



**PAUL HÄLG, PRESIDENT OF THE BOARD
SPEECH ON STRATEGY AND THE CURRENT SITUATION**

- The spoken word prevails -

Dear shareholders, ladies and gentlemen

For more than two years the Board of Directors and the overwhelming majority of shareholders, employees and Sika's senior management have been fending off the hostile takeover attempt by Saint-Gobain. Especially, at the General Meeting 2015 the Board of Directors prevented the replacement of the majority of its members, which would have enabled the takeover to proceed, by restricting the votes of SWH on certain matters.. Last fall our actions received an important confirmation. In its decision of October 27, 2016 the Cantonal Court of Zug expressly legitimized the actions of the Board of Directors and found as follows; I quote:

In view of the above considerations the restriction of [SWH]'s voting rights to 5% with respect to the elections in question was justified. Hence, these resolutions were made in conformity with the law and with the articles of association. Contrary to the allegations brought forward by the Burkard heirs, the Board of Directors actions were not unlawful, rather, the articles of association were correctly interpreted and thus lawful.

A lot has been written about the legal dispute, but the matter is, essentially, quite simple: The sale of more than 5% of Sika's registered shares requires the consent of the Board of Directors. The limitation of transferability pursuant to Art. 4 of our articles of association states so. It is not disputed that a direct sale of Sika's registered shares by SWH would require the consent of the Board of Directors.

The cantonal court has now decided that the limitation of transferability also applies to a sale of the registered shares to Saint-Gobain in a shell, i.e. SWH.



The cantonal court also held that it is not permissible to change the composition of the Board of Directors in such a way that it will not apply the limitation of transferability.

SWH has appealed, and the case is now pending before the court of appeal. Why do the articles of association provide a limitation of transferability provision? Putting it simply, it is intended to preserve Sika's entrepreneurial freedom and protect the company and its bearer shareholders. The incorporation into a corporate group, especially, a competing group, damaging the company and its bearer shareholders, shall be prevented. And there is no doubt that the decision lies with the Board of Directors.

Entrepreneurial freedom is a core element of Sika's success. It enables us to grow faster than the market, to meet the needs of our customers efficiently and – last but not least – to create sustainable additional value for our shareholders. We have managed to do so time and time again, despite the difficult situation caused by the takeover battle. And we were able to report record results every year since 2012.

Currency-adjusted growth has averaged at almost 8%, and the EBIT margin has risen to nearly 14%. The free cash flow rose to more than 10% of revenue and the return on invested capital amounted to over 28%. Our Strategy 2018 targets were thus achieved last year, two years ahead of schedule. Not only our financial figures have improved, but we also made significant investments into the future as part of our Strategy 2018

For example, since 2012, we have filed over 370 new patent applications, commissioned 51 new production facilities, established 20 new subsidiaries and made 21 acquisitions. Thus, we are well prepared for further growth. As part of last year's strategic review throughout the organization and with a new time horizon through 2020, we also identified additional growth potential.

We expect attractive growth to be maintained in the coming years in our seven target markets, and we believe the total volume of the markets accessible to us will reach about 80 billion Swiss francs by 2020. This growth is supported by a



number of megatrends such as increasing urbanization and new mobility requirements, which keep opening up new applications for us in the field of adhesion, sealing and reinforcement.

The strategic review has once again confirmed our growth model and prompted us to set ourselves higher targets for 2020.

Our Strategy 2020 is based on the two pillars shown on the left.

By focusing on clearly defined target markets we are successfully exploiting global megatrends and increasing our market penetration. We plan to continue to achieve annual growth of 6-8%.

With our innovative strength we are continually improving the benefits that our products bring customers, and that always keep us one step ahead of the competition. We now have 20 development centers all over the world, ensuring that our innovations are always close to the market.

Sika has always focused strongly on emerging markets. This focus is set to become even closer. By 2020 we aim to have subsidiaries in 105 countries and to have opened 30 more factories.

We are increasing our growth rate by making targeted acquisitions. We have broad experience in this area: Since 2012 we have successfully integrated 21 companies with annual sales totaling over 670 million francs.

Sika's success is based on its strong values, and on a unique management model that gives national subsidiaries extensive freedom of action. Global innovations in our clearly defined target markets enable them to put clear water between them and their local competitors, further consolidating and reinforcing their local market positions. This is a company of entrepreneurs.



Decisions are taken at the lowest possible level, a level that is therefore close to the customer.

