SIKA ON TRACK FOR RECORD RESULTS – STRONG SALES GROWTH OF 16.3% FOR 2019

SIKA INVESTOR PRESENTATION
JANUARY 2020

BUILDING TRUST

HIGHLIGHTS SALES 2019

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NEW SALES RECORD OF CHF 8.11 BILLION – GROWTH OF 16.3%

HIGHLIGHTS SALES 2019

1. New records in sales for the 2019 business year

- +16.3% sales growth in local currencies (+14.4% in CHF) to CHF 8.11 billion
- Organic growth of +3.3%

2. Key investments

- Acquisition of Parex (Global) Crevo-Hengxin (China), King Packaged Materials (Canada) Belineco (Belarus) and Adeplast (Romania)
- Opening of seven new factories in Senegal, Egypt, Qatar, Serbia, Cameroon, Ethiopia and Indonesia

3. Outlook and Strategy

- Outlook: double-digit EBIT growth for 2019
- New Strategy 2023 will ensure Sika's success in the upcoming years with sustainable, profitable growth

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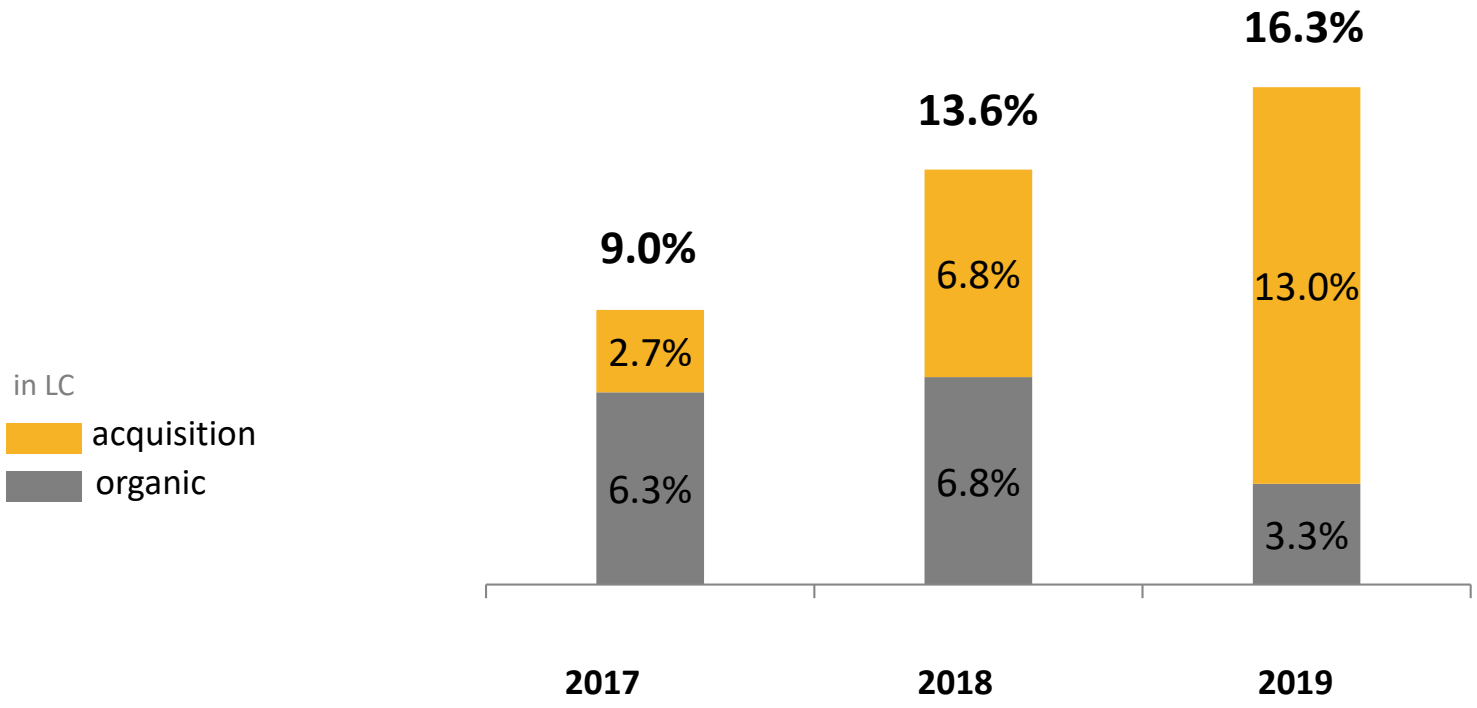
16.3% SALES GROWTH IN 2019



