

# SUSTAINABLE GROWTH

OUR YEAR 2019



## RECORD YEAR 2019

CHF 8,109.2 MILLION NET SALES (+14.4%)  
CHF 1,055.1 MILLION EBIT (+11.5%)  
CHF 758.5 MILLION NET PROFIT (+10.4%)

## STRATEGY 2023

6 STRATEGIC PILLARS FOR  
SUSTAINABLE AND PROFITABLE  
GROWTH

## INNOVATION

SIKA WINS SWISS TECHNOLOGY  
AWARD FOR GROUND-BREAKING  
ADHESIVE TECHNOLOGY

## POTENTIAL

TARGET MARKET «BUILDING FINISHING»  
INDUSTRIALIZATION IN CONSTRUCTION  
ELECTRO-MOBILITY

[SIKA.COM/ANNUALREPORT](https://www.sika.com/annualreport)

BUILDING TRUST



+16.3%

NET SALES  
IN LOCAL CURRENCIES

5

ACQUISITIONS

+10.4%

NET PROFIT

93

NEW PATENTS

-14.4%

ENERGY CONSUMPTION  
PER TON SOLD

-22.0%

WASTE  
PER TON SOLD

86 out of 100

INDEX POINTS FOR EMPLOYEE  
ENGAGEMENT

11.4

HOURS OF TRAINING  
PER EMPLOYEE

**STRATEGY 2023 FOR SUSTAINABLE  
AND PROFITABLE GROWTH**

PAGE  
18

The new corporate strategy was developed  
and launched in the past financial year.

95

PAGE  
24

mortar plants opened  
by Sika since 2015.

50%

PAGE  
38

reduction of building time  
by modular construction.

**SUSTAINABILITY STRATEGY  
«MORE VALUE - LESS IMPACT»**

PAGE  
20

Sika pursues the objective of creating  
lasting value for people and the environ-  
ment, while at the same time adopting  
a moderate and sustainable approach  
to the utilization of resources.

CONTENT

Letter to Shareholders	4	<b>STRATEGIC PILLARS</b>	
Facts & Figures	8	Market Penetration	26
Regions	10	Innovation	34
Strategic Target Markets	14	Operational Efficiency	40
		Acquisitions	46
<b>BUILDING THE FUTURE</b>		Values	52
Megatrends	16		
Growth Strategy 2023	18	Leadership	64
Sustainability Strategy	20	Organizational Chart	66
Community Engagement	22	The Sika Share	67
New Target Market	24	Balance Sheet and Income Statement	68



DR. PAUL HÄLG  
Chairman

PAUL SCHULER  
CEO

# PERFORMANCE

Sika once again delivered record results in 2019. Sales in Swiss francs rose by 14.4% year-on-year to CHF 8,109 million, which equates to an increase of 16.3% in local currencies. Operating profit increased by 11.5% to CHF 1,055 million, thereby surpassing the billion-franc threshold for the first time. Net profit was recorded at CHF 759 million, representing a year-on-year growth of 10.4%. Operating free cash flow increased significantly, amounting to CHF 1,026 million.

## DEAR SHAREHOLDERS

Sika can look back on a highly successful 2019. It was a year in which numerous projects were realized to set the course for an even stronger performance, in particular the acquisition of Parex, the largest in Sika's history. With sales of CHF 1.2 billion on an annualized basis and more than 4,500 employees, this takeover makes a significant contribution in bringing Sika to the next level of growth. The integration of Parex forged ahead in the year under review. Fully integrated management structures are now established in 20 countries in which Parex has a presence. The first integration successes were quickly achieved, with around CHF 100 million of synergy potential identified. An additional sales volume of CHF 230 million is being targeted purely through cross-selling activities and the marketing of the expanded product portfolio.

### NEW GROWTH STRATEGY

The new 2023 growth strategy was launched and publicly unveiled in October 2019. The strategic targets include annual growth in local currencies of 6-8% and an increased EBIT margin target of 15-18%, which is to be achieved from 2021 onward. In addition to these ambitious financial targets, the most important elements of the company's new strategic direction include the introduction of an eighth Target Market, "Building Finishing", a focus on operational efficiency, and the targeted orientation of the Group toward sustainability.

**RECORDS FOR PROFIT AND CASH FLOW**

With sales having already exceeded the CHF 7 billion mark in 2018, Sika was able to build on this success in 2019 and pass the CHF 8 billion level, recording sales of CHF 8,109.2 million. This equates to growth of 14.4% in Swiss francs and 16.3% in local currencies. Organic growth reached 3.3% (previous year: 6.8%). The material margin recorded a year-on-year increase from 53.0% to 53.6%. With a record EBIT level of CHF 1,055.1 million, Sika exceeded the billion-franc mark for the first time in its history. This was achieved thanks to a year-on-year EBIT improvement of 11.5%. The operating result includes one-time costs incurred in connection with the takeover of Parex. Excluding one-off and acquisition effects in 2019, EBIT would have recorded an over-proportional increase. The tax rate was brought down further and amounted to 21.5% in the year under review (previous year: 23.0%), which meant that net profit also set a new record of CHF 758.5 million, equivalent to a rise of 10.4%. Operating free cash flow, which amounted to CHF 1,026.1 million (previous year: CHF 513.2 million), also posted a new record figure. Return on capital employed (ROCE) reached 19.2% (previous year: 26.2%).

**GROWTH IN ALL REGIONS**

In a challenging market environment, Sika has grown more strongly than the market in all regions.

The EMEA region (Europe, Middle East, Africa) reported a sales increase in local currency of 11.6% in 2019 (previous year: 14.1%), seeing a strong development with double-digit growth rates in Africa and high single-digit growth in Eastern Europe. In Belarus, Sika acquired Belineco, a specialist manufacturer of polyurethane foam systems. In Romania, the company agreed to acquire Adeplast, a leading manufacturer of mortar products and thermal insulation solutions.

This deal is expected to close in the first quarter of 2020. Production capacity was expanded in Egypt, Qatar, Serbia, Senegal, Cameroon, and Ethiopia, with new factories opened for concrete admixtures and mortars.

The Americas region continued to focus its business activities on the largest metropolitan areas and generated impressive sales growth of 19.2% in 2019 (previous year: 11.7%). Growth momentum was particularly pronounced in North America. In Latin America, political tensions in countries such as Mexico, Chile, and Ecuador, are leaving their mark on local construction industries. Brazil, Colombia, and Peru all posted strong growth rates. In Canada, the acquisition of King Packaged Materials in the reporting period brought a market leader in concrete repair systems into the Group.

Growth in the Asia/Pacific region amounted to 35.1% (previous year: 5.5%). This figure includes a significant acquisition effect of 30.3%. The highest organic growth rates were recorded in China, India, and the Philippines. In China, Sika acquired Crevo-Hengxin, a manufacturer of silicon-based sealants and adhesives. The newly acquired range of products opens up cross-selling opportunities in the extended distribution channels. Furthermore, a new factory in the Bekasi district on the outskirts of Jakarta commenced operations in Indonesia in the reporting period. Sika now produces concrete admixtures and mortar products for the local construction market in three factories.

The Global Business segment recorded a growth rate of 3.0% (previous year: 29.2%). Sika gained further market share in the Automotive area in 2019, despite the sharp decline in global production figures in this sector. The megatrends in modern automotive construction, which are dominated by electro-mobility and lightweight construction, are opening up new avenues with significant long-term growth potential for Sika, thanks to multi-material designs and new adhesive technologies, as well as heat management in modern battery technologies for electric vehicles.

**INNOVATIONS FOR THE FUTURE**

At the end of 2019, Sika won the Swiss Technology Award in the "Innovation Leaders" category for its ground-breaking new adhesive technology. SikaForce® Powerflex, which combines the properties of elastic and high-strength structural adhesives in a single product, enables manufacturers of cars, rail vehicles, buses, and trucks to implement new, lighter, more ecological vehicle concepts while maintaining body stiffness, good elasticity – and thus ideal mechanical properties. The new adhesive features the extremely fast-working curing technology "Curing-by-Design", which can be triggered virtually at the touch of a button and dramatically reduces assembly time. This means that customers can greatly accelerate their production processes, while at the same time making them much more efficient.

Sika also confirmed its innovation leadership with an array of new products for the construction industry. For example, new, sustainable solutions with improved performance have been developed in the areas of low-emission epoxy resin floor coatings and hemp-based mortars. Sika has also been making progress with new concepts for future building, such as modular construction and 3-D concrete printing.

**DIVIDEND INCREASE AND OUTLOOK**

In keeping with the double-digit increase in net profit and the strong development of operating free cash flow, the Board of Directors will be proposing a 12.2% increase in the gross dividend to CHF 2.30 at the Annual General Meeting of April 21, 2020.

The prerequisites for further dynamic growth have been put in place with the launch of the new 2023 growth strategy and investments in seven new factories and five acquisitions. Thanks to these twelve key investments, pronounced innovative strength, and a clear sales focus, Sika is in an outstanding position for the future.

For the 2020 financial year, due to the higher acquisition impact, we are expecting a sales increase of more than 10% in local currencies, as well as an over-proportional increase in profitability.

In 2020, we will continue to commit ourselves to a successful strategy implementation, generate sustainable growth in value, and enhance Sika's excellent reputation among customers, investors, shareholders, and business partners alike.

We look forward to tackling further entrepreneurial challenges and seizing opportunities, and would like to assure you, our shareholders, that we will do so with dedication and determination. Our heartfelt thanks to you for your trust, your loyalty, and your sustained commitment.

Sincerely



DR. PAUL HÄLG  
Chairman



PAUL SCHULER  
CEO

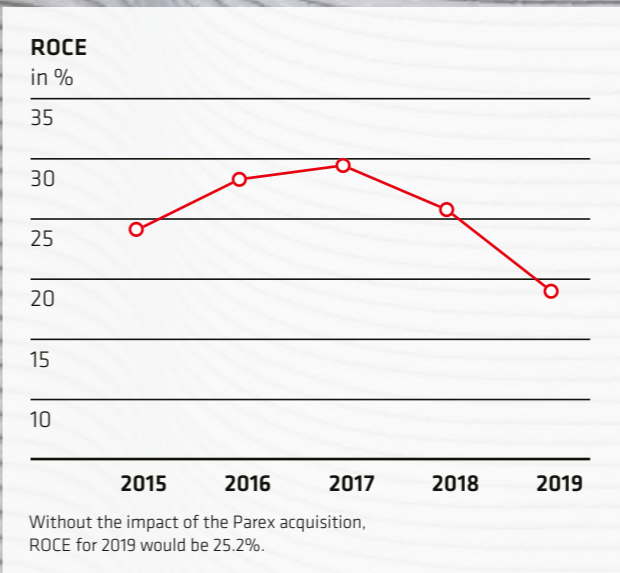
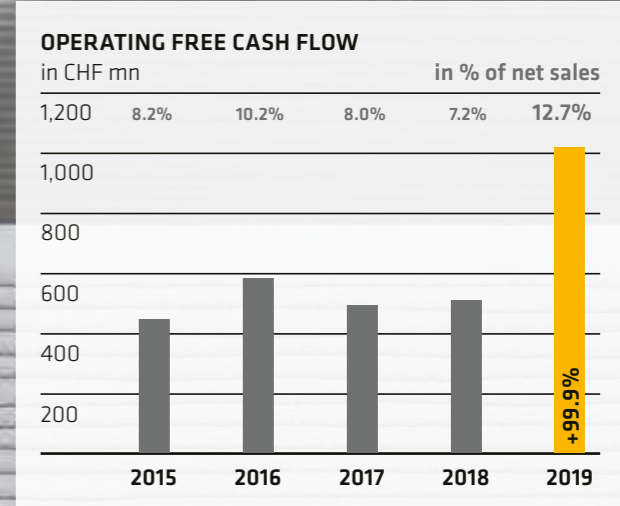
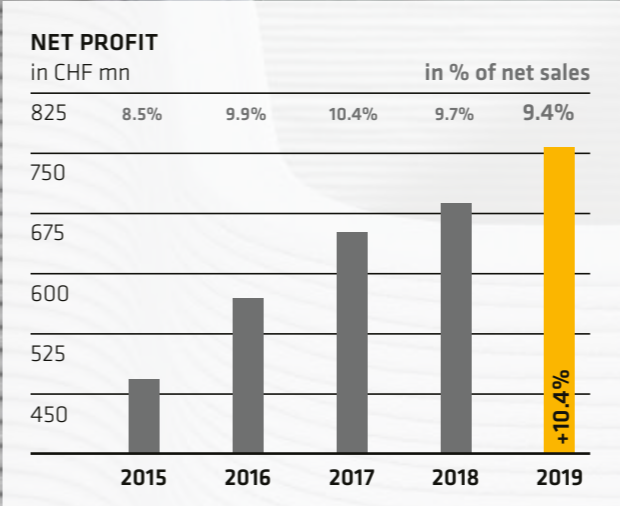
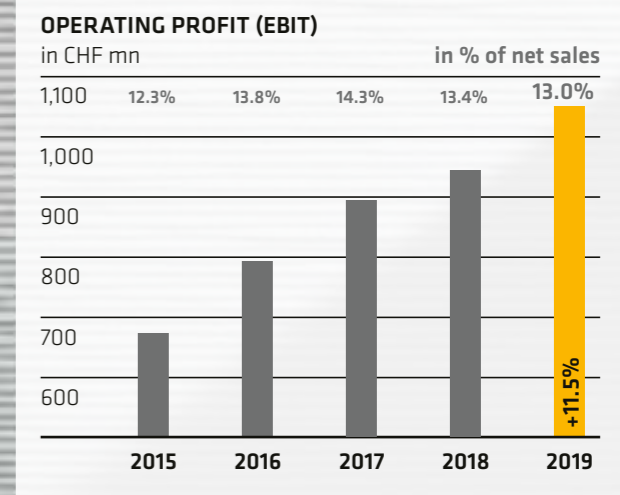
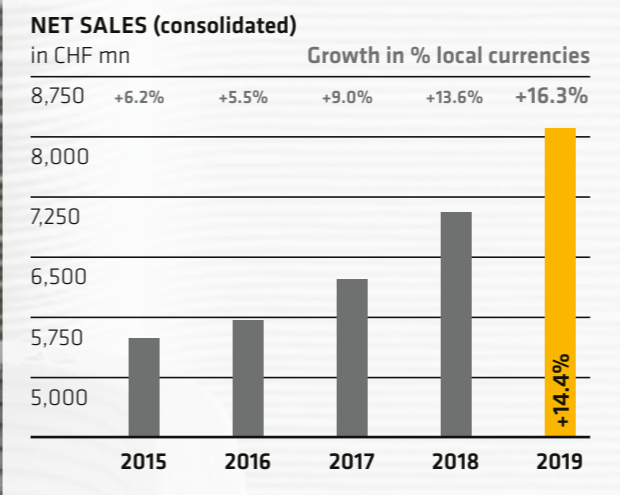
# NEW RECORD RESULTS

Sika once again delivered record numbers in 2019. Sales, EBIT, net profit, and operating free cash flow were all at the highest levels ever recorded.

in CHF mn	
8,109.2	Net sales <b>+14.4%</b>
1,055.1	EBIT <b>+11.5%</b>
758.5	Net profit <b>+10.4%</b>
1,026.1	Operating free cash flow <b>+99.9%</b>
19.2%	ROCE <b>-7.0%-points</b>
25,141	Employees <b>+25.3%</b>

