

Statement by Sika Board Chairman Paul Hälgi at the media round table on January 26, 2015

Ladies and gentlemen,

On behalf of Sika, welcome to today's media round table. We are delighted that so many of you have been able to join us.

This morning we communicated the Board of Directors' decision on the extraordinary General Meeting. We would now like to take this opportunity to give you a transparent explanation of the background to this decision. This is why Prof. Dr. Nobel is also with me today. After I have finished speaking, he will be giving you a detailed explanation of the legal issues in particular.

First though, allow me to summarize the key events of recent weeks so that you all understand why the Board opposes the transaction with Saint-Gobain in the interests of shareholders and Sika.

As you are aware, on Friday, December 5 last year, our CEO Jan Jenisch and I were informed by a lawyer representing the Burkard family that the family had sold its share in Sika, which amounts to around 16 percent, to our French competitor Saint-Gobain without consulting either the Board of Directors or Group Management. This announcement came as a complete bolt out of the blue since there had been no indications that such a step was likely; quite the opposite in fact.

That same evening Saint-Gobain presented its takeover plans to us. From these it was apparent that Saint-Gobain was acquiring the share package held by the family holding company SWH without making an offer for the 84 percent owned by public shareholders. Saint-Gobain made it clear to us from the outset that it fully intended to use the voting rights privilege that had actually been created for the Burkard family for itself and to control the Sika Board of Directors by installing a majority of its own. This was to enable it to fully consolidate its proprietary minority holding.

At the same time, Saint-Gobain presented its goals and business plan for Sika in the period up to 2019. These had been drawn up without auditing the books or holding discussions with Sika management.

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In the course of several emergency meetings that same weekend, Group Management and the Board of Directors independently came to the conclusion that this transaction, which had been engineered in secrecy, definitely constituted a hostile takeover bid of a type never seen before. In the interests of good corporate governance, the six independent Board members also unanimously decided to exclude the three representatives of SWH from discussions or decisions on the transaction due to the obvious conflict of interest. The independent Board members and Group Management reject Saint-Gobain's plans and approach so vehemently because they are damaging to our shareholders, employees, customers and thus to our entire company. They are unrealistic and destroy value, as the share price trends of both companies bear out.

We believe this to be the case for four main reasons:

1. Our management and workforce are extremely unsettled. This is due to other companies' bad experiences of takeovers by Saint-Gobain, which have often resulted in redundancies. Saint-Gobain also steadfastly refuses to give employment guarantees. The fact that the transaction was engineered without approaching either the Board of Directors or Group Management, the fact that the business plan was drawn up with no consultation and the fact that Saint-Gobain repeatedly refuses to hold constructive discussions do not bode well. And, as you know, unsettled managers and employees are no longer focused on the business and are examining their career options instead.
2. Our demonstrably successful and superior business model, which is based on profitable growth, is to be replaced by the Saint-Gobain model. As a result, Sika's performance will unavoidably come into line with Saint-Gobain's. And, as you will certainly have seen when we presented our results at the start of the year, we are enjoying double-digit growth while Saint-Gobain has been shrinking for years.
3. Saint-Gobain's synergy estimates are based on the false assumption of full integration and are therefore substantially too high. Since full integration is legally impossible with a capital holding of just 16 percent, Saint-Gobain is planning to pocket operating business at local level, even though it is our keenest competitor in the mortar business. We regard this plan as highly problematic from a legal perspective and impossible to implement operationally. It would result in Sika being hollowed out.

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4. The planned division of any synergies represents a further difficulty. Since it is Saint-Gobain's intention to control Sika, it must be assumed that any positive financial effects of the takeover would primarily accrue to Saint-Gobain and not Sika. The same argument applies even more strongly to future growth opportunities. To explain: Saint-Gobain owns 100 percent of its own business, but just 16 percent of Sika's. Given this crass imbalance, it is clear who Saint-Gobain will favor because this is the only way it can justify the high purchase price to its own shareholders. Sika shareholders, by contrast, will be put at a disadvantage and gradually and stealthily dispossessed. As such, Saint-Gobain's assurances that Sika will remain autonomous are useless.

A constantly growing number of shareholders are backing us in our resolve. Investors representing 35 percent of Sika's capital have now expressed their solidarity with us. This is already more than double the capital held by the Burkard family. Our supporters include such prestigious investors as the Bill & Melinda Gates Foundation Trust, Fidelity Worldwide Investment and Threadneedle Investments, who have formed a shareholders group for the purpose of opposing Saint-Gobain's plans. Last week, this group submitted proposals for the next General Meeting to the effect that a special audit be carried out and a committee of special experts be appointed to investigate possible irregularities associated with the hostile takeover bid in recent weeks and to examine potential future conflicts of interest.

Before that Ethos proposed a resolution to delete the opting-out clause and formed a corresponding support group.

Our owners therefore share our concerns and want to prevent this hostile attempt by a competitor to take over and control Sika. We are acting in their interests and their support is growing daily.

This is also reflected in share prices. After the takeover plans were announced, the prices of both Sika and Saint-Gobain shares took a nose dive. At the peak, some five billion francs in value were destroyed. In recent days, prices have recovered somewhat, evidently to some extent in response to growing opposition to the transaction.

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Regrettably, Saint-Gobain management has so far ignored our concerns and not shown any sign of willingness to enter into concessions. Moreover, constructive alternative proposals, such as selling Saint-Gobain's mortar business to Sika and combining the sale with acceptable governance, have been rejected out of hand. It goes without saying that we are still willing to enter into open and constructive discussions to find the best solution for our company, workforce and shareholders. We cannot say whether the same is true of Saint-Gobain CEO Pierre-André de Chalendar. At all events, he did not attend the meeting held Friday before last and did not give reasons for his absence.

Let us turn now from events to date and our assessment of them. At its meeting yesterday, the Board of Directors dealt particularly with family holding company SWH's demand for an extraordinary General Meeting. In the Board of Directors' view, the Burkard family must forfeit its historical voting rights privilege in the future. Since SWH Holding has formed a group with the French Saint-Gobain Group, it has thus been exercising its voting rights in accordance with Saint-Gobain's instructions. According to rulings issued by the Federal Supreme Court, this is a circumvention of the voting rights restrictions in our articles of association.

As a result, the family's voting rights will be restricted to the limit of 5% stipulated in the articles of association at the next General Meeting. Its right to convene extraordinary General Meetings will thus be voided. Our view of the situation is based on a legal opinion authored by Prof. Dr. Nobel, one the most respected authorities on Swiss company law. He will be telling you about the major findings of his analysis in a few minutes.

Before he does so, though, I feel it is important to emphasize that there is another good reason for not holding an early General Meeting apart from the lack of legal legitimacy. SWH's proposal to remove a number of Board members without nominating replacement candidates with appropriate industry experience would result in a serious loss of expertise just as work on preparing the 2014 financial statements – for which the current Board is accountable – is in full swing.

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I would like to close by assuring you once more that we will continue to vigorously defend our shareholders' interests and do everything we can to fend off damage to Sika. We will do so from the conviction that we are doing the right thing.

Thank you for your attention. I will now invite Professor Nobel to speak.