*Sales growth of acquired businesses since initial consolidation is included in organic growth

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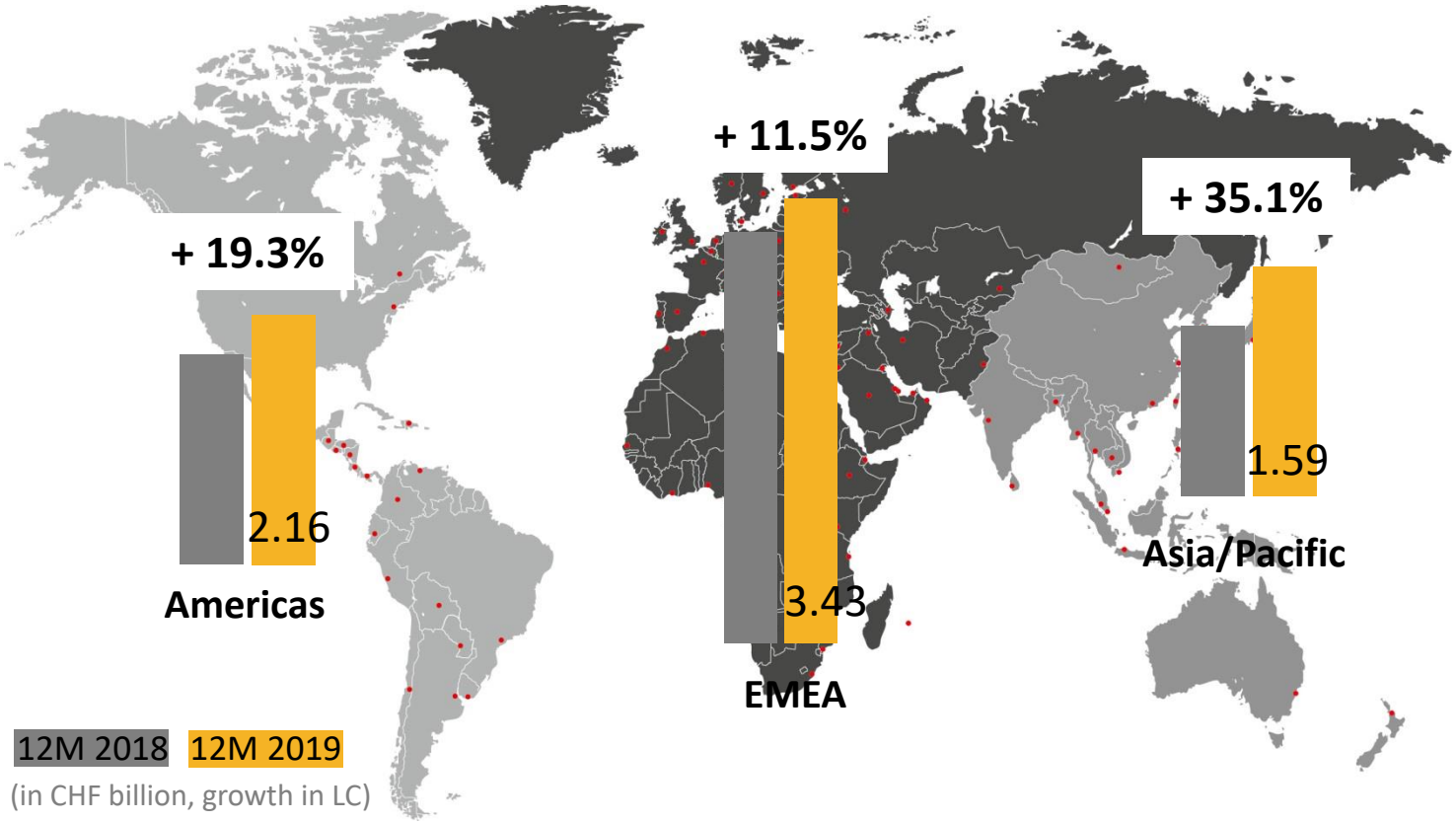
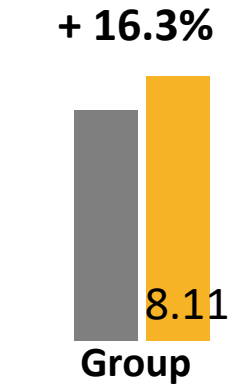
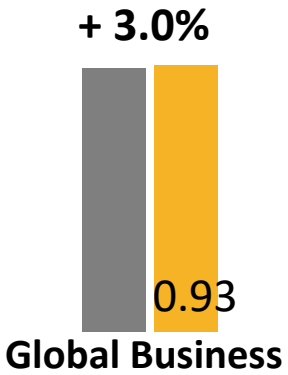
STRONG GROWTH MOMENTUM CONTINUES