-14.4%	Energy consumption per ton sold
-22.0%	Waste per ton sold

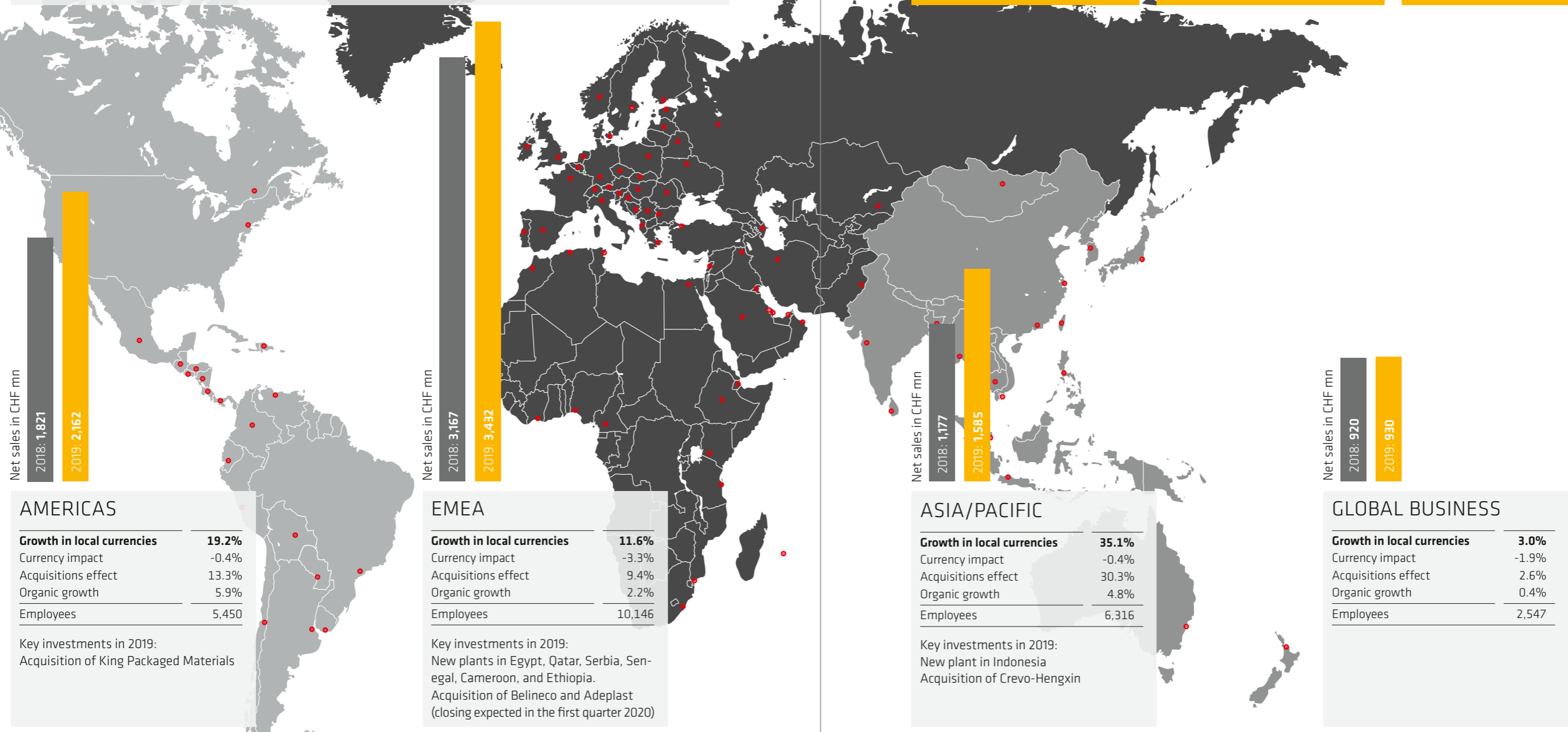
7	New factories
5	Acquisitions
93	New patents, 122 Inventions
1,141	Employees in R&D
21	Global Technology Centers



# REGIONS

In a challenging market environment, Sika has grown more strongly than the market in all regions and was able to further expand its business activities. Furthermore, the acquisition of Parex, which was completed on May 23, 2019, added another CHF 1.2 billion sales on an annualized basis.

11 NEW NATIONAL SUBSIDIARIES SINCE 2015	7,860 NEW EMPLOYEES SINCE 2015	44 NEW PLANTS SINCE 2015
21 GLOBAL TECHNOLOGY CENTERS	25 ACQUISITIONS SINCE 2015	425 PATENTS FILED SINCE 2015



Net sales in CHF mn



## AMERICAS

<b>Growth in local currencies</b>	<b>19.2%</b>
Currency impact	-0.4%
Acquisitions effect	13.3%
Organic growth	5.9%
Employees	5,450

Key investments in 2019:  
Acquisition of King Packaged Materials

Net sales in CHF mn



## EMEA

<b>Growth in local currencies</b>	<b>11.6%</b>
Currency impact	-3.3%
Acquisitions effect	9.4%
Organic growth	2.2%
Employees	10,146

Key investments in 2019:  
New plants in Egypt, Qatar, Serbia, Senegal, Cameroon, and Ethiopia.  
Acquisition of Belineco and Adeplast (closing expected in the first quarter 2020)

Net sales in CHF mn



## ASIA/PACIFIC

<b>Growth in local currencies</b>	<b>35.1%</b>
Currency impact	-0.4%
Acquisitions effect	30.3%
Organic growth	4.8%
Employees	6,316

Key investments in 2019:  
New plant in Indonesia  
Acquisition of Crevo-Hengxin

Net sales in CHF mn



## GLOBAL BUSINESS

<b>Growth in local currencies</b>	<b>3.0%</b>
Currency impact	-1.9%
Acquisitions effect	2.6%
Organic growth	0.4%
Employees	2,547

EMEA (EUROPE, MIDDLE EAST, AFRICA)

EU countries posted their seventh year of successive growth in 2019. Gross domestic product increased by 1.4% in the EU and by 1.1% in the Eurozone. European labor markets proved robust, with the unemployment rate hovering at a persistently low level. In Europe, the level of construction industry investment rose again in 2019, albeit not as strongly as the previous year, recording growth of 1.4%. For the current fiscal year, forecasts suggest the construction industry will grow by 1.6%. In Eastern Europe, strong investment momentum was evident in the year under review in the area of construction infrastructure projects, with growth amounting to 4.5%. A similarly high level of construction activity was evident in the Middle East and Africa, where there is an extremely pressing need for infrastructure projects. Waning investment appetite in the construction sector is particularly apparent in Italy, the UK, Sweden, Finland, and Spain. For example, construction market volumes in Spain remain at only a quarter of the level recorded back in 2007, despite a four-year growth phase.

Within the Sika Group, the EMEA region recorded a sales increase in local currency of 11.6% in 2019 (previous year: 14.1%). Double-digit growth rates were recorded in Africa, while high single-digit growth was achieved in Eastern Europe. Sika's product solutions were particularly in demand from the Target Markets of Concrete, Refurbishment, and Industry. Target Market Concrete benefited from a strong construction economy in Eastern Europe and the Middle East. Furthermore, the dynamic business activities of global key account customers, such as on roofing projects in the area of data centers, made an additional contribution to healthy business development in Europe.



The Euphoria Resort & Spa in Chania, Greece, is a five-star hotel with 287 rooms, three restaurants, a fully equipped spa, indoor and outdoor swimming pools, water park, gym, and playground. A hotel that provides the highest level of service also requires materials and systems of the highest quality. A wide range of Sika products were used to achieve the demanding requirements: admixtures for various types of concrete, waterproofing solutions, roofing systems, repair materials, flooring, and products for elastic sealing and bonding.

AMERICAS

The North American construction market exhibited very healthy growth momentum in the year under review. In the region's largest market, the US, investments in commercial buildings remained at a persistently high level. In Canada, the economy benefited from a high demand for mineral resources.

Following robust economic development in the first half of the year, Latin America's economy was characterized by stagnation from September onward due to protest movements. Political uncertainties and uprisings in the key economic regions, combined with a weakening of global trade, had a negative impact on this region's economic output.

By clearly focusing its business activities on the largest metropolitan areas, Sika successfully outperformed the competition in the Americas region, generating strong sales growth of 19.2% (previous year: 11.7%). Growth momentum was particularly pronounced in North America and above all Canada, which recorded a double-digit increase in organic growth in the year under review. In Latin America, Brazil, Colombia, Argentina, Peru, Uruguay, and Paraguay all recorded good growth rates. Brazil's construction economy is now back on a growth trajectory after years of stagnation. Sika managed to deliver double-digit growth (10%) in Latin America's largest country. A strong distribution business contributed to the positive business result of the region as a whole.

All Target Markets in the Americas region recorded further growth. The strongest momentum was apparent in Concrete, Refurbishment, Roofing, Sealing & Bonding, and the distribution business. A further expansion of the company's strong market position can be expected as a result of the integration of Parex, which completes Sika's product portfolio and opens up new business potential in the areas of interior finishing and facade systems. Moreover, unleashing the synergy potential between North and Latin America will positively impact the business going forward.



The ATRIO Towers, a two-tower development with spaces for offices, public services and shops, is located in Bogotá, Colombia. The towers' high-tech double-glazed hermetic glass facade is insulated with the help of Sika facade sealants. Sika also contributed to the project with waterproofing, flooring, and roofing solutions. With 44 and 67 floors respectively, the ATRIO Towers are a major new landmark in Bogotá.

ASIA/PACIFIC

The ongoing trade conflict between the USA and China dominated – and negatively impacted – Asian economies last year. In China, the world's second-largest economy, growth slowed further to around 6%. The economy was stimulated by several state measures, such as investment in the commercial construction sector and in infrastructure. A stimulus package which supported economic growth was also introduced in Japan, despite a shortage of labor. In India, the government announced various measures to support the economy, including tax cuts. Australia's economic growth rate slowed further, and at 1.7% was some way behind the growth figure of 2.6% reported the previous year. The repercussions of drought, declining real estate prices in the major cities, high levels of private debt, and reluctant consumers all slowed economic growth.

Sika's growth in the Asia/Pacific region amounted to 35.1% (previous year: 5.5%), a figure that includes a significant acquisition effect of 30.3%. The highest growth rates were recorded in China, India, and the Philippines. In China in particular, Sika was able to benefit from market developments in commercial construction and infrastructure, recording organic growth. The company generated double-digit growth rates in the Flooring Target Market. The largest contributory factor to the impressive growth in China was the takeover of Parex. Due to the persistent shortage of labor in Japan, easy-to-apply products and solutions enjoyed an increase in demand. A number of sports facilities, and the associated infrastructure for the 2020 Olympic Games in Tokyo, are being realized with Sika solutions.

Particularly healthy business development in the Asia/Pacific region was recorded by New Zealand, with strong growth in almost all Target Markets, and Bangladesh. Thanks to a huge need for infrastructure, the latter's construction market is recording solid growth rates. Major projects being implemented include several railroad and highway projects, such as the Dhaka Metro Railway.

Good growth rates were recorded by the Philippines, Cambodia, and Myanmar. In the Asia/Pacific region, the Concrete, Flooring, and Refurbishment Target Markets showed particularly good development.



The City Rail Link is the largest infrastructure project ever to be undertaken in New Zealand. It is a 3.5 km twin-tunnel underground rail link, situated up to 42 meters below the city center, which transforms the downtown Britomart Transport Centre into a two-way through station that better connects the Auckland rail network. Once completed, it will allow the rail network to at least double its capacity.

GLOBAL BUSINESS

The automotive sector failed to bounce back in the year under review, as global production figures dropped, and the number of manufactured vehicles declined by just under 6%. At a global level, less than 90 million vehicles were produced, with China and Europe in particular exhibiting negative trends. This situation was compounded by the ongoing uncertainty among consumers against the backdrop of the diesel crisis, and the paradigm shift taking place in the automotive and transport industry toward drive concept alternatives to the combustion engine.

The Global Business segment recorded growth of 3.0% (previous year: 29.2%). Programs to increase operational efficiency were ramped up in the year under review. Despite the global decline in production figures, Sika managed to win market share in the automotive sector in 2019. Megatrends in modern automotive construction, which are dominated by electro-mobility and lightweight construction, are opening up new avenues with long-term growth potential for Sika, thanks to multi-material designs and new adhesive technologies, as well as heat management in modern battery technologies for electric vehicles. E-mobility remains a key driver of innovation and new development projects. Sika was able to win numerous new clients in the reporting year, as well as opening up further areas of application for its products. At the end of 2019, Sika received the coveted Swiss Technology Award for an innovative new adhesive technology used in the automotive and transport sector.



Damen Shipyards' new Fast Crew Supplier FCS-7011 is its latest development in the offshore crew fast-transfer sector. Sika is working together with the Damen Shipyards RGD team with a special emphasis on sealants, window and structural bonding. Sika provides all sealing and bonding materials, leading to a tremendous reduction in weight, faster total speed of application, and a decrease in building costs. In addition, Sikafloor® Marine decorative resins are included in the sanitary units creating perfect watertight floor compartments.

# CUSTOMER FOCUS

Sika is a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and motor vehicle industry. Sika is active in the following eight target markets.



## BUILDING FINISHING

Sika provides one of the most comprehensive sets of solutions dedicated to tile setting, facade protection and decoration, as well as interior wall finishing, for both residential and commercial buildings. The offering comprises tile adhesives and tile grouts, as well as systems for under-tile waterproofing and sound reduction. Furthermore, it includes products for exterior and interior walls, such as wall-levelling products, decorative finish renders, and facade External Insulation Finish Systems (EIFS). The global urbanization trend, and the increasing need for home improvement, further fuel the market. Through a solid presence in rapidly evolving distribution channels, servicing fragmented contractors, and its comprehensive portfolio of complementary technologies for the building envelope from basement to roof, Sika addresses the increasing demand for quality, comfort, aesthetics, and environmentally friendly solutions.



## CONCRETE

Sika develops and markets a complete range of admixtures and additives for use in concrete, cement, and mortar production. These products enhance specific properties of fresh or hardened concrete, such as workability, watertightness, durability, load-bearing capacity, and early and final strength. The demand for admixtures and additives is currently on the rise, due to the increased performance requirements placed on concrete and mortar, especially in urban areas and for infrastructure construction. Furthermore, the increasing use of alternative materials, such as processed aggregates (sand) and alternative materials with cementitious properties in cement, mortar, and therefore also in concrete, leads to a growth in the need for admixtures.



## WATERPROOFING

Sika's system solutions for waterproofing cover the full range of technologies used for below and above-ground waterproofing: flexible membrane systems (polymeric sheets, modified bitumen sheets), liquid applied membranes, joint waterproofing systems (waterstops, swelling profiles, adhered tapes), waterproofing mortars and mortar admixtures, and injection resins and grouts. Key market segments are commercial and residential basements, tunnels, bridges, and all types of water-retaining structures, such as reservoirs, storage basins, and storage tanks. Waterproofing systems face increasingly stringent requirements regarding speed and ease of application, as well as total cost management. The selection of the appropriate system in line with the needs and expectations of the end customer, as well as well-trained and competent specialized waterproofing contractors, are key for long-lasting and watertight structures.



## ROOFING

Sika provides a full range of single-ply and built-up flat roofing systems, incorporating both flexible sheet and liquid-applied membranes, as well as thermal insulation and various roofing accessories. In recent years, Sika has acquired bituminous sheet membrane technologies in markets where bitumen technology dominates. A more than 50-year history has documented that Sika roofing solutions are outstanding performers: reliable, sustainable, and long-lasting. Demand in this segment is driven by the need for eco-friendly, energy-saving solutions such as green roof systems, cool roofs, and solar roofs, which simultaneously help to reduce CO<sub>2</sub> emissions. While refurbishment projects continue to gain significance in mature markets, emerging markets are moving towards higher-quality roofing solutions for new-build structures.



## FLOORING

Sika's flooring solutions are based on synthetic resin and cementitious systems for industrial and commercial buildings, such as pharmaceutical and food-sector production plants, public buildings such as educational and healthcare facilities, parking decks, and private residential properties. Each market segment is subject to its own particular requirements in terms of mechanical properties, safety regulations (for example slip resistance), antistatic performance, and chemical or fire resistance. Trends in the flooring market are being dictated by the growing significance of safety and environmental regulations, as well as customized technical requirements. The high volume of building alteration and conversion projects nowadays has boosted the importance of efficient solutions for the refurbishment of existing flooring systems.



