Sika. So why has Sika still not received a meaningful proposal from Saint-Gobain? What is the value of such agreements if Saint-Gobain has full control of Sika?
- Bearer shares are supposed to be appropriately represented on the Board of Directors. What influence can they possibly exercise if they are outnumbered by Saint-Gobain?
- Public shareholders will allegedly benefit from synergies, and detailed plans would be drawn up for the realization of such synergies. So why is Mr de Chalendar refusing to explain these plans to the Board of Directors and the Group Management of Sika? Why are none of our financial analysts able to comprehend these purported synergies?
- The Special Experts proposed by the public shareholders and elected at last year's ordinary general meeting would supposedly protect the rights of the public shareholders. So why did SWH vote against the appointment of said Special Experts one year ago? How are three experts supposed to monitor a combined group of more than 180,000 employees in 94 countries?

As you can see, the assertions of the Burkard heirs are in no way convincing. It should really give the heirs food for thought that no one, themselves apart, sees any benefit for Sika in the planned takeover, despite remarkable PR efforts in the last few months.

It is also interesting that Urs Burkard himself admitted in an interview in February 2016 that Sika does not currently need Saint-Gobain. Instead he observed that one never knows what the future might hold in five years' time. Urs, your assessment is absolutely correct: Sika does not need Saint-Gobain. Not today and not in five or even ten years' time!

I think this is something that the management team here can confirm!

Dear shareholders, these are the considerations that have convinced and strengthened the six independent board members in their resolve to stand firm in their rejection of this takeover – and even more so than 16 months ago. Because there are ultimately only two options on the table:

- Either a continuation of the Sika success story and its Strategy 2018, *or*
- the start of an adventure that will have only two beneficiaries, but many losers – the first of which will be a Swiss industrial company with a great history and an outstanding track record.

Much has already been written in the media about the Burkard family's right to sell its Sika shares. Allow me to make the following clarifications in this regard:

- The Burkard family is not being dispossessed. They are free to sell their shares, even at a premium. No one is prohibiting that – neither the Articles of Association nor this Board of Directors.

- However, it is also a fact that the family has already sold 84% of the company once when going public. In order to be able to retain control via the voting right shares, it entered into an obligation vis-à-vis the public shareholders, namely to submit these voting right shares to a restriction on transferability.

- As a result, the sale of the remaining 16% of the capital requires the approval of the Board of Directors. The purpose here is to protect the company and the public shareholders. But now the heirs do not want to honor the obligation assumed by their parents, and want to sell the remaining shares by circumventing the restriction on transferability – "behind the back" of the Board of Directors, and against the interests of the company and its public shareholders.

This is the issue at stake – nothing more, nothing less. The Board of Directors therefore feels an obligation to ensure that, in the interests of the public shareholders, the responsible court can determine whether the restriction on transferability applies to this transaction as part of ordinary proceedings. It considers it critical that the status quo – namely the preservation of the Board of Directors in its current composition – is preserved until a court verdict is reached. Indeed, the Supreme Court of Zug shared this view in its preliminary ruling on measures to be taken last year.

The Supreme Court made the following three points:

- This issue must be evaluated as part of ordinary proceedings.
- Both Sika and the public shareholders could be significantly disadvantaged in the event of a premature change in control.
- If possible, the status quo should be preserved until a definitive decision has been reached on the question of restriction of transferability.

After the voting out of the independent Board members at the last Annual General Meeting and at last summer's Extraordinary General Meeting have failed, it is to be expected that another attempt to destabilize the Board and execute the hostile takeover prematurely before the court has reached its verdict will be made today. With the proposed election of Jacques Bischoff and the expected objection to the re-election of the independent board members, the Burkard heirs and Saint-Gobain are again seeking to change the status quo.

The Board of Directors has resolved to resist these renewed destabilization attempts and to preserve the status quo on the Board of Directors until there is judicial clarification of the applicability of Article 4. Following a further in-depth review, and based on expert legal opinions as well as the ruling of the Supreme Court of Zug, the Board of Directors has resolved to restrict the voting rights of the registered shares of Schenker-Winkler Holding at the General Meeting to 5% of all registered shares for the following agenda items:

- 4.1. Voting on the re-election of the independent board members Frits van Dijk, Monika Ribar, Daniel J. Sauter, Ulrich W. Suter, Christoph Tobler and myself, but not in respect of the re-election of Messrs Burkard, Leimer and Tinggren
- 4.2. Voting on the election of Jacques Bischoff as a new member of the Board of Directors
- 4.3. The election of the Chairman of the Board of Directors
- 4.4. The re-election of the members of the Nomination and Compensation Committee, with the exception of Mr Urs F. Burkard.

On all other published agenda items, SWH will be able to exercise its voting rights without restriction. However, this will not apply to the election of the statutory auditors (agenda item 4.5) or to the separate proposal submitted by shareholders regarding the extension of the terms of office of the Special Experts (agenda item 6), for which voting rights are determined by the nominal value of shares under Article 693 of the Swiss Code of Obligations. In the case of these agenda items, voting will be based on the nominal value of the shares. The corresponding proposal is accepted if a capital majority is in favor. I will come back to the specific voting procedures for each agenda item as they arise. Finally, the Board reserves the right to also apply the restriction of SWH's voting rights for further requests, namely in case of additional requests and proposals for modifications, should such requests be brought forward.

The election of the Board of Directors is a crucial point, however. All current members of the Board of Directors are standing for re-election. We, the independent Board members, are willing to continue to commit all our energies to Sika so that its success story can continue. By re-electing the entire Board of Directors and myself as Chairman, a change of control via the back door will be prevented. The continuity of company management would thereby be guaranteed, at least for the duration of the ongoing court proceedings.

On my own behalf and on behalf of the other independent Board members, I would like thank you, our shareholders, most sincerely for your support during this turbulent period. Special thanks should go to Jan Jenisch and the members of Group Management, who have delivered another record result for Sika despite huge pressures. We also want to express our most sincere gratitude to the senior managers and all employees of Sika throughout the world, who have stated so clearly that they stand behind us. What's more, many of them are also shareholders, and have therefore joined us today in Baar. This demonstrates impressively that the incomparable Sika Spirit, which has conveyed the unique sense of cohesion and mindset in our company for more than a century, is not just empty words. It runs right through the company – every day, and in all corners of the world. We intend to ensure that it remains that way.

The Board of Directors and Group Management remain willing to hold constructive discussions with the Burkard family and Saint-Gobain with a view to reaching a better solution for Sika. Sika would be ready and waiting with proposals for both parties, and has been prepared – ever since December 2014 – to be persuaded of the supposed merits of the takeover through convincing arguments. Unfortunately, we can only see the premature contract extension and the persistent refusal of Mr de Chalendar to meet with Sika's Board of Directors and Group Management in person as a sign that such discussions are not wanted, and that the sole intention here is to push through this transaction against the will of the Board and the Group Management despite its evident flaws.

Shareholders, ladies and gentlemen, all our efforts over the past few months have been geared to just one thing: safeguarding the interests of a prospering Sika. The Board of Directors and Group Management are working shoulder to shoulder to continue the Sika success story that is now more than a century old. We are fighting to preserve the Sika Spirit – the one thing above all that will ensure our company stays successful. We will also continue our work should the Burkard heirs once more reject our compensation because it is our profound conviction that we are doing the right thing.

In our fight to safeguard the essence of Sika, we are reliant on you, the company's shareholders. So please continue to put your trust in us – because you alone at this AGM can decide the fate of this successful, long-established company. With your votes, you have the power to set the course of Sika's future.

Thank you for your attention.