16.3% SALES GROWTH (14.4% IN CHF) IN 2019







12M 2018 12M 2019

(in CHF billion, growth in LC)

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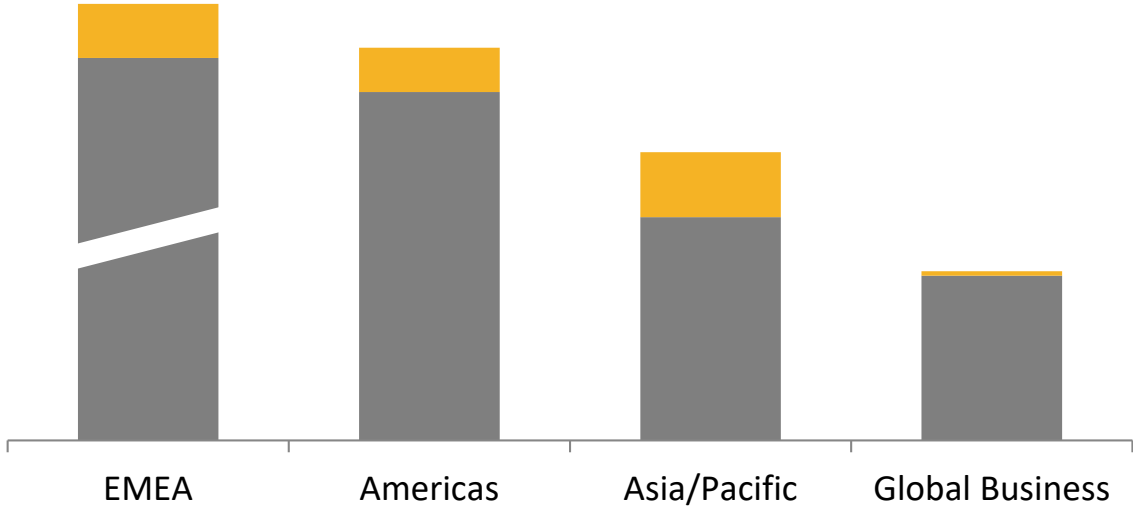
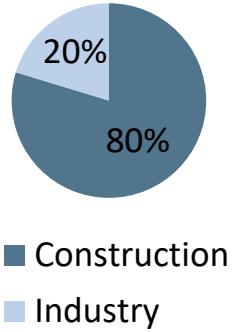
SALES 2019
GROWTH IN ALL REGIONS

	EMEA	Americas	Asia/Pacific	Global Business
Growth in CHF	+8.3%	+18.7%	+34.7%	+1.1%
Growth in LC	+11.5%	+19.3%	+35.1%	+3.0%
FX impact	-3.2%	-0.6%	-0.4%	-1.9%
Acquisition	+9.4%	+13.4%	+30.3%	+2.6%





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HIGH OPERATING SPEED CONTINUED IN 2019
INVESTMENTS IN NEW PLANTS

Opening of Sika plants:

- **Mortar plant in Senegal** (Dakar, March 2019)
- **Expansion of mortar plant in Egypt** (Alexandria, April 2019)
- **Concrete admixture plant in Qatar** (Doha, May 2019)
- **Expansion of mortar plant in Serbia** (Belgrade, July 2019)
- **Mortar plant in Cameroon** (Douala, September 2019)
- **Mortar plant in Ethiopia** (Addis Ababa, November 2019)
- **Third plant in Indonesia** (Jakarta, December 2019)

New plant in Senegal

Doubling mortar capacity in Egypt

New plant in Cameroon

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HIGH OPERATING SPEED CONTINUED IN 2019

5 ACQUISITIONS IN 2019 – INTEGRATION ON TRACK

Company	Country	Target Market
Parex	Global	Building Finishing, Waterproofing, Flooring
King Packaged Materials Company	Canada	Concrete, Refurbishment
Belineco	Eastern Europe	Sealing & Bonding
Crevo-Hengxin	China	Sealing & Bonding
Adeplast (Closing Q1/2020)	Romania	Building Finishing