## SEALING & BONDING

Sika offers a wide range of high-performance and durable sealants, tapes, spray foams, and elastic adhesives for the building envelope, for both interior finishing and for infrastructure construction. Typical applications include the sealing of movement joints between facade elements to make buildings weatherproof, the bonding of wood floors to reduce noise, and the sealing of joints in airport aprons. The growing demand in this market is fueled by an increasing awareness of the importance of high-performance adhesives and sealants for the overall durability and energy efficiency of buildings, the growing use of different materials, increasing urbanization including the larger volumes of high-rise projects, and the continued replacement of mechanical fastening systems by adhesives due to better performance.



## REFURBISHMENT

This segment features repair, strengthening and protective solutions for concrete structures, such as repair mortars, non-shrinking high-strength grouts, anchoring adhesives, protective coatings, corrosion control and structural strengthening systems. Especially in developed markets, many structures are decades old and need to be refurbished. Sika provides technologies for the entire life cycle of commercial buildings and infrastructure constructions, as well as design and calculation software for structural engineers and designers. The present uptrend in demand is attributable to a rising volume of infrastructure rehabilitation projects in the transport, water management, and energy sector, such as the construction and maintenance of wind energy farms.



## INDUSTRY

The markets served by Sika include automobile and commercial vehicle assembly (structural bonding, direct glazing, acoustic systems, reinforcing systems), automotive aftermarket (auto glass replacement, car body repair), marine vessels, industrial lamination, renewable energies (solar and wind), home appliance, and facade engineering (structural glazing, sealing of insulating glass units). Sika is a technology leader in elastic bonding, structural adhesives, sealants, reinforcing, and acoustic applications, serving the world's leading industrial manufacturers. Customers rely on Sika's solutions to enhance product performance and durability, while optimizing manufacturing efficiency. For example, Sika's solutions address key megatrends in vehicle design, leading to lighter, stronger, safer, quieter, and more efficient vehicles, while fast-processing materials and compatibility with automation optimize productivity.



# MEGATRENDS

Megatrends are driving social and ecological transformation as well as shaping our future. Such fundamental shifts are feeding into Strategy 2023 and will help to maintain sustainable dynamic growth.



## RAPID URBANIZATION

The expansion of megacities is proceeding apace, with infrastructure in all areas needing to be extended and modernized. To accommodate growing populations, high-rise living is a concept that is being taken to the next level. As a comprehensive solutions provider, Sika is making such developments possible.



## CLIMATE CHANGE

Faced with climate change and the scarcity of resources, what is needed are new ideas and sustainable energy sources, products, and processes that are both low emission and resource efficient. Sika is accelerating this development with innovative solutions.



## DYNAMIC ECONOMY

Asia and Africa are gaining in significance thanks to the momentum of their economies and the growth in their populations. Sika is expanding its position in these emerging markets in a targeted manner and harnessing the opportunities that are opening up in these regions.



## TECHNOLOGICAL PROGRESS

Digitalization is accelerating the pace of networking and interlinkage, bringing about radical change in how people work. Sika is leveraging innovative technologies and initiatives to drive this transformation in its industries.



## DEMOGRAPHIC CHANGE

Labor shortages are growing as populations get older, all against a backdrop of shifts in consumer behavior. For this reason, Sika is increasing automation, breaking new ground in logistics, and focusing on easy-to-apply solutions.

# GROWTH STRATEGY 2023

The new corporate strategy was developed and launched in the past financial year. In addition to even more ambitious financial targets, important elements include a focus on operational efficiency, an increase in market penetration, and the targeted orientation on environmentally friendly products and sustainability.

## THE SIX PILLARS OF THE STRATEGY

### SUSTAINABILITY

With its newly defined sustainability targets for the reduction of energy and water consumption, as well as waste, Sika will be minimizing its need for resources and the environmental impacts of the production process. Sika's overriding goal is to reduce CO<sub>2</sub> emissions per ton sold by 12% by 2023.

### MARKET PENETRATION

One strategic pillar of the new Strategy 2023 is an increase in market penetration. In addition to the establishment of the eighth Target Market - "Building Finishing" - the focus will be above all on the intensification of key project management, the further development of distribution channels, and an expansion of the product portfolio and its distribution in emerging markets.

### INNOVATION

By 2023 the company aims to generate 25% of sales with products that have been launched on the market in the last five years. Innovation at Sika is always determined by the needs of customers. These needs feed into both fundamental and applied research. Furthermore, the company has committed itself to ensuring that every new product must offer a higher performance as well as additional sustainability benefits. Already today, Sika offers its clients a broad spectrum of environmentally friendly product technologies.

### ACQUISITIONS

Acquisitions are an important element of Sika's growth strategy, enabling the company to enhance its core business with complementary technologies, improved market access, or expanded distribution channels. The focused approach allows Sika to establish the acquired businesses as platforms for additional growth.

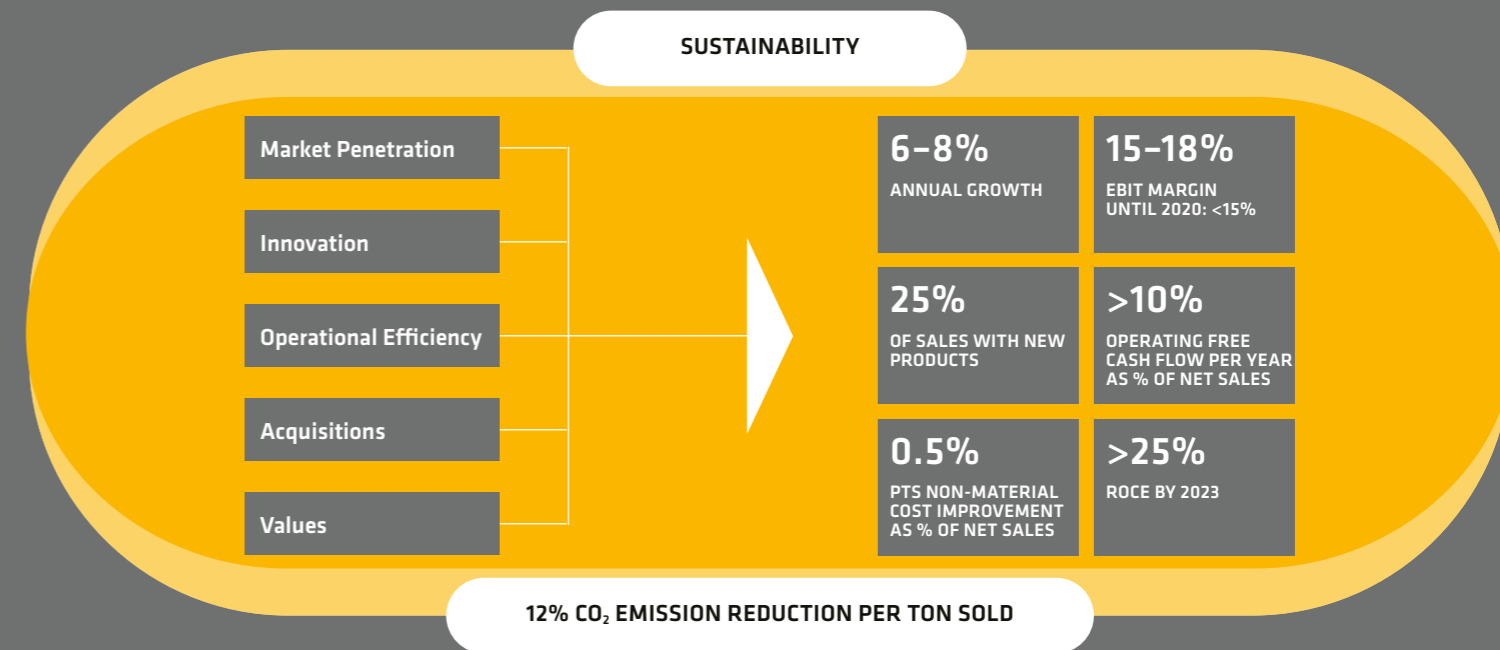
### OPERATIONAL EFFICIENCY

To a significant extent, the improvement in margins will be achieved through operational efficiency. Projects in the areas of operations, logistics, procurement, and product formulation should result in an annual improvement in operating expenses equivalent to 0.5% of sales.

### VALUES

Sika's strong corporate culture lays the foundation for its success. Customer First, Courage for Innovation, Sustainability & Integrity, Empowerment & Respect, and Manage for Results - these are the values that drive business activity and are put into action by employees every single day, all around the globe.

## STRATEGY 2023 FOR SUSTAINABLE AND PROFITABLE GROWTH



# SUSTAINABILITY STRATEGY

With its sustainability strategy “More Value – Less Impact”, which was realigned in the year under review, the company pursues the objective of creating lasting value for people and the environment, while at the same time adopting a moderate and sustainable approach to the utilization of resources. Thus, shaping the future responsibly.

## SUSTAINABLE SOLUTIONS

Sika has a portfolio of technologies and products that combines functional performance with optimized sustainability. The company’s services for its customers are therefore shaped by innovation, reliability, and future viability.

## CLIMATE PERFORMANCE

Among other things, CO<sub>2</sub> is a consequence of fossil energy consumption, which can only be reduced by increasing energy efficiency. Sika is therefore working to achieve a climate-friendly future not only through its products and solutions, but also on its own production sites. 80% of Sika’s product portfolio generates a positive sustainability impact for its customers.

## COMMUNITY ENGAGEMENT

With its program “Sika Cares”, the company is helping local communities to build up and maintain infrastructure for social projects. Important elements also encompass the advancement of education and vocational training, as well as projects that focus on water and climate protection.

## ENERGY

Sika is determined to reduce energy consumption as well as greenhouse gas emissions. This inevitably entails energy efficiency and the replacement of fossil fuels with renewable energies. The use of innovative and resource-preserving technologies has an additional sustainable impact.

## WASTE/WATER

A key pillar of sustainable development is the sparing and efficient use of materials and water. Here the company scrutinizes the entire value chain, from the use of raw materials and the manufacture of its products through to the disposal of waste.

## OCCUPATIONAL SAFETY

The safety and health of employees must be guaranteed at every site. Targeted programs raise awareness of this issue, making safe, healthy, and attractive working conditions mandatory at Sika’s locations all over the world.

## SUSTAINABLE SOLUTIONS

We are leading the industry by pioneering a comprehensive portfolio of customer-focused solutions, combining both higher performance and improved sustainability.

### TARGET

- All new product developments with “Sustainable Solutions” until 2023



## CLIMATE PERFORMANCE

We run our business in a responsible way and mitigate climate change and its impacts.

### TARGET

- 12% reduction of CO<sub>2</sub> emissions per ton sold until 2023



## COMMUNITY ENGAGEMENT

We build trust and create value – with customers, communities, and with society.

### TARGETS

- 10,000 working days of volunteering work p.a.
- 50% more projects
- 50% more direct beneficiaries



## MORE VALUE

## LESS IMPACT

## ENERGY

We manage resources and costs carefully.

### TARGETS

- 15% less energy consumption per ton sold
- 50% renewable electricity rate



## WASTE / WATER

We increase material and water efficiency.

### TARGETS

- 15% less waste generation per ton sold
- 25% higher recycling rate of total waste
- 15% less water consumption per ton sold



## OCCUPATIONAL SAFETY

Sika employees leave the workplace healthy.

### TARGETS

- 50% less accidents
- 0 fatalities



# COMMUNITY ENGAGEMENT

As a socially responsible company, Sika supports local communities. The “Sika Cares” community engagement program focuses on improving the quality of life of children, adults and families in the communities in which the company is active.

## HELPING PEOPLE HELP THEMSELVES

The world population is rising by 165 people per minute. At the end of 2019, there were 7.75 billion people in the world, with young people accounting for 1.8 billion. In the countries in which Sika is active, its strategic focus is on helping people help themselves. Projects aimed at increasing the scope for autonomy and self-determination in the lives of individuals or communities are a key element of such projects.

## BUILDING SUSTAINABLY

Through its infrastructure projects in the social area, Sika helps disadvantaged communities across the globe create a healthy and positive living environment that allows people to develop their full potential. Among the projects that Sika has supported for many years are renovation and construction projects for orphanages, children’s homes, and youth centers.

## SUPPORTING EDUCATION

Attending school is far more difficult for children and young people facing poverty and deprivation. UNICEF estimates that 300 million children do not go to school at all. Sika contributes towards equal opportunities and supports a variety of training and education initiatives, including the establishment of school libraries in China, “ProjeKt Inspire” in Tanzania which opens up career opportunities for the younger generation, and the focus on helping reintegrate people with disabilities into the workforce in France.

## SAFEGUARDING LIVING ENVIRONMENTS

Worldwide, three out of ten people live in homes with no access to clean drinking water. However, shaping your own future, is only possible if safe drinking water, adequate sanitation and hygiene, and a sound environment are available. Sika’s commitment in this area is structured primarily around water and renewable energy projects. The company has supported the Global Nature Fund (GNF) and its Living Lakes environmental program since 2004.

IN 86 SCHOOLS

in China, libraries were refurbished, and 70,000 books donated, with the help of 3,000 hours of volunteering work by Sika employees

567 PROJECTS

have been supported by Sika worldwide in the community engagement area since 2015

240,000 CHILDREN

now have reason to smile again thanks to Sika and “Operation Smile”. This funding project helps children who are born with cleft lips or similar facial disfigurements.

800 FAMILIES

in Madagascar have been able to send their daughters to schools that have been renovated with Sika funding and products

## THREE KEY AREAS OF FOCUS IN PROJECT FUNDING

### BUILDINGS AND INFRASTRUCTURE

#### BUILDING SUSTAINABLY

The health and dynamism of communities also depends on the infrastructure in place for people and the environment. This is where Sika comes in with its expertise and product solutions.

### EDUCATION AND VOCATIONAL TRAINING

#### SUPPORTING EDUCATION

Investment in good education gives young people the most important tool they need to lead an independent life. Sika works to ensure that disadvantaged children and young people get a genuine chance in life.

### WATER AND CLIMATE PROTECTION

#### SAFEGUARDING LIVING ENVIRONMENTS

Sika employees support projects which link social causes with ecological interests

# NEW TARGET MARKET

Sika introduced its eighth Target Market – “Building Finishing” – in 2019, which will allow it to focus more intensively on a fast-growing, attractive market.

## BUILDING FINISHING: THREE SYSTEMS



### TILE SETTING MATERIALS

Sika offers a comprehensive set of installation solutions for ceramic, porcelain tiles, and natural stones. These product systems combine tile adhesives and grouts as well as floor preparation compounds, under-tile waterproofing and acoustic insulation both for new buildings as well as repair and refurbishment projects. Sika is focusing on providing contractors and home owners with easy-to-apply, robust solutions with comfort, durability, and aesthetic features.



### FACADE SOLUTIONS

Sika provides a wide range of solutions and technologies for facade protection and decoration, thermal and sound insulation as well as facade refurbishment. Sika's product portfolio includes architectural finish coatings and stuccos, facade External Insulation Finish Systems (EIFS), insulation mortars based on bio-sourced aggregates, and systems for heritage building restoration. The offering comprises mineral renders and organic coatings with a wide selection of thickness, texture, aspect, and colors.



### INTERIOR WALL FINISHING

Sika offers a wide selection of wall preparation and finishing solutions for all types of interior walls (masonry, concrete, drywall) in housing and commercial buildings. Sika's product range focuses on interior mortars, plasters, crack fillers, and joint fillers. The interior wall systems perfectly complement the exterior wall solutions.