We have raised our targets as follows: operating profit margin from 12-14% to 14-16%, free cash-flow from 8% to more than 10%. We are targeting a return on capital employed above 25%.

As you can see, these are ambitious targets. They bear witness to our confidence in Sika's future. I am convinced that we are only at the beginning of the company's new dynamism. I promise you that we will do everything in our power to ensure that Sika's success story continues.

Despite the threat of the takeover, we have always made Sika's operating business our top priority – and we were right to do so. We worked consistently on implementing our strategy, posting record results in each successive quarter.

We are thus confident that we can make Sika's sustainable, profitable growth rate even faster, and achieve our strategic targets.

In order to implement our strategy what we need first and foremost are committed employees with an entrepreneurial mindset.

Thanks to our strong balance sheet we have adequate financial resources at our disposal.

So it is clear beyond a doubt that Sika does not need Saint-Gobain in order to achieve its strategic targets for 2020. On the contrary, our increases in profitability in the last two years alone have created substantially more value than the synergies promised by Saint-Gobain would ever generate.

If Sika's success story is to continue, we must avert Saint-Gobain's hostile takeover bid. We have repeatedly drawn your attention to the extreme disadvantages that it would bring, and our assessment is unanimously shared by the market.



The cantonal court has also confirmed that the Board of Directors made its assessment of the transaction in an unobjectionable decision-making process. At this point I would like to recall our principal concerns.

Full control despite share capital minority

Saint-Gobain would like to gain full control of Sika with just 16% of its share capital. Up to now, the Sika Board of Directors has always been composed of a majority of independent members. Under Saint-Gobain's plans the French group would control the Board of Directors, in future, by appointing the majority of its members. The remaining shareholders would have minority representation on the Board despite holding 84 percent of the capital. What would the consequence for public shareholders be? They would no longer be effectively represented by the Board of Directors, leaving them at the mercy of Saint-Gobain with no practical defense. This could be expected to bring Sika's operating performance and value development rapidly down to Saint-Gobain's significantly lower levels.

Preferential treatment for Saint-Gobain, discrimination against Sika

Sika and Saint-Gobain are active in the same markets and direct competitors in the mortar field. Conflicts of interest are thus inevitable. The differing ownership relationships will give Saint-Gobain a strong incentive to favor its own business. Discrimination against Sika, in our opinion, is thus pre-programmed by this transaction – constituting a particular threat in the strategically important mortar business, in restructuring processes and in the event of acquisitions. On top of that, Saint-Gobain would like to make improper use of our global presence as a platform for launching its own products.

Fundamental contradiction to Sika's successful business model

The cooperation that Saint-Gobain has in mind fundamentally contradict Sika's management model. Our unambiguous assignment of responsibility for results, our extensive entrepreneurial freedom of action and our unique Value Selling approach would be lost.

Numerous key individuals would not feel at ease in the new culture, and integration into an anonymous group structure could have consequences for the workforce of a gravity that we cannot estimate today.



Saint-Gobain is one of several Sika customers in the important retail field. Competitors of Saint-Gobain have already indicated that they would review their business relationships with Sika in the event of a change of control.

For all these reasons this transaction must be rejected in Sika's interests.

No expropriation but compliance with the articles of association

It has been asserted in various quarters that the action of the Board of Directors and the decision of the court have "expropriated" the Burkard heirs. This is false:

It was the family itself, via SWH, that introduced the limitation of transferability into the articles of association. They also voluntarily made the suspension or relaxation of the limitation of transferability subject to a qualified majority. The votes of public shareholders are thus required in order to set the limitation of transferability aside.

The Board of Directors and the public shareholders can thus expect the heirs – indeed it is their right to expect them – to abide by the limitation of transferability which was introduced by their parents. No prohibition of sale is associated with this, but the limitation of transferability ensures that in the event of a sale, the legitimate interests of Sika and other shareholders are respected.

An alternative solution by the Board of Directors exists

The Board of Directors entirely respects the heirs' wish to dispose of their Sika holdings, and it is making every effort to enter into discussions with them in order to find a solution acceptable to all sides – one that enables the heirs to sell on attractive terms, while at the same time ensuring that Sika's success story continues.

To this end the Board of Directors has for some time been ready to propose a detailed, carefully thought-out alternative to the heirs. I repeat my invitation to the Burkard family to consider this alternative in confidence and with no obligation on their part. We do not want to incite them to breach their contract



with Saint-Gobain, but in view of the current situation it would, in our view, also be of interest to the heirs to consider alternatives in case that Saint-Gobain decides not to extend the term of the contract.

