



**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

Today's AGM is not just any shareholders meeting, but – as you will surely have noticed – Sika's 50<sup>th</sup> Annual General Meeting. With Sika having once again posted record figures, we have every reason to celebrate this anniversary.

The Sika success story is impressive. Today we can look back over a 50-year period in which Sika has evolved from a medium-sized company into a globally positioned group, and one that is now listed in Switzerland's blue-chip index – the SMI. Over this half-century, sales have multiplied by a factor of 30, which equates to a formidable growth rate of around 7% per year. Not many companies can boast a track record like that.

The number of national subsidiaries has quadrupled over this period to more than 100. We are now present in all parts of the world as well as being the strongest global brand in our industry. The innovative products developed by Sika over the last few decades have also helped to make the world a better place. Innovation has been one of our traditional success factors and we have always adapted our products to the new challenges posed by our markets.

Today too, we are working on solutions for the megatrends of our time and for the major challenges that the future will bring. Take urbanization, for example: The world's population is growing steadily and with people increasingly moving to the cities, mega-metropolises are emerging. This in turn has triggered demand for better infrastructure and new structural engineering solutions. Or sustainability: Natural resources are becoming ever scarcer, and the level of environmental awareness is on the rise. Thus, the demand for environmentally-friendly, low-emission, and safe products is constantly increasing. Then there's mobility: An increasing number of people are becoming ever more mobile, which means new concepts are required for both private and public transportation. Alternative drive systems and the reduction of emissions are becoming ever more important, while demand for lightweight construction is also constantly increasing.

These megatrends are driving growth in our markets. And these are the markets in which we have been successfully operating for decades, continually producing solutions for the latest challenges.



In order to exploit these market trends to the full, we have defined seven target markets, all of which offer significant cross-selling potential while at the same time covering the entire construction life cycle. In the “Concrete” market, we supply admixtures to improve the workability and structural characteristics of this substance. A closely related market is that of “Waterproofing”, in which we provide special sealing systems for use in the civil engineering industry. In the “Roofing”, “Flooring & Coating” and “Sealing & Bonding” markets we provide structural engineering companies with a broad spectrum of products and solutions for roofs, floors, and facades. In the “Refurbishment” market we are active with innovative products for concrete refurbishment and renovation. In the “Industry” market we supply automotive companies and the transportation sector with adhesive and sealant systems.

Growing market potential is important and indeed a key prerequisite for success. But success ultimately requires the opportunities that arise to be exploited to the full.

Sika can do just that, and has proven as much – by always growing more strongly than the overall market in recent years. In other words, we have continually expanded our market share.

As you can see on this slide, over the last five years we have also created three times as much value for you as shareholders as our competitors have on average. Our return to shareholders over the last five years works out at 272%, compared to the industry average of just 90.4%. Which tells you that it's not just the market in which we operate that makes us successful. We run our business in a very different way – and evidently better – than our competitors.

In our company, employees are encouraged to be entrepreneurs, and decentralized management is a key element. This is precisely what lies behind Sika's success – and here I would like to illustrate in more detail how crucial this is to our ability to remain on a successful trajectory.

The decentralized approach lies at the heart of our growth strategy. In keeping with the motto “global – but local”, we are set up in a way that gives local management the freedom to exploit to the fullest any opportunities that present themselves in the individual markets.

Technology, application expertise and marketing for the seven target markets (i.e. “what we do”) are developed globally by the central functions of Product Development and Marketing, before being made available to the individual countries. This enables us to draw on the synergies of our global organization while at the same time locally cementing our innovation leadership.

Responsibility for implementation (i.e. “how we do it”) lies firmly with our 100 national subsidiaries. They decide whether they want to achieve growth organically or through



acquisitions, setting the priorities in line with local market potential and the competitive situation.

On this basis, 700 strategic plans tailored to local needs are drawn up, each containing clear responsibilities and milestones (i.e. “who/when”). These plans are elaborated together by the specialists in the target markets and the corresponding national subsidiary. Management only gets involved when teams fail to agree on a single plan. In such cases, there typically is either a resource problem or a difference of opinion regarding market potential, which requires decisions being taken at the next level up. This is real empowerment.

We also cultivate a decentralized approach when it comes to investment, specifically in production and technology.

Our production sites are based locally wherever feasible. This gives us great market proximity, which in turn means we can respond quickly and bring our products perfectly into line with local needs.

A good example for this is our mortar product range. The content and quality of these products heavily depend on local raw materials such as sand and aggregates. Together with our local plants we can address these differences optimally, which in turn allows us to supply clients with the desired end quality. In order to profitably produce in small markets too, we have developed modular proprietary systems in a “container” concept, which can be easily assembled and put into operation – a bit like a “plug and play” system. This gives us a decisive competitive advantage, particularly in developing countries.

Of course, more complex production procedures that call for more significant investment – as is the case with sealants or roof membranes, for example – cannot always be developed locally. In such cases, one country undertakes production for a wider area or region, thereby achieving a degree of capacity utilization appropriate to the investment.

When it comes to products involving complex technology for our global clients with identical demands in the industrial sphere, we prefer to concentrate production at a single location, e.g. Zurich or our highly-automated plant in Düringen.

We thereby consistently apply the “global but local” concept when it comes to the supply chain and the underlying technology.