CHF 20 BN

GLOBAL VOLUME OF MORTAR MARKET

95

MORTAR PLANTS OPENED BY SIKA SINCE 2015

<30%

PRE-MIXED MORTARS IN EMERGING MARKETS

>90%

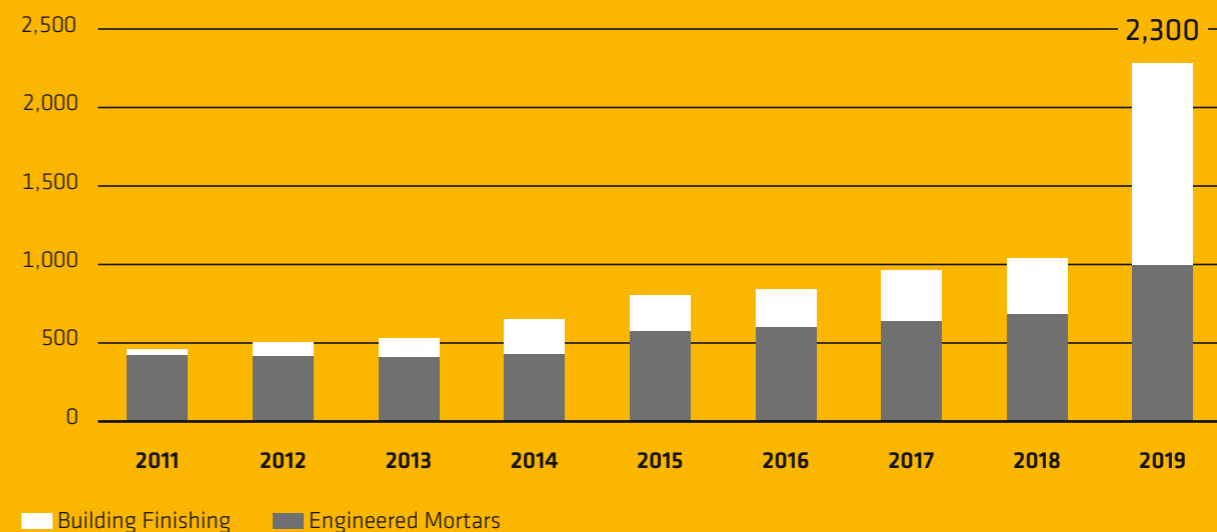
PRE-MIXED MORTARS IN MATURE MARKETS

STRUCTURAL GROWTH

IN PRE-MIXED MORTARS IN EMERGING MARKETS

WITH THE IMPORTANT GLOBAL ACQUISITION OF PAREX AND THE ACQUISITION OF KING PACKAGED MATERIALS, SIKA BECAME MARKET LEADER IN THE TECHNICAL MORTAR AND BUILDING FINISHING SEGMENTS IN 2019.

Net sales in CHF mn



# STRATEGIC PILLAR MARKET PENETRATION

Zeitz Museum of Contemporary Art Africa in Cape Town, South Africa: with the technological expertise of Sika, the old grain silos were transformed into a new landmark of Cape Town.

# COMPLETE SOLUTIONS

Sika solutions made it possible for the architects and clients to turn their artistic vision into reality when designing and repurposing the old grain silos into the new Zeitz Museum of Cape Town.

The raw concrete silos soar 33 meters into the sky, topped by sparkling glass elements. The Zeitz Museum of Contemporary Art Africa (MOCAA) in Cape Town, which was designed by the renowned architect Thomas Heatherwick of VDMMA Architects, immediately attracts attention. Anyone entering the museum

finds themselves in a unique atrium. Part of the silo was sliced open to create this almost sacred appearing space. Art is now displayed across nine floors, including the collection of German entrepreneur Jochen Zeitz, whose name the museum bears.



Close cooperation between clients and Sika ensured the successful project realization (FLTR): Anthony Webster, Sika Area Sales Manager Construction; Jan Ellis, Sika Technical Sales; Albertyn Smit, Divisional Managing Director of

WBHO Construction (PTY) Ltd; Lloyd Rubidge, Architect and Director at VDMMA Architects; Tim Cooper, Associate Director of Mace Group; Paul Adams, General Manager Sika South Africa; Kevin Kimbrey, Sika Target Market Manager Sealing & Bonding and Distribution.

## SIKA HELPS TRANSFORM

A decade ago, there was nothing to suggest that the concrete grain silos built back in 1921 would become a new visual symbol of Cape Town. The storage facility located right next to the port, which once held wheat, soybeans, and millet prior to shipment, stood empty. A new container port had made it obsolete. It would not have taken much for the iconic building to have been demolished altogether. But the location right next to the water is now a major advantage. Guests staying at the boutique hotel created in the old elevator tower have a spectacular panoramic view of city and ocean. However, the salt water had taken its toll on the silos over the intervening decades. "The concrete was in a very bad state before the conversion", explains Anthony Webster, Sika Area Sales Manager Construction. "The steel reinforcements had started to rust."

in a convincing way posed a number of major challenges. The concrete needed to be protected against corrosion, static and aesthetic questions had to be answered, and the glass facades and roof had to be reliably sealed. For each of these aspects, specialist companies were commissioned by the client to define specifications for the construction materials and select the corresponding suppliers.

Sika possesses state-of-the-art solutions for all of these construction challenges. But that did not mean the outcome to the tender process was a given. "We had to convince the decision-makers of the benefits of our products in every area", recalls Anthony Webster. In order to achieve this, he and his team made contact with the commissioned companies at a very early stage. Here it was helpful that Sika had successfully supported a number of construction firms – as well as the developer of the site, V&A Waterfront – on earlier projects.

## STATE-OF-THE-ART SOLUTIONS TO PRESERVE BUILDING STRUCTURE

For a major project like the Zeitz Museum, preserving the existing building structure and combining it with new architecture



The grain silos of the Zeitz Museum have been made a dazzling feature by the architect Thomas Heatherwick. Sika provided the state-of-the-art solutions to restore the concrete and preserve the building structure.

5

TARGET MARKETS DELIVERED  
PRODUCT SOLUTIONS

192

TONS OF REPAIR AND GROUTING  
MORTAR USED

35

DIFFERENT SIKA PRODUCTS  
USED

6,800

SQUARE METERS OF FLOOR  
COATED WITH Sikafloor®

Even more important was to seize the opportunities that arose during the project itself. "When you set about transforming a building like this so fundamentally, there will always be an element of surprise. We were able to react immediately and offer the developer the right solutions", says Anthony Webster.

This is precisely the challenge of the holistic solution approach offered by Sika. "We have to know, at all times, precisely what the building project developers will need", explains Anthony Webster, "and before they have even started to look for a supplier." Any questions that arise are clarified with Sika specialists as quickly as possible. With this holistic approach, Sika can increase its proportion of products sold in every construction project. "But to do that requires great expertise and unrelenting service orientation", asserts Anthony Webster. "Once we have gained a client's confidence, we then get referred in other project areas." Another prerequisite is reliable logistics, as the products sold must always be delivered to the construction site on time.

**CHALLENGING CONCRETE RESTORATION**

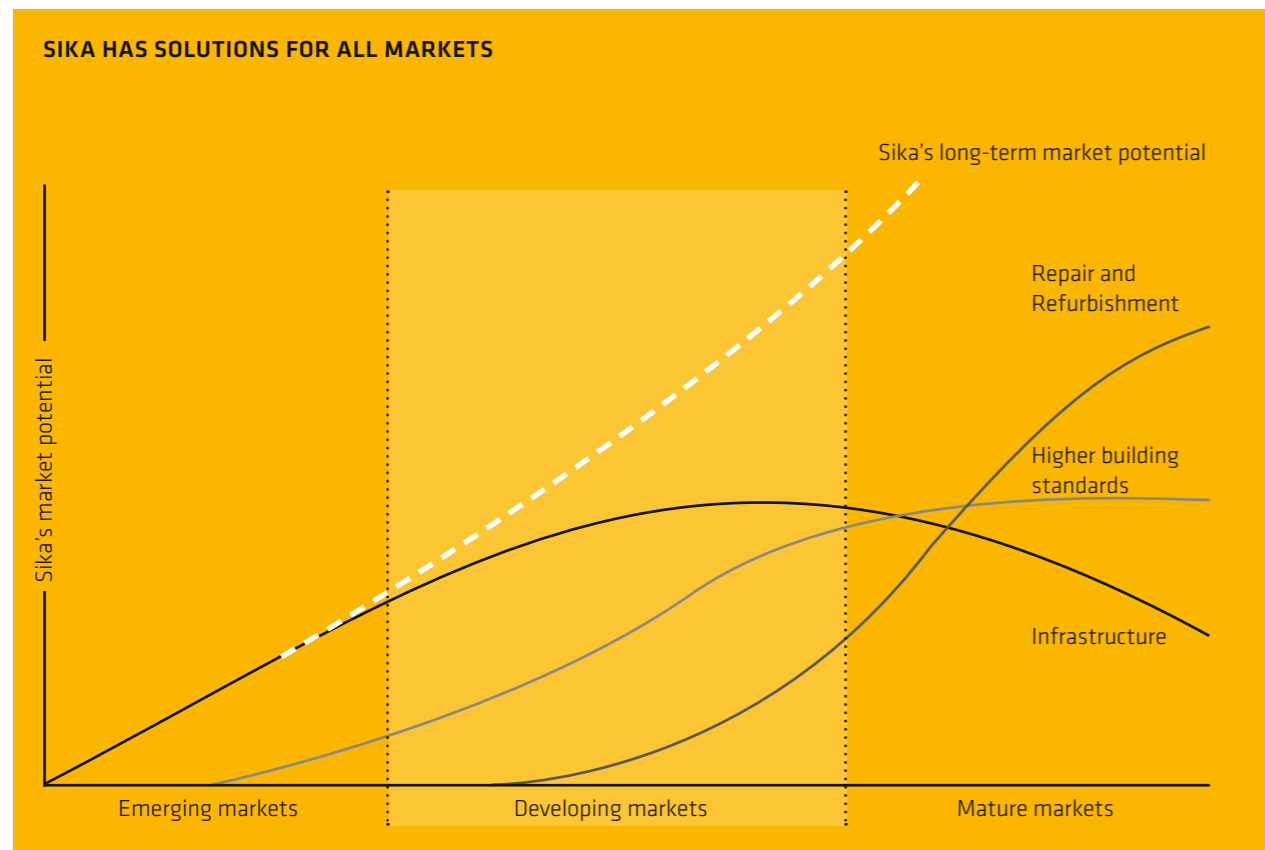
Sika helped to solve the many different challenges that arose during this major project in Cape Town. The old concrete was given a water-repellent protective coating and a corrosion inhibitor in order to guarantee long life. Special Sika mortar products were used to ensure that the repairs remained invisible and the characteristic light-brown color of the concrete facade was

properly preserved. Extraordinary solutions were also called for when binding the old building structure to the new concrete elements. Here the engineers used, among other things, Sika's high-performance epoxy resin structural adhesive, which at the same time offers protection against corrosion.

Before Sika won the tender for the coating of the wooden flooring, Sika ComfortFloor®Tough was subjected to a six-month test on the building site. Today the smooth polyurethane surface gives the rooms a modern feel, while at the same time being robust and easy to clean. Sika also impressed the clients with its sealing solutions for the insulated glass facade and waterproofing systems for the roof, which now serves as an accessible sculpture garden.

**COMPLETE CLIENT SATISFACTION**

The figures testify to the success of Sika's holistic solution approach. No fewer than 35 different Sika products were used in the comprehensive transformation of the Zeitz Museum. Anthony Webster and his team succeeded in demonstrating the quality of Sika's products and their highly customer-oriented mindset to engineers and planners in all building areas. This in turn enabled the architects to realize their artistic vision – from the concrete silos and glass facade right up to the roof.



Sika's comprehensive range covers all market development stages. This forms the basis for the success of the growth model: emerging countries are expanding their infrastructures, while in developing countries more rigorous building

standards involving higher-quality products and efficiency increases are gaining in significance. In mature markets the focus is on repair and refurbishment.

# DELIVERING PUBLIC TRANSPORT

The expansion of the metro system is a major project for the city of Montreal, and one that is making use of a range of Sika technologies.

The construction of the new metro system in Montreal represents a quantum leap for public transportation in this Canadian metropolis, which is home to millions of people. The additional lines of the "Réseau Express Métropolitain", which will be used by autonomous vehicles from 2021 onward, stretch across a network of 67 kilometers. Some sections run underground, some are laid at ground level, while others are elevated on pillars.

Sika is involved in all areas of this large-scale project. Concrete admixtures, waterproofing systems, and shotcrete are delivered for the construction of tunnels and stations, while Sika is also responsible for the vibration-damping, load-bearing fixing of the rails. The elevated railway sections are realized using pre-fabricated bridge parts, which are produced with the assistance

of Sika additives and then bonded together with structural adhesives on the building site.

**STRENGTHENING OF MARKET POSITION**

26 new stations will be required to service the additional lines, and Sika is supplying the corresponding flooring, structural glass bonding, and waterproofing for the roofs. Sika expanded its range of products in tunnel construction in 2019 with the takeover of King Packaged Materials, whose high-quality products for dry shotcrete and repair mortar are being used in the construction of the new metro line in Montreal. This large-scale project makes it clear how Sika's broad offering is enabling the company to strengthen its market position further and continue its growth trajectory.



More than a third of the metro runs as an elevated railway on pillars. Concrete elements are joined together with the assistance of Sika's high-performance structural adhesives.



In the center of Montreal, the new light rail network is mainly built underground. Directly following excavation, the tunnel walls are secured with Sika's shotcrete.



# EXPANDING THE DISTRIBUTION BUSINESS

Sika is opening up a major market for distribution business in China.

More than 25 million new apartments and hundreds of thousands of high-rise buildings are built every year in China. The country develops at a rapid pace, and the key driver of this trend is urbanization. By 2030, seven out of every ten Chinese will be urban dwellers, and a further 150 million people will have moved to the city in the meantime.

## BUILDING FINISHING BUSINESS GROWING

Demand for the construction materials used for building finishing is also rising in parallel to the surge in the need for new accommodation. China differs from the world's other major construction markets in one very particular way: be it in Shanghai, Shenyang, or Hangzhou, construction companies build more than half of the apartments as shell constructions. The fitting of kitchens, installation of bathrooms, or the laying of floors is the task of the apartment owner.

For Sika, the Chinese market offers enormous potential, above all in the mortar business, and this potential has increased with the successful integration of Parex. "Sika has a strong brand and broad spectrum of products, while Parex has the distribution network and the direct access to clients in the building materials trade", explains Olivier Chaudet, Head of Target Market Building Finishing and Distribution Asia Pacific. "When it comes to the finishing of buildings, Sika offers a wide of range products, from facade mortar, tile adhesives, and waterproofing systems through to sealants and adhesives. With the takeover of Parex, we have at a stroke acquired a presence in 1,200 cities and towns, and thus cover around half of the entire market."

Craftsmen looking to lay tiles or seal joints require reliable products that are easy to use. Both wage costs and an emphasis on quality are on the rise in China. An ever smaller volume of mortar ends up being mixed directly on the building site, whereas volumes of ready-mix mortar products – of the kind offered by Sika and Parex – are on the rise. With the new building finishing target market, the company's market position in the mortar industry will be strengthened further. "We are continuously

expanding our production capacity in order to keep pace with growth momentum", says Olivier Chaudet.

## STRENGTHENING THE DISTRIBUTION BUSINESS THROUGHOUT THE GROUP

Sika is looking to increase its share of distribution not just in China, but all round the world. The aim is to increase sales via this channel to more than 45% by 2023. Craftsmen and smaller construction companies should be more easily accessed, and market penetration increased. This is of particular importance in countries where Sika has so far mainly sold its product solutions directly in projects to general contractors and planners.

The successful integration of Parex opens up great potential for Sika in China. The company now has access to the 3,000 exclusive shops of Davco – the brand under which Parex sells its products – as well as a further 110,000 points of sale across the country. This is a crucial breakthrough, as in China it is not the large home improvement stores that dominate the business. In order to meet their needs, local craftsmen typically drive their trucks and vans to one of the shopping streets on the urban periphery, where numerous shops are located next to each other. Here, right by the products of Davco, Sika is now offering a selection of its solutions. "Craftsmen can now find sealants and adhesives to install basins and bathtubs efficiently and reliably right next to established mortar products", points out Olivier Chaudet.