Total annual sales: CHF 1,458 million

King Packaged Materials Company

Belineco

Crevo-Hengxin

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FAST AND SUCCESSFUL INTEGRATION OF PAREX
EXCELLENT PROGRESS

TOTAL SYNERGIES
CHF 100 million identified

FAST ORGANIZATIONAL INTEGRATION
Over 20 countries in fully integrated management structures

PROCUREMENT
CHF 12 million savings estimated

CROSS-SELLING
CHF 230 million of revenue targeted with over 100 projects

First **SHOP IN SHOP** concept launched in China in **2,000 STORES**

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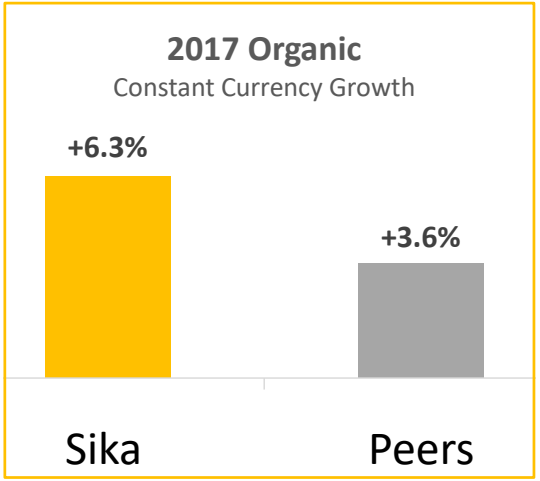
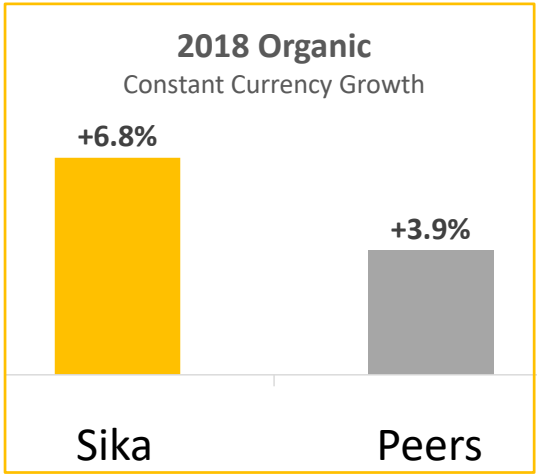
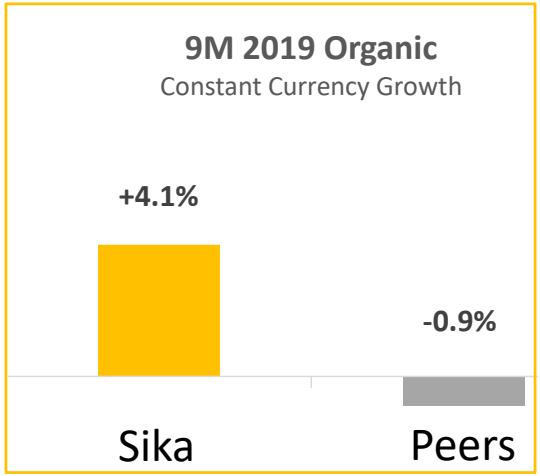
SIKA CLEARLY OUTPERFORMS COMPETITORS