The Burkard heirs have made a public announcement that they wish to end their involvement with the company, and we firstly want to make it that we wish to enable them to do so, and secondly that from the company's viewpoint it would be important and right for them to do so. A situation like the one with Saint-Gobain must never arise again. So I want to make this crystal-clear. In the interests of all the parties involved we want the heirs to be able to dispose of their holding on terms that are attractive to them, provided that the interests of the company and the other shareholders are safeguarded. Sika's outstanding share-price performance enables us to make the heirs an alternative offer that is in no way inferior to the one made by Saint-Gobain.

We therefore regret that the Burkard heirs have as of now shown no interest in considering our proposal and that the indicators still point to confrontation. So, at least, it appears from the family's latest statements, especially the proposal for a lower dividend, the repeated proposal for the election of Mr Bischoff, and the announcement that the Board of Directors will again receive no remuneration.

- At the least, it must be regarded as unusual for a shareholder to object to a dividend because it is too high. In view of Sika's strong balance sheet, the proposal from SWH can hardly be about securing the company's long-term development, as it claims. It seems likely to have more to do with the heirs' own interests. The fact is that under the contract between the parties, Saint-Gobain is entitled to the dividend – which will be deducted from the family's sale price. We regret that SWH is proposing a lower dividend – all the more so because the difference between its proposal and ours is a mere 15 million francs, which is insignificant in comparison with our net cash of over 400 million francs. So why shouldn't all shareholders benefit from this higher distribution?
- Mr Bischoff is once again being proposed for election to the Sika Board of Directors as the family's representative. His election has been rejected at previous General Meetings. There are no material grounds for



strengthening the representation of SWH on the Board of Directors other than that this would destabilize the board and facilitate step-by-step attempts to circumvent the limitation of transferability.

- SWH has announced that the Board of Directors will once again not receive its fee. There are no sound reasons for this either, particularly given the last few years' record results. Sika's articles of association expressly provide that the Board of Directors must also be remunerated for their work. This is intended solely to frustrate the Board of Directors, thus inducing them to resign.

The Board of Directors is Safeguarding the Status Quo

Regardless of these statements by the family, the Board of Directors is determined to maintain both the limitation of transferability and – where its own membership is concerned – the status quo. After further consideration of the circumstances and on the basis of the decision of the cantonal court, it has accordingly decided to restrict the voting rights of the registered shares of the family holding company Schenker-Winkler Holding AG to 5 per cent of all registered shares at the General Meeting on the following agenda items:

- 4.1. Votings 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 Urs Burkard, Willi K. Leimer and Jürgen Tinggren
- 4.2. Voting on the election of the Chairman of the Board of Directors
- 4.3. Voting on the re-election of the members of the Nomination and Compensation Committee, with the exception of Mr Urs F. Burkard.
- Voting on the additional proposal from Schenker-Winkler Holding AG regarding the election of Jacques Bischoff to the Board of Directors

Furthermore, on the grounds set out above, the Board of Directors also reserves the right to restrict these voting rights in respect of any other proposals, including additional and amended proposals.

On all other agenda items SWH can exercise the voting rights of the registered shares held by it in accordance with the articles of association. To the detriment



of 84% of our shareholders, this also applies to the SWH proposal to reduce the proposed dividend.

But the election of the Board of Directors is the crucial point. All its current members are standing for re-election. The independent members are prepared to continue to work with all their might for the good of Sika's future. The re-election of the entire Board of Directors – and of myself as Chairman – will prevent a change of control through the back door.

On behalf of myself and the other independent members of the Board of Directors I offer you, our shareholders, our heartfelt thanks for the solid backing you have given us. Special thanks are due to Jan Jenisch and the members of Group Management, who despite their heavy workload have guided Sika to another record result. We also thank Sika's employees, who have backed us in no uncertain terms. Many of them are also shareholders, and are thus with us here in Baar today. This demonstrates impressively that the incomparable Sika Spirit, which has embodied the company's unique sense of cohesion and its mindset for more than a century, is not just an empty promise. Sika lives by it. Every day. Throughout the world. And we intend to ensure that this does not change.

Dear shareholders, ladies and gentlemen, all our efforts over nearly two-and-a-half years have been geared to just one goal: safeguarding the legitimate interests of a thriving Sika and all its stakeholders. The Board of Directors and Group Management are working shoulder to shoulder to continue Sika's success story that is now more than a century old. The representation of individual interests remains totally alien to us. There is a great deal at stake.

Thank you for your attention and your support.