## NATIONAL TILING CHAMPIONS

To help craftsmen use their products in the optimum way, Davco offers targeted training in its stores. Every year, more than 60,000 tilers throughout China learn the benefits of Davco's product range in this way. The bond with craftsmen is also strengthened at "tiling championships": ever since 2014, competitions have been held first regionally and then nationally to identify the best tilers in China. In 2019, thousands of craftsmen took part in these championships. The final took place in Guangzhou in November. For the first time ever, tilers from all over the world took part in the competition.



By the end of 2019, Sika had established more than 2,000 shop-in-shops in China. Next to various Davco mortars, craftsmen can now source the appropriate sealants and adhesives from the Sika range.



The Sika products' high-quality properties are demonstrated to craftsmen in the new points of sale. Access to the distribution network of Parex offers a vast potential in China.

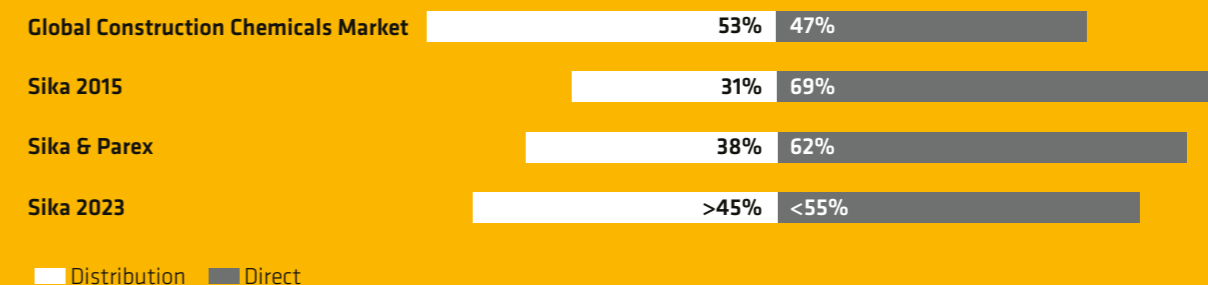
110,000

POINTS OF SALE TO WHICH SIKA NOW HAS ACCESS

60,000

CHINESE TILERS TRAINED BY SIKA EVERY YEAR

### PENETRATION OF DISTRIBUTION CHANNEL: LARGE POTENTIAL FOR GROWTH



# STRATEGIC PILLAR INNOVATION



Caravan production line at Knaus Tabbert in Jandelsbrunn, Germany: one of Europe's leading manufacturers of recreational vehicles has seen a huge increase in production efficiency thanks to Sika's high-performance adhesives.

# REINVENTING BONDING

Sika has reinvented bonding, with a ground-breaking innovation. Customers make significant savings in terms of production costs and time.

Bonding is playing an ever greater role in industrial production. Compared with traditional joining techniques such as screwing or welding, components do not need to be drilled or heated during the bonding process. Also, different types of material can be bonded and sealed against liquid ingress, which is an essential requirement in lightweight construction. The adhesives commonly found in the market either offer short assembly times and thus cure faster, or they have long assembly times and long curing times that can be accelerated using heat. Increasingly in demand in industrial manufacturing are adhesives combining both long working times and fast curing.

**PARADIGM SHIFT THANKS TO CURING-BY-DESIGN**

Sika has developed a two-component (2C) adhesive that solves this problem. The Curing-by-Design technology provides a uni-

que way of combining long working times and fast curing. "This means you can program when the adhesive is to harden practically at the touch of a button and at room temperature", says Frank Höfflin, Sika's Chief Technology Officer. "This allows us to deliver the framework for highly efficient automated production. SikaForce® Powerflex combined with Curing-by-Design technology makes for a revolutionary adhesive system."

Curing-by-Design gives industry the opportunity to significantly accelerate bonding processes, while at the same time still guaranteeing the necessary working time. Knaus Tabbert is a case in point for how crucial this is in vehicle construction. One of Europe's leading manufacturers of recreational vehicles, they have revolutionized the caravan production process using the latest Sika adhesive technology. This technology permits faster

bonding for the self-supporting glass-fiber frame, a core feature of the range built using ultra-lightweight construction. "Sika's technology has allowed us to slash assembly times and achieve the highest levels of process efficiency", says Max Kandlbinder, European Adhesive Engineer at Knaus Tabbert. "The new adhesive gives us the basis to automate our bonding processes going forward."

**INCREASED PERFORMANCE AND GREATER SUSTAINABILITY**

The Curing-by-Design technology allows Sika to satisfy the requirements of the manufacturing industry in the best possible way. Frank Höfflin: "Sika equips manufacturers with solutions that accelerate processes and make vehicles lighter and - thus - more environmentally friendly." The new adhesive technology is an expression of Sika's commitment to innovation. "Each new product we bring to market outperforms its predecessor and - at the same time - makes a greater contribution to sustainability."

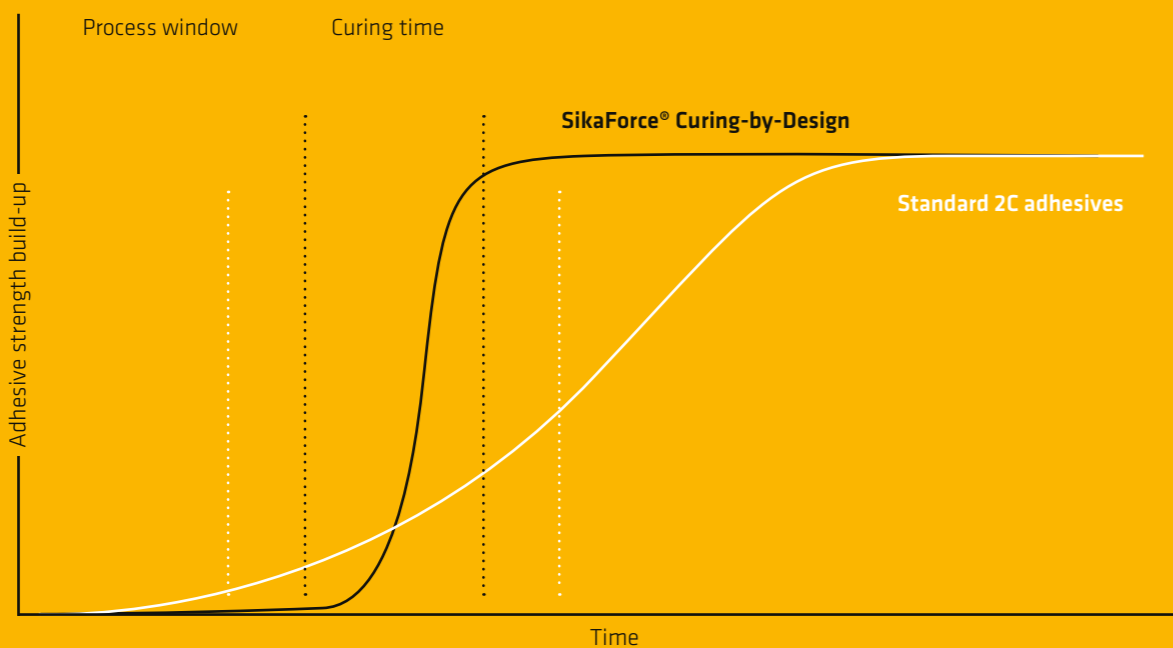
**SIKA WINS SWISS TECHNOLOGY AWARD**

Switzerland's most significant technology prize went to Sika in 2019. The award was received in the "Innovation Leaders" category for the new high-performance adhesive technology SikaForce® Powerflex with Curing-by-Design. The adhesive supports faster assembly processes, accelerates the development of lightweight construction in the transportation sector, and permits more ecological vehicle concepts.

From l. to r., standing: Michael Schlumpf, Claudio Di Fratta, David Hofstetter, Bernhard Bosshard  
From l. to r., seated: Marko Zivaljic, Fabien Choffat, Antonio Corsaro



**SikaForce® CURING-BY-DESIGN**  
REVOLUTIONARY CURING TECHNOLOGY FOR 2C STRUCTURAL ADHESIVES



Longer working windows    Shorter fixing times    Much faster follow-on processing

**CUSTOMER BENEFITS FROM CURING-BY-DESIGN**

EXAMPLE BUS MANUFACTURER

	Open time	Workforce needed for application	Customer benefit
<b>SikaForce®-803</b>	45 min	1 person icon	Cost savings up to 75%
<b>Conventional adhesive</b>	15 min	4 person icons	
	Strength after 4 hours	Strength after 24 hours	Waiting time until vehicle can be moved
<b>SikaForce®-803</b>	>4 MPa	>6 MPa	2 h
<b>Conventional adhesive</b>	0.45 MPa	1.8 MPa	24 h
			Time saving approx. 90%

# THE FUTURE OF BUILDING

Industrialization in construction is opening up new scope for building owners and architects.

Modular construction and 3D concrete printing are radically changing the building industry, and innovative technologies put Sika at the cutting edge of both trends. Work is increasingly moving away from the construction site and onto the fac-

of increasing process efficiency, the new Curing-by-Design technology is also attracting a great deal of interest. Furthermore, Sika supplies watertight membranes for the bathroom modules and adhesives to reinforce the walls.

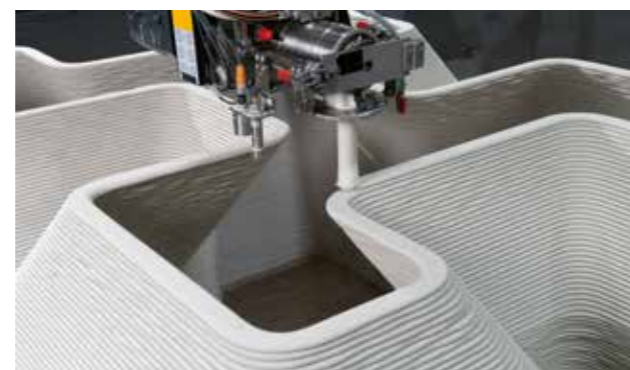


50%

REDUCTION OF BUILDING TIME BY MODULAR CONSTRUCTION



In the Swedish city of Piteå, Lindbäck is producing standardized components in Europe's most modern modular construction facility. Modular construction is frequently used in residential building.



In the patented print head developed by Sika for 3D concrete printing, the mortar is mixed with various additives. Within seconds it adheres to the previously applied concrete layer.

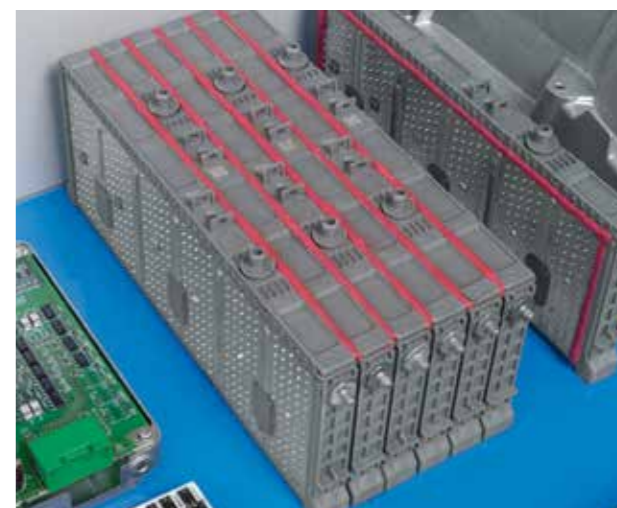
tory floor, highlighting the process of industrialization currently underway in the building trade. More and more components are being manufactured industrially under controlled conditions. Lindbäck, a Europe-wide leader in modular residential construction, has made considerable headway in this direction, using industrial robots to assemble floors, walls, and insulation materials fully automatically. For every step involved, Sika has the right solution, ranging from adhesives to fire protection agents. The gain in efficiency is especially significant with bathroom modules. Lindbäck saves up to twelve hours thanks to Sikaflex®, because the adhesive and sealant cure fast. Capable

**3D CONCRETE PRINTING ON AN INDUSTRIAL SCALE**  
Thanks to Sika's Digital Technology Unit, advances have been made in the digitalization and industrialization of concrete construction with 3D concrete printing. Using 3D mortar from Sika, the first printers are being deployed at partner companies to print industrial-scale concrete elements on the factory floor. The advantage of this is that components can be printed directly from a plan, eliminating the costly and time-consuming need to erect formwork. High-precision production allows for the integration of acoustic or other functions, opening up completely new design opportunities for architects.

# GEARING UP FOR E-MOBILITY

Innovations in fillers and adhesives are improving thermal conductivity and stiffness properties of car batteries.

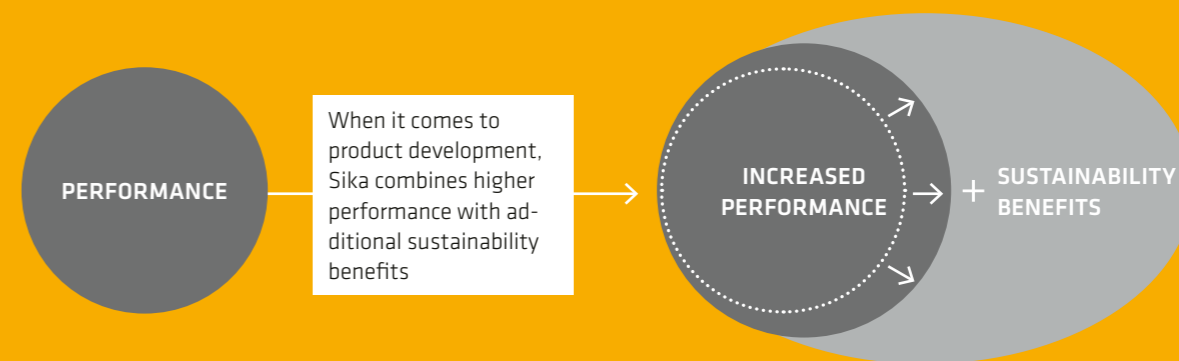
The batteries in electric vehicles do not cope well with fluctuations in temperature. Temperatures of below zero decrease range, while those in excess of 70° Celsius shorten battery life. Above 140° Celsius, batteries pose a safety risk. The most important factors that directly impact the performance and safety of electric vehicles are heat control and dissipation. High temperatures such as those generated by battery discharge as a result of high driving speeds or through rapid charging reduce the performance, reliability, and longevity of battery systems. Furthermore, the high temperatures in lithium-ion battery cells are ultimately a fire risk. Sika has developed high-performance technologies for heat control in the complex battery systems in electric vehicles.



With SikaBiresin® TC and SikaForce® TC, the company has gap fillers and structural adhesives that offer excellent thermal conductivity properties and, at the same time, improve battery pack and battery module stiffness. This allows the modules to be stably affixed in the casing while at the same time the heat is dissipated from the battery modules to the cooling system.

Since batteries for electric cars need to meet ever more stringent requirements, heat management plays a key role. Sika has the right solution in the form of heat-conducting fillers and adhesives.

## INNOVATION - STRONGER FOCUS ON PRODUCT SUSTAINABILITY



Innovation is one of Sika's strategic pillars. By 2023 the company aims to generate 25% of sales with products released in the past five years. At Sika, innovation is always driven by customers' needs. Which is why every new product that

Sika brings to market has to meet two criteria. As well as possessing significantly improved properties, it must also deliver enhanced sustainability benefits.

# STRATEGIC PILLAR OPERATIONAL EFFICIENCY



The new Sika mortar factory in Sydney, Australia: the modern facility operates at a high level of efficiency. At the same time environmental emissions were substantially reduced.

# SUSTAINABLY MORE PRODUCTIVE

How Sika Australia perfected the production and warehousing concept thanks to the Parex acquisition.