This decentralized approach to the strategy definition and its implementation makes our employees true entrepreneurs within the company, and is the reason for our great dynamism. This is what lies behind our monthly announcements of new plant openings, foundations of new national subsidiaries and completed acquisitions.

Employees entrusted with responsibility for defining and implementing the strategy definition perceive the logic behind this approach, as well as the contribution they are



making to the whole. They feel responsible for delivering success. This in turn inspires motivation, satisfaction, and pride. And this is precisely what constitutes the essence of the unique Sika Spirit. We believe this gives us a serious competitive advantage, and one that will endure for quite some time. Because a culture like ours cannot simply be copied overnight.

The degree to which this unique Sika Spirit has paid off is clearly reflected in the impressive development of our sales and margin over the last few years. As you can see here, we have delivered continuous growth since 2011 – unfazed by the proposed transaction between the Burkard heirs and Saint-Gobain with its associated uncertainties – while at the same time continuously expanding our margins. We are convinced that we can continue this success story with a decentralized approach.

In keeping with this development, the share price has also performed positively over the last few years. Indeed, it has more than quadrupled over the last five years alone. We have now been included in the SMI and we are on track to achieve another milestone – in the form of a market capitalization in excess of CHF 20 billion.

For this impressive achievement in a hostile environment, Group Management, our other senior managers, and the entire Sika team around the globe deserve a big round of applause – many thanks for your excellent work.

I would like to celebrate this AGM anniversary together with you free of any negative elements. But the Burkard heirs and Saint-Gobain are still trying to put an end to Sika's success story by pursuing their planned transaction.

I have said this at the last four Annual General Meetings, and I will repeat it once again today: Sika does not need Saint-Gobain!

The independent members of the Board of Directors, our Group Management, the management, our public shareholders, and the market itself are of one mind: This hostile takeover is not in Sika's interests. It serves only the ends of the Burkard heirs and Saint-Gobain. It would give Saint-Gobain control over Sika – control that the French group would only use to exploit its own advantage. And all other stakeholders would end up paying the price. That cannot – and must not – be allowed to happen.

So today we are once again calling on the Burkard heirs and Saint-Gobain to see reason, to abandon their planned transaction, and to seek alternative solutions together with us. We are ready.

Most importantly of all, Sika has created – through its own efforts and the impressive commitment of both management and employees – a status quo that is conducive to a “win-



win-win” solution. Our share price is now far higher than the price agreed between Saint-Gobain and the Burkard heirs.

All this makes the latest signals coming from the Burkard heirs incomprehensible. Plans that have recently been circulated in the media for a potential extension of the agreement beyond 2018, as well as the various maneuvers at this AGM, are no doubt once again designed to break the resistance of the Board of Directors and Sika’s management:

- Once again, Mr. Bischoff will be proposed for election to the Board of Directors and its chairmanship. His election has been rejected at previous Annual General Meetings. There are still no material grounds for strengthening the representation of SWH on the Board of Directors of Sika – other than that, this would destabilize the board and facilitate step-by-step attempts to circumvent the transfer restrictions.
- We likewise expect that the Board of Directors once again will not receive its fee. There are no sound reasons for this, particularly given the last few years' record results. This is intended solely to frustrate the Board of Directors, thus inducing it to resign.
- A similar motive lies behind the requested special audit of the directorship mandate of Monika Ribar at Capoinvest Ltd and of the monies paid to members of the Board of Directors, as well as the renewed request for information on the costs incurred by the company in connection with its fight against the hostile takeover attempt by Saint-Gobain.

Undeterred by these maneuvers, the Board of Directors remains determined to enforce the transfer restrictions in the interests of the company, and to preserve the status quo in the Board of Directors by limiting the voting rights of SWH.

In its ruling of October 27, 2016, the Cantonal Court of Zug underlined the legitimacy of this approach on the part of the Board of Directors in no uncertain terms:

I quote:

*In light of the evidence, the restriction of the voting right of [SWH] to 5% with regard to the votes that lie at the heart of this dispute was justified. These resolutions were therefore compliant with both the articles of association and statutory provisions.*

Based on this ruling – and the earlier ruling of the Superior Court in the provisional measures proceedings – the Board of Directors has therefore resolved, having once again reviewed the entire situation, to restrict the voting rights of the registered shares of the family holding company SWH to 5% of all registered shares in respect of the following agenda items of this Annual General Meeting:



- 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, and in respect of any possible supplementary proposals or counterproposals, but not in the case of the re-election of Urs F. Burkard, Willi K. Leimer and Jürgen Tinggren
- 4.2. Voting on the election of Jacques Bischoff to the Board of Directors and on the election of any other candidates
- 4.3. Voting on the election of the Chairman of the Board of Directors
- 4.4. Voting on the re-election to the members of the Nomination and Compensation Committee, with the exception of Urs F. Burkard.

Furthermore, for the reasons set out above, the Board of Directors also reserves the right to apply this restriction of voting rights to any other proposals, including supplementary proposals and amendments.

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

But the election of the Board of Directors is a crucial point. All its current members are standing for re-election. The independent members are prepared to work with all their might for the good of Sika in the future too. 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 Paul Schuler and the members of Group Management, who despite the heavy pressure 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 therefore here with us 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 the last 40 months or so 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 the Sika success story, which 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.