Increasing productivity is one of a manager's basic tasks. But in this case, Adam Sharp's remit was more challenging than usual: the General Manager of Sika Australia had not just been called on to optimize individual facilities. More precisely, in conjunction with the Parex acquisition, his job was to make the resultant larger mortar production structures throughout Australia more efficient and to streamline procedures. "That was particularly demanding since some of the facilities are thousands of kilometers apart. And because the raw materials we use when producing mortar vary depending on the region", points out Adam Sharp.

After the implementation of the efficiency enhancement program and the successful integration of Parex's operations, one thing is certain: the Sika Australia team met and sometimes even exceeded their ambitious targets. Production costs are now

10% lower. This is a considerable improvement for a product that is produced in very large quantities. At the same time, the CO<sub>2</sub> output per ton of mortar was reduced by 5% in the first year.

### COMPLETELY NEW PROCEDURES

Fundamental adjustments were necessary to bring about such major progress, increase efficiency, and improve the ecological footprint. "We reorganized all our activities from the ground up", is how Adam Sharp summarizes the approach adopted. "Today our production facilities are located right where our markets are, and with appropriate capacity." In each of the four metropolises Brisbane, Sydney, Melbourne, and Perth, Sika now operates just one mortar factory. A new factory with production lines for specialty mortars and volume mortar was built in Sydney. On the other hand though, four facilities were discontinued.

A highly motivated team with expertise on all processes was the basis for a successful implementation of the efficiency enhancement program.



Robots prepare packed mortar for onward transportation. The fully automated procedures lower production costs.

Thanks to optimized logistics, Sika products are always precisely where the customers need them to be, at the right time, and in the correct quantity.



## OPERATIONAL EFFICIENCY

Furthermore, the number of warehouses was reduced to allow much more efficient material flows. "Now our products are available precisely where our customers need them to be, at the right time, and in the correct quantity", says the General Manager.

### INCREASED CAPACITY UTILIZATION, REDUCED ENERGY CONSUMPTION

Concentrating operations at the optimum locations increased capacity utilization at the factories from 45% to 67% within a year, exceeding the original targets. This had a direct positive knock-on effect on production costs. With Sika operating fewer factories, the individual facilities were able to raise production and reduce energy consumption per ton of mortar by 10%.

Significant commercial and ecological improvements were also made in another key area. The volume of mortar transported between the different sites by truck, rail, or ship was cut by over 85%, clearly surpassing original expectations. Today only a selected number of high-performance specialty mortars are still transported over longer distances. All other mortar products are produced by each of the four factories exclusively for the surrounding metropolitan areas.

### CONTINUOUS REDUCTION OF THE GROUP'S OPERATING COSTS

Sika is promoting programs to increase operational efficiency in all regions. Operating costs are to be reduced by half a percentage point each year. The company is focusing on every link of the value chain, from procurement and product formulations via production and logistics to sales and administration. In the

area of purchasing alone, worldwide Sika has identified over 1,700 projects with savings potential. When it comes to packaging design, for example, Sika relies on standardization and recycling to cut costs.

Sika specifically leverages the benefits of automation to speed up procedures and bring down costs. Robots are increasingly used in production and packaging, while autonomous vehicles shift goods in warehouses. This approach is being unwaveringly pursued at the Dürdingen plant in Switzerland, the site of Sika's most modern production facility, where high-performance adhesives are manufactured fully automatically. Making changes to product formulations also offers huge potential. Teams of experts across the globe are working to reduce the number of more than 20,000 formulations used based on different methods. All these initiatives are key drivers of Sika's efforts to continually improve productivity. The environment also profits from the resultant savings in energy, raw materials, and waste.

### BEST PRACTICE AS BENCHMARK

Sika is improving operational efficiency Group-wide. Value chains at all sites are to be gradually optimized over the next few years. Sika Australia and the production facility in Dürdingen, Switzerland, are best practice examples that serve as a benchmark for teams throughout the Group working to boost efficiency. Adam Sharp took away some valuable lessons from the project in Australia. "You need to bring together people with the appropriate expertise and draw on all the available information to arrive at conclusions that have to be consistently translated into action. This can only be done with a highly motivated team."

## HIGH LEVEL OF AUTOMATION

IMPROVED EFFICIENCY CUTS COSTS AND REDUCES ECOLOGICAL FOOTPRINT

## SMART PACKAGING

REDUCTION IN MATERIAL CONSUMPTION COMBINED WITH EASY HANDLING

## OPTIMIZED LOGISTICS

EFFICIENT GOODS FLOWS IN LOCAL MARKETS, COUNTRIES, AND REGIONS

## GLOBAL TEAMS OF EXPERTS

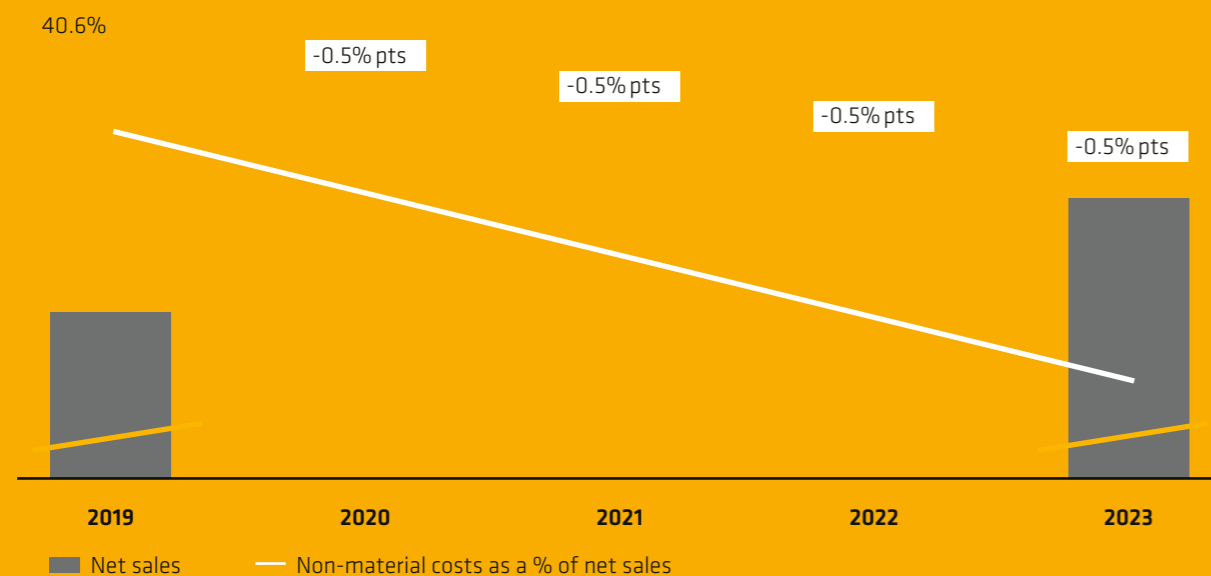
GROUP-WIDE OPTIMIZATION OF PRODUCT FORMULATIONS

Sika's adhesives production in Dürdingen, Switzerland, is fully automated – from the preparation of starting materials, through the production and filling of cartridges to the packaging and palletizing of the end products.



### IMPROVING OVERALL OPERATIONAL EFFICIENCY

0.5 PERCENTAGE POINT REDUCTION IN NON-MATERIAL COSTS\* PER ANNUM (ORGANIC)



\*including personnel expenses, operating expenses, depreciation and amortization expenses

# STRATEGIC PILLAR ACQUISITIONS



High-quality solutions for the social housing projects of the Brazilian construction group Direcional Engenharia: Sika integrated Parex quickly and successfully. The experts from the two companies worked closely together from the beginning. Left to right: Kilson Nogueira, Commercial Director; Lígia Botelho, Commercial Technical Coordinator, Southeast; Márcio Tavares, Sales Supervisor Portokoll Southeast; Paulo Neves, Mortar Technical Seller; Maurício Borger, Business Manager.



# SUCCESSFUL INTEGRATION

Through the acquisition of Parex, Sika is expanding its product range, improving market access, and capturing a market-leading position in a number of markets.

Two days after conclusion of the takeover, the sales teams of Sika and Parex exchanged customer data, and just a short time later Sika employees were starting to receive training on the Parex products and vice versa. "The quicker we merge the teams, the better we will be able to exploit the full potential of both companies", explains Romeu Martinelli, General Manager of Sika Brazil.

**RAPID INTEGRATION IS THE KEY**

Sika has extensive expertise in the acquisition and integration of companies. In the last ten years, 50 firms have been taken over. "The strong corporate culture at Sika is a decisive factor behind the complete commitment shown by everyone and the way teams quickly grow together", remarks Philippe Jost, Head Construction. "That's crucial, given that acquisitions are a cornerstone of the Sika growth strategy. It allows us to add products that complement our existing portfolio and improve market access. If we are to continue expanding our market position

and achieve our ambitious strategic goals, we need both organic and inorganic growth."

**LEVERAGING POTENTIAL IN A SHORT TIMEFRAME**

In the very first meetings with Direcional Engenharia, Romeu Martinelli's sales team flagged up the benefits for the client and illustrated the expanded portfolio. Direcional Engenharia, one of Brazil's largest construction companies specializing in the area of social housing, was offered an overall package encompassing bathrooms, flooring, lift shafts, and other areas – and successfully. All Direcional Engenharia's construction projects in the federal states of São Paulo and Rio de Janeiro are supplied with specialty waterproofing mortar by Sika and high-quality adhesive mortar by Parex, to the value of some CHF 1 million. Sika's sealants and adhesives offer additional potential for further solutions in the construction projects of Direcional Engenharia. Efficiency, speed, and sustainability are crucial factors in social housing construction, both in the procurement process but also

CHF 100 MN

OF IDENTIFIED SYNERGIES IN THE TAKEOVER OF PAREX

<40%

MARKET SHARE HELD BY THE TEN LARGEST CONSTRUCTION CHEMICALS COMPANIES WORLDWIDE

25

COMPANIES ACQUIRED BY SIKA SINCE 2015

CHF 1.7 BN

SALES CONTRIBUTION IN 2019 BY COMPANIES ACQUIRED SINCE 2015



The average Direcional Engenharia construction project encompasses more than 1,000 residential units. The construction period for a residential block works out at 45 days, including interior finishing.

The craftsmen are trained by Sika in advance to apply its specialty and adhesive mortar safely and efficiently. Together with the high quality of the products, this approach helps to ensure the durability of the apartments.





In addition to a high-quality product portfolio, Sika's strengths also include advising the client on the building site. Together with Direcional Engenharia, the best solutions for the specific project requirements were defined and implemented.

later on the building site. Sika and Parex as one team is the ideal partner. Direcional Engenharia can now obtain a comprehensive solution from a single source, while at the same time keeping its procurement workload low. The high-quality, sustainable products, which fulfill all the safety and quality requirements of the Brazilian construction group, are easy to apply, can be processed rapidly, and contribute to the longevity of the constructed apartments.

**STRUCTURED PROCESS, HIGHLY MOTIVATED TEAM**

How well the integration of a new company succeeds can be seen above all in the extent to which synergies are achieved, and in what timeframe this happens. In the acquisition of Parex, these two metrics were impressive. After just half a year, it was clear to Philippe Jost that the upper end of the projected synergy bandwidth of CHF 80-100 million would be reached. "This is only possible because we know exactly what matters for integration to succeed. It takes a very clearly structured process and highly motivated employees."

The new organizational structure came into effect as soon as the acquisition was concluded in May. "From the first day on, the Parex managers all reported to their new line managers and no longer to head office in Paris", explains Philippe Jost. Four months previously, after Sika had submitted a binding takeover offer, Philippe Jost's coordination team got down to work. In all 23 countries where Parex has a presence, the optimal structure

was sought, focusing on cross-selling, procurement, operational efficiency, product formulations, and administrative costs.

**SIKA REMAINS COMMITTED TO ACQUISITIONS**

Even after the takeover of Parex, Sika is still on the lookout for interesting companies. The construction chemicals market is heavily fragmented, with its ten largest players together accounting for a market share of less than 40%. "This opens up huge opportunities for us", comments Philippe Jost, "because size does matter more and more as legal requirements become stricter and customers in the building sector become increasingly international."

Each year, Sika scrutinizes more than 70 potential takeover candidates. Only very few of them satisfy Sika's rigorous requirements. Selection follows clearly defined criteria. For a company to be a fit for Sika's growth strategy, it needs to fulfill at least one of three criteria: market access for Sika products is improved, the company enjoys a strong position in individual markets which Sika is unable to build up itself over the short term, or it possesses outstanding technology that logically complements the Sika product portfolio. In the case of Parex, all three of these boxes were ticked, which explains the big success of this acquisition.

**GROWTH PLATFORM**

ENHANCED MARKET PENETRATION THANKS TO ACQUISITIONS

**MARKET SHARE**

STRENGTHENING SIKA'S POSITIONING IN COUNTRIES AND INDUSTRIES

**MARKET ACCESS**

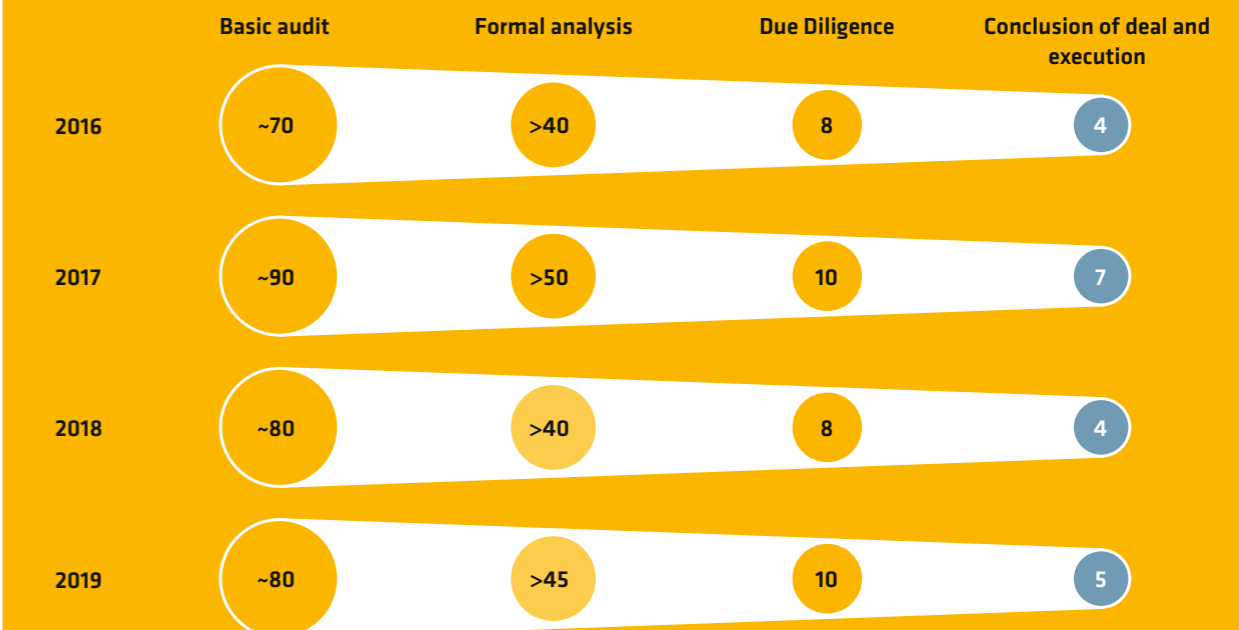
EXPANDING THE DISTRIBUTION NETWORK FOR SIKA PRODUCTS

**ADDITIONAL TECHNOLOGY**

UNIQUE, SUPPLEMENTARY SOLUTIONS

**SYSTEMATIC IDENTIFICATION OF ACQUISITIONS**

Acquisitions have formed a strategic pillar of Sika's business for many years. Potential takeover candidates are identified and analyzed as part of a clearly structured process. Only a few fulfill the high requirements.



# STRATEGIC PILLAR VALUES

As part of the "Sika Cares" community engagement program, the company promotes, among other things, the education of children and young adults. Through "ProjeKt Inspire" in Tanzania, Sika employees organize events such as factory tours for schoolchildren and lectures at secondary schools and universities.



# HIGHLY ENGAGED EMPLOYEES

Excellent results of the first Group-wide employee survey.

In summer 2019, Sika conducted its first Group-wide employee survey. More than 14,600 Sika employees around the globe took part, representing a response rate of 78%. In comparison with other global companies, this is an excellent result and demonstrates that employees are highly loyal to Sika.

The objective of the survey was to collect data on employee engagement, as well as identify strengths and areas with potential for improvement. Sika's index score of 86 points out of 100 for Group-wide workforce engagement is an outstanding rating. The teams are proud to work for Sika (90 points) and are extremely committed in terms of their work (94 points) and the future success of the company (92 points). At global level, Sika achieved its best ratings for the immediate working environment, including collaboration within the team and with line managers.

The reasons given for the strong level of engagement are a job role with a high degree of responsibility, teamwork within a trust-based work environment, as well as a pronounced customer-first mindset. The survey thus also confirmed that corporate values are keenly embraced and practiced in the organization, and form the basis of Sika's unique corporate culture.

Work-life balance, cross-team collaboration, and the establishment of teams with greater diversity were the areas identified as having potential for improvement. The survey findings were broken down in detail to the individual country and sector levels and discussed in the teams. Every employee in a leadership role is required to continue working closely with their teams in order to build upon the positively rated factors, to identify opportunities for improvement, and to implement effective measures.



Going forward, Sika aims to step up efforts to recruit, retain, and promote women. A key goal for the future is to increase the number of women in sales roles.

+25%

NEW EMPLOYEES IN 2019

92

INDEX POINTS FOR EMPLOYEE IDENTIFICATION WITH SIKA'S SUCCESS

86 out of 100

INDEX POINTS FOR EMPLOYEE ENGAGEMENT

23%

SHARE OF WOMEN IN THE COMPANY

116,000

NET ADDED VALUE IN CHF PER EMPLOYEE

25,141

EMPLOYEES IN 2019



Diversity and inclusion are a priority at Sika. Greater emphasis will be placed on working together in teams that stand out for their diversity.

# FACTOR FOR SUCCESS: SIKA'S VALUES

Sika's values are at the heart of its corporate culture. Customer First and Sustainability & Integrity form part of these values, as do Empowerment and Respect. They are a cornerstone of Strategy 2023. That these values are lived out each and every day can be seen in the high level of employee engagement and team cooperation. The unique Sika Spirit allows staff from the firms that have been acquired to integrate rapidly into the Group. And Sika's values are similarly reflected in the voluntary work carried out by its staff, which serves to strengthen ties at the local level, reinforce trust, and promote sustainability around the globe. This commitment is continuing to grow. As part of the community engagement program, Sika aims to increase the voluntary work done by its employees to 10,000 working days per year, thereby reaching 50% more people by 2023.



**COMMUNITY ENGAGEMENT TEAM - SIKA BRAZIL**

Employees of Sika Brazil, together with the NGO "Teto", constructed transitional housing in various communities across São Paulo. The construction of modular homes saw Sika volunteers and people in need all working together to improve living conditions and overcome poverty. This process is conducted with a community approach, which promotes the engagement of employees and the participation of the community.



**CORPORATE SUSTAINABILITY TEAM**

A passionate and dedicated team of experts plans, facilitates, and manages the development and implementation of the Sika Sustainability Strategy across the company. Sustainability experts from the acquired company Parex are fully integrated into the team, which further strengthens the engagement and collaboration with global, regional, and local functions.



**SIKA CHINA - TEAM INDUSTRY AND ADVANCED RESIN**

In China, the Industry team is responsible for sales and technical service, whilst the Advanced Resin team is responsible for production, as well as R&D of wind blade bonding products. Thanks to the good cooperation between the two teams, the overall sales volume increased. Not only did one of the top wind blade manufacturers in China order our products, but Sika products received high praise from customers in general.

**SIKA EGYPT - PROJECT TEAM NEW ADMINISTRATIVE MEGACITY**

The new administrative megacity, a large-scale project east of Cairo, has been under construction since 2015. This will be the new administrative and financial capital of Egypt with a population of 6.5 million people, housing the main government departments and ministries, as well as foreign embassies. Sika's expert teams are involved in almost all the major sub-projects of this huge development, from various parliament and ministry buildings, infrastructure projects, and central bank building, to Africa's tallest buildings - the Iconic Towers.





**TEAM SIKA ECUADOR**

Sika Ecuador was established in 1986 and was involved in its first large-scale project in 1992. Since then it has continued to grow and expand. Our people, their passion for their job, and great teamwork, are integral to the growing success of Sika in Ecuador.



**COMMUNITY ENGAGEMENT TEAM - SIKA THAILAND**

Sika Thailand supports Operation Smile to provide free medical treatment for children with facial deformities. In 2019, 135 patients received surgery and 30 Sika employees dedicated more than 300 hours of volunteering work. Sika Vietnam have also supported Operation Smile Vietnam with 125 days of volunteering over the last five years.



**SIKA PHILIPPINES - TECHNICAL SUPPORT TEAM**

Our newly combined Sika and Parex teams are making use of synergies to secure more application areas in building projects. Through joint technical activities that exhibit Sika's strength in engineered solutions and Parex's expertise in building finishing, we are extending our services and winning additional business.



**SIKA WEB TEAM**

Continuing to adapt to new digital trends is key in today's fast-changing world. In 2019, we started the global rollout of our new website that meets both current and future digital challenges. Sika marketing experts from all over the world came together to be trained on the new system, trends, and requirements, to ensure a successful local implementation.



**TEAM SIKA URUGUAY**

Over the past two years, Uruguay made large investments in the construction of national roads. After extensive specification work and advice by our Sika experts, the responsible Ministry began to consider concrete solutions which not only included traditional concrete, but also white-topping solutions with similar costs to asphalt roads. This gave us the opportunity to supply concrete fibers and sealing solutions, as well as admixtures.



**SIKA FRANCE - TEAM ADVANCED RESINS, AUTOMOTIVE, AND INDUSTRY**

We combine the strengths of Sika Advanced Resin, Industry, Automotive R&D, and Sales, to tackle the new challenges faced by e-mobility in the field of battery thermal management. We leverage our technical expertise to develop innovative solutions and to use our global production footprint, as well as strong market access to serve customers globally. The target is to support a sustainable move towards New Energy Vehicles.



**SIKA ARGENTINA - TEAM SALES MANAGEMENT BUILDING SYSTEMS / CONCRETE**

Sika employees share a strong team spirit. Managers and sales representatives work together to increase sales and market penetration. Moving forward, we are tackling the new goals of Strategy 2023 and continue to work on realizing synergies of the Parex acquisition.



**SIKA UAE - TEAM WAREHOUSE / LOGISTICS**

The UAE continues to impress with large and challenging high-rise and infrastructure developments. As a team we work together with our local production and make sure that our customers receive the right products at the right time, supporting them to meet the demands of these projects.



**TEAM SIKA TUNISIA WITH CUSTOMER**

In all interactions with our customers, we focus on supporting them and understanding their needs. The Palm Lake Resort – a large-scale project on 8 hectares with accommodation, shopping, leisure, and gastronomy – was no exception. Through the close collaboration with our customer, Folla Properties, we were able to specify various products, including concrete and waterproofing solutions that save both time and costs.



**SIKA USA – TEAM ROOFING AND EHS**

A diverse team environment means we can provide our customers with a fresh, new outlook by always trying our best to encompass different perspectives, be it cultural, experiences, gender or age. We encourage thinking outside the norm and beyond the “this is how we have always done it” mentality.



**SIKA ALGERIA – TEAM SUPPLY CHAIN**

By sharing know-how, collaborating and communicating, a mixed team can exploit its full potential. We support each other to better understand requests and find the best possible solutions. Transparency, innovation, and engagement are an integral part of our daily behavior.



**COMMUNITY ENGAGEMENT TEAM – SIKA SPAIN**

In 2019, 30 volunteers helped to renovate the buildings of “Fundación Gil Gayarre”, a foundation which is committed to securing equal opportunities for people with intellectual disabilities. Floors were fixed, interiors and exteriors painted, and the facades received a thermal insulation system. In addition, Sika volunteers provided product application training to increase future employability of people with disabilities.



**SIKA QATAR – TEAM SALES AND MANAGEMENT**

At Sika Qatar we work together towards a common vision and support individual accomplishments to ensure company objectives are met. That’s our secret to building success together.



**SIKA CANADA – INTEGRATED TEAM SIKA AND FORMER KING PACKAGED MATERIALS COMPANY**

Thanks to Sika’s acquisition of King Packaged Materials Company, a large independent manufacturer of dry shotcrete and mortars for concrete repair, we are able to offer a wider range of products to our customers and expand our geographical footprint in Canada. The combination of skills and knowledge of both Sika and King employees have helped tremendously in making this integration a success and in realizing synergies.



**SIKA USA – TEAM MARINE**

We believe in a synergistic approach and working together to achieve our goals. By bringing Sika Industry and Advanced Resins under one Sika Marine team, we can now supply the marine market with a full product range beyond what any other company can offer.



**TEAM SIKA PAKISTAN**

With urban development on the rise, there is a constant need for innovation, especially sustainable construction solutions, to meet diverse consumer demands. Sika is a benchmark in the construction sector in Pakistan and has grown hand in hand with the development of large cities. Our Sales, Production, and Marketing teams combat any challenges together, supporting our customers and meeting their expectations.



**SIKA CORPORATE – TEAM INTEGRATION MANAGEMENT OFFICE**

We pay close attention to the corporate culture of acquired companies and take care to accommodate the needs of our new team members. Through discussions, exchanges, and sharing best practices, we ensure everyone is heard and that we develop the best solutions. This ensures a smooth integration process and sustainable growth.



**TEAM SIKA SOUTH AFRICA WITH CUSTOMER**

With a growing focus on the craftsman, it is essential to empower building material store owners and staff with the knowledge and expertise of Sika products and technologies. Additional support is offered directly to the craftsman through on-site training to ensure the correct application of our products.



**SIKA RUSSIA – PROJECT TEAM RESIDENTIAL COMPLEX RENAISSANCE**

The Residential Complex “Renaissance”, an excellent example of an integrated sales approach, was supplied with various Sika materials. The 21,000 m<sup>2</sup> underground parking was seamlessly applied with Sika’s flooring system. The Sika Construction Systems sales department, and contracting partner Teko-Flor LLC, worked closely together to ensure this project was a success.



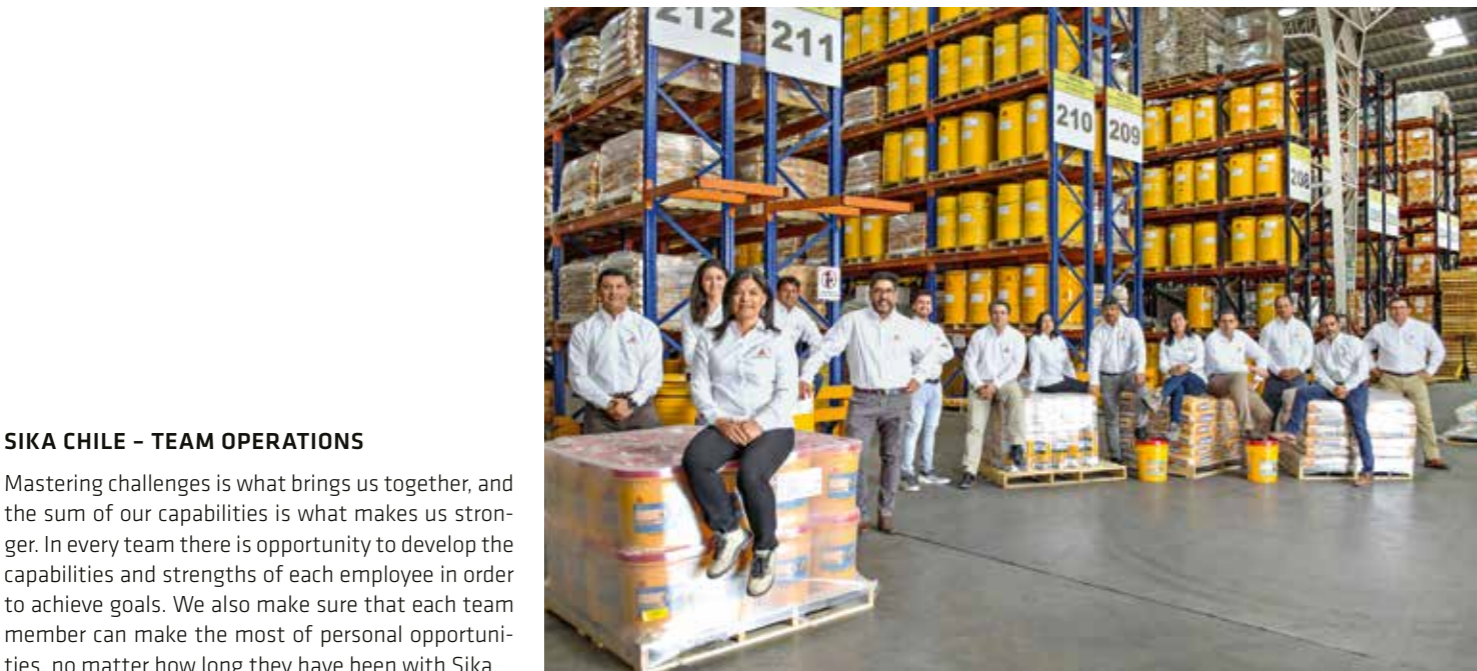
**COMMUNITY ENGAGEMENT TEAM – SIKA CHINA**

In 2019, Sika China supported the national Library Project for the fifth year by renovating school reading rooms in many areas of the country and donating 13,900 new books to 13 schools. Over the past five years, Sika volunteers have supported 86 elementary schools and offered close to 20,000 students an inspiring learning environment.



**SIKA THAILAND – TEAM LOGISTIC, CUSTOMER SERVICE, AND SALES**

At Sika Thailand, we understand that working together as a team is key to the success of our business. We listen to our customers, understand their needs, and provide them with solutions that meet their expectations. With the collaboration of the Logistic, Customer Service and Sales teams, we deliver orders with a focus on high customer satisfaction.



**SIKA CHILE – TEAM OPERATIONS**

Mastering challenges is what brings us together, and the sum of our capabilities is what makes us stronger. In every team there is opportunity to develop the capabilities and strengths of each employee in order to achieve goals. We also make sure that each team member can make the most of personal opportunities, no matter how long they have been with Sika.



**SIKA MEXICO – TEAM SPECIFICATIONS AND CONTRACTORS SALES**

The recent acquisition of Al-Koat, now known as Sikalkoat, has further expanded Sika’s portfolio. This, in turn, has ensured our involvement in a large-scale project in Guadalajara, Mexico. Using both Sika and Sikalkoat systems, we achieved very good synergies, and supported the project by advising the planner, constructor, and contractor in the specification and application of the systems.



**SIKA CAMBODIA – TEAM SALES, SUPPLY CHAIN, AND IT**

“Customer First” is one of Sika’s main values, and we are continuously finding ways to improve our services. With additional support from our Finance, Supply Chain, and Customer Service departments, we have seen an increase in customer satisfaction.



# FOCUS ON PERFORMANCE

A sporting backdrop for the eight members of Group Management. With an investment volume of CHF 65 million, the new “La Tuilière” stadium in Lausanne will have capacity for 12,000 spectators and is due to open in summer 2020. For this architecturally sophisticated project, Sika supplied sealing systems for the below-ground stories, anticorrosion protection for the steel structures, insulation solutions, and roofing membranes.



**CHRISTOPH GANZ**  
Americas  
With Sika for 24 years in Switzerland, France, and the USA



**IVO SCHÄDLER**  
EMEA  
With Sika for 23 years in Switzerland and Great Britain



**FRANK HÖFFLIN**  
Technology (CTO)  
With Sika for 17 years in Switzerland and the USA



**PHILIPPE JOST**  
Construction  
With Sika for 23 years in Switzerland and the USA



**ADRIAN WIDMER**  
CFO  
With Sika for 13 years in Switzerland



**PAUL SCHULER**  
CEO  
With Sika for 32 years in Switzerland, Germany, and the USA



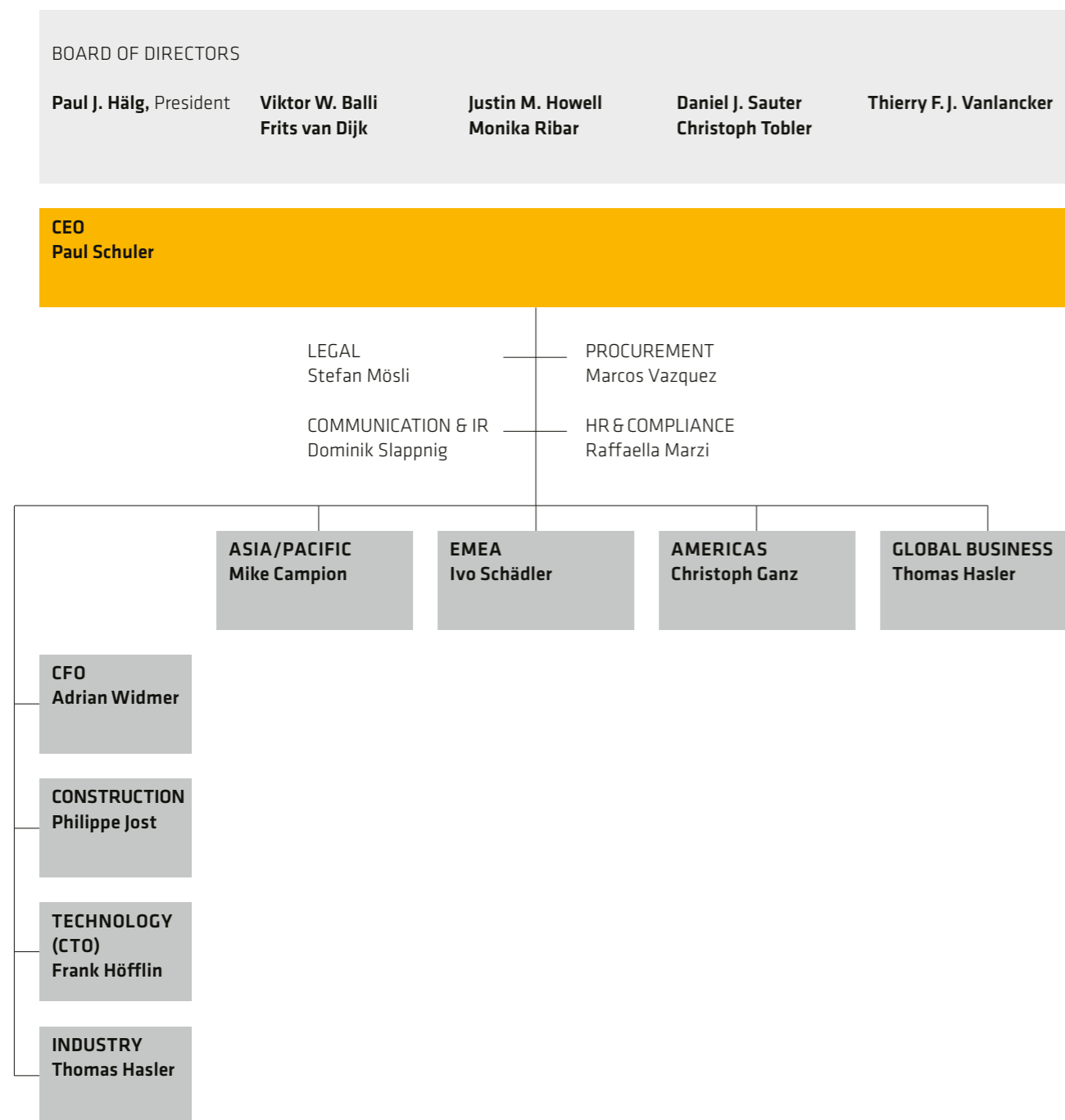
**THOMAS HASLER**  
Global Business and Industry  
With Sika for 31 years in Switzerland and the USA



**MIKE CAMPION**  
Asia/Pacific  
With Sika for 22 years in Asia and the USA

## ORGANIZATIONAL CHART

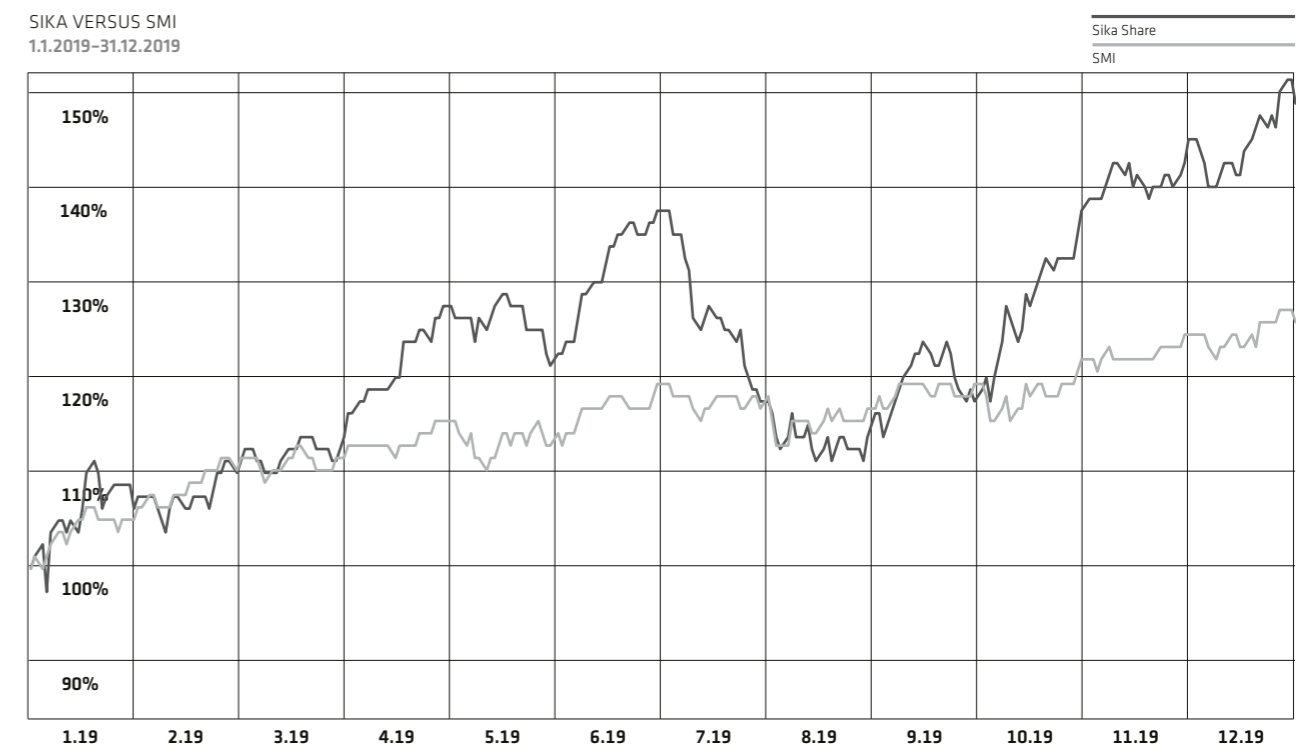
Sika takes the long view when it comes to developing its business. The relationship with customers, employees, and other stakeholders is shaped by respect and responsibility. Sika operates with a strong focus on safety, quality, environmental protection, fair treatment, social responsibility, responsible growth, and value creation.



## THE SIKA SHARE

In a positive stock market environment, which saw the key global share indices – as well as Switzerland’s blue chip index, the SMI – post substantial gains, the Sika share performed above-average, gaining 48.8%. This increase is due to the successful integration of Parex and the new, well-received 2023 growth strategy.

### SIKA SHARE CLEARLY OUTPERFORMED SMI



### SUMMARY

With a share price increase of 48.8%, the Sika stock performed better than the SMI Index.

Closing price of the Sika share in 2018: CHF 124.60  
Closing price of the Sika share in 2019: CHF 181.85

The key global share indices performed as follows in 2019:

- SMI +25.4%
- DAX +25.2%
- Dow Jones +22.2%
- Nikkei +20.0%

Sika shareholders benefit additionally from the company’s good result: dividend increase of 12.2% proposed

### STOCK EXCHANGE RATIOS SIKA

in CHF		2019
Market capitalization as at 31.12.2019 in CHF mn		25,782.90
Yearly high		184.50
Yearly low		120.40
Year end		181.85
Dividend 2018		2.05
Dividend 2019 <sup>1</sup>		2.30
Earnings per Share (EPS) <sup>2</sup>		5.30

1) Pursuant to proposal to Annual General Meeting  
2) Undiluted

## BALANCE SHEET AND INCOME STATEMENT

High growth with sales in excess of CHF 8 billion for first time. New record figures of CHF 1,055.1 million in operating profit (+11.5%), CHF 758.5 million (+10.4%) in net profit, and CHF 1,026.1 million (+99.9%) in operating free cash flow.

### CONSOLIDATED BALANCE SHEET

in CHF mn	Notes	12/31/2018	12/31/2019
Cash and cash equivalents	10, 26	914.0	995.1
Accounts receivable	11, 26	1,322.7	1,441.9
Inventories	12	800.7	866.5
Prepaid expenses and accrued income	13	112.0	139.9
Other assets	14, 26	27.1	26.5
<b>Current assets</b>		<b>3,176.5</b>	<b>3,469.9</b>
Property, plant, and equipment	15	1,214.2	1,795.8
Intangible assets	16	1,693.9	4,340.5
Investments in associated companies	17	6.2	5.6
Deferred tax assets	8	223.0	229.5
Other assets	14, 22, 26	68.2	103.9
<b>Non-current assets</b>		<b>3,205.5</b>	<b>6,475.3</b>
<b>ASSETS</b>		<b>6,382.0</b>	<b>9,945.2</b>
Accounts payable	18, 26	733.8	837.2
Accrued expenses and deferred income	19	265.5	407.9
Financial liabilities	20, 26	237.5	342.8
Income tax liabilities		147.9	195.8
Provisions	21	22.1	22.6
<b>Current liabilities</b>		<b>1,406.8</b>	<b>1,806.3</b>
Financial liabilities	20, 26	2,795.0	4,070.1
Provisions	21	48.1	86.5
Deferred tax liabilities	8	154.0	467.5
Employee benefit obligations	22	268.7	319.2
Other liabilities	23	34.2	34.4
<b>Non-current liabilities</b>		<b>3,300.0</b>	<b>4,977.7</b>
<b>LIABILITIES</b>		<b>4,706.8</b>	<b>6,784.0</b>
Capital stock		1.4	1.4
Treasury shares		-11.1	-7.3
Reserves		1,655.4	3,130.0
<b>Equity attributable to Sika shareholders</b>		<b>1,645.7</b>	<b>3,124.1</b>
Non-controlling interests		29.5	37.1
<b>SHAREHOLDERS' EQUITY</b>	24	<b>1,675.2</b>	<b>3,161.2</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,382.0</b>	<b>9,945.2</b>

### CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31

in CHF mn	Notes	%	2018	%	2019	Change in %
<b>Net sales</b>	1, 2	<b>100.0</b>	<b>7,085.4</b>	<b>100.0</b>	<b>8,109.2</b>	<b>14.4</b>
Material expenses	3	-47.0	-3,333.7	-46.4	-3,765.2	
<b>Gross result</b>		<b>53.0</b>	<b>3,751.7</b>	<b>53.6</b>	<b>4,344.0</b>	<b>15.8</b>
Personnel expenses	4	-19.0	-1,345.4	-19.0	-1,544.3	
Other operating expenses	5	-17.7	-1,256.4	-17.5	-1,412.1	
<b>Operating profit before depreciation</b>		<b>16.3</b>	<b>1,149.9</b>	<b>17.1</b>	<b>1,387.6</b>	<b>20.7</b>
Depreciation and amortization expenses	2, 15, 16	-2.9	-204.0	-4.1	-332.5	
<b>Operating profit</b>	2	<b>13.4</b>	<b>945.9</b>	<b>13.0</b>	<b>1,055.1</b>	<b>11.5</b>
Interest income	7	0.0	1.9	0.0	3.5	
Interest expenses	6	-0.4	-26.1	-0.7	-58.5	
Other financial income	7	0.1	5.8	0.1	6.0	
Other financial expenses	6	-0.5	-35.2	-0.5	-40.1	
Income from associated companies	7	0.0	0.6	0.0	0.6	
<b>Profit before taxes</b>		<b>12.6</b>	<b>892.9</b>	<b>11.9</b>	<b>966.6</b>	<b>8.3</b>
Income taxes	8	-2.9	-205.8	-2.5	-208.1	
<b>Net profit</b>		<b>9.7</b>	<b>687.1</b>	<b>9.4</b>	<b>758.5</b>	<b>10.4</b>
Profit attributable to Sika shareholders		9.6	682.9	9.3	751.9	
Profit attributable to non-controlling interests	24	0.1	4.2	0.1	6.6	
Undiluted earnings per share (in CHF)	9		4.69		5.30	13.0
Diluted earnings per share (in CHF) <sup>1</sup>	9		4.58		4.81	5.0

<sup>1</sup> Dilutive effect due to the convertible bonds issued (see note 20 in the Financial Report).

### DETAILS TO STATEMENT OF CASH FLOWS

in CHF mn	2018	2019
Operating activities	744.0	1,213.9
Investing activities	-705.2	-1,930.9
Financing activities	-149.6	827.6
Exchange differences on cash and cash equivalents	-13.1	-29.5
<b>Net change in cash and cash equivalents</b>	<b>-123.9</b>	<b>81.1</b>
Operating activities	744.0	1,213.9
Investing activities	-705.2	-1,930.9
<b>Free cash flow</b>	<b>38.8</b>	<b>-717.0</b>
Acquisitions (+) / disposals (-) less cash and cash equivalents	471.2	1,748.4
Acquisitions (+) / disposals (-) of financial assets	3.2	-5.3
<b>OPERATING FREE CASH FLOW</b>	<b>513.2</b>	<b>1,026.1</b>

## IMPRINT

PUBLISHED BY  
Sika AG, Zugerstrasse 50, 6341 Baar, Switzerland, phone +41 58 436 68 00,  
fax +41 58 436 68 50, sikagroup@ch.sika.com, www.sika.com

PROJECT TEAM  
Corporate Communications & Investor Relations and Corporate Finance, Sika AG, Baar

CONCEPT, DESIGN, AND REALIZATION  
ehingerbc AG, Kilchberg

COPY  
Sika AG

EDITORIAL WORK  
ehingerbc AG, Kilchberg

PRINT  
Kalt Medien AG, Zug

PHOTOGRAPHY  
Marc Eggimann, Basel  
Roland Tännler, Zurich  
Gavin Jowitt, Sydney, Australia  
Getty Images  
PlainPicture  
Shutterstock  
Page 13: photo courtesy of City Rail Link Ltd

COVER PHOTO  
Zeitz Museum of Contemporary Art Africa in Cape Town, South Africa: with the  
technological expertise of Sika, the old grain silos were transformed into  
a new landmark of Cape Town.

**SIKA AG**  
Zugerstrasse 50  
6341 Baar  
Switzerland

**Contact**  
Tel +41 58 436 68 00  
Fax +41 58 436 68 50  
[www.sika.com](http://www.sika.com)