ORGANIC GROWTH SIGNIFICANTLY ABOVE PEERS IN THE PAST YEARS

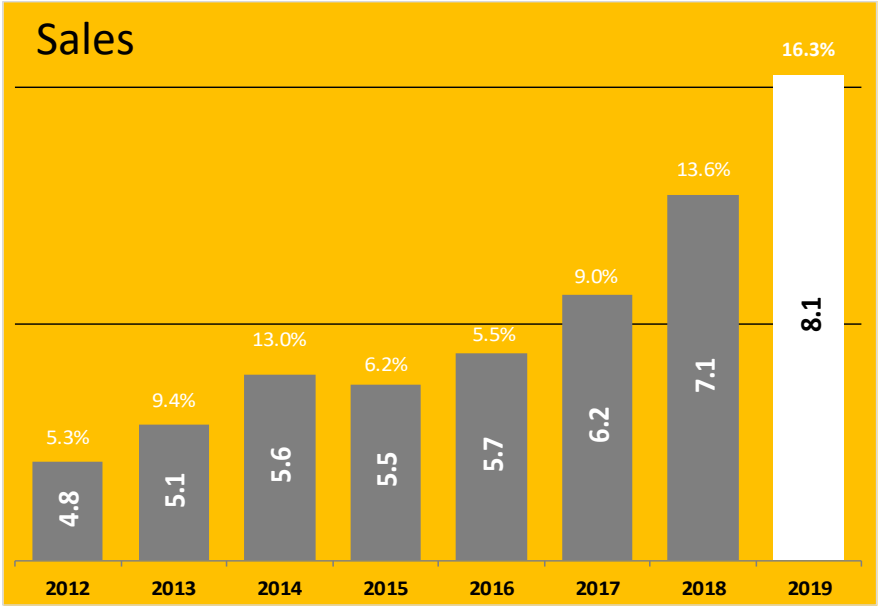




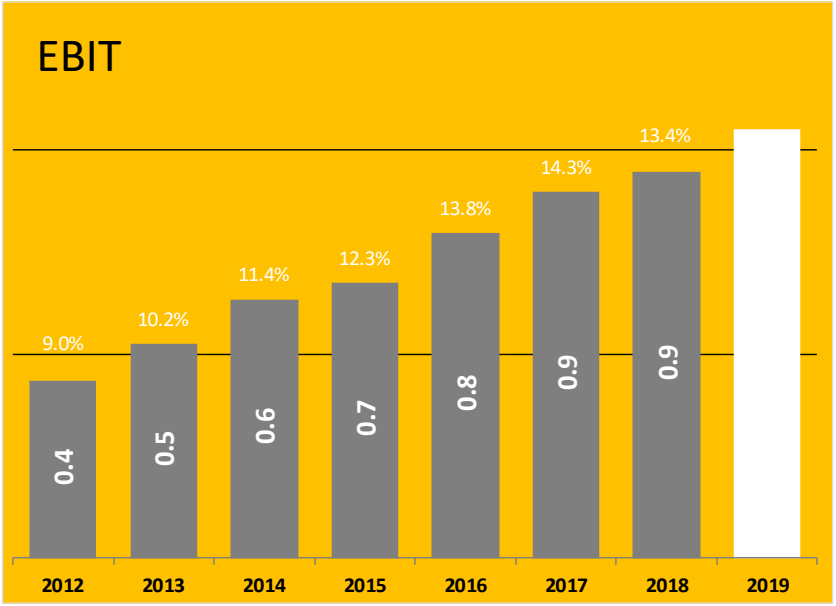


STRONG TOPLINE GROWTH AND EBIT GROWTH IN THE LAST YEARS

PERFORMANCE FROM 2012 TO 2019



(in CHF bn, growth in LC)



(in CHF bn, in % of net sales)

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STRATEGY 2023

BUILDING THE FUTURE

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STRATEGY 2023

- Keep and build on the success story
  - Values and Principles
  - Sales driven organization – decisions close to the customers
  - Target Market concept remains
  - Focus on the current 5 Core Technologies
  - Market Penetration and Emerging Markets as growth drivers
  - Drive innovation to stay the clear market leader and drive growth and margins
  - Maintain acquisition strategy as a growth platform
  - Deliver 6-8% sales growth and over-proportional EBIT growth
- New initiatives
  - Building Finishing as a new (8th) Target Market with high potential
  - Leverage distribution to improve market access and gain market share
  - Operational efficiency to increase margins
  - Sustainability is embedded in what we do

SIKA'S GROWTH STRATEGY 2023
THE PILLARS OF THE STRATEGY

SUSTAINABILITY

- **Market Penetration**
- **Innovation**
- **Operational Efficiency**
- **Acquisitions**
- **Values**

6-8%
annual growth

25%
of sales with new products

0.5%
pts non-material cost improvement as % of net sales

15-18%
EBIT margin
Until 2020: <15%

>10%
Operating free cash flow per year as % of net sales

>25%
ROCE by 2023

12% CO_2 emission reduction per ton sold

SUSTAINABILITY

AT THE CENTER OF WHAT WE DO

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SIKA IS COMMITTED TO SUSTAINABILITY

SIKA OFFERS MANY SUSTAINABLE PRODUCTS AND SOLUTIONS

USING LESS WATER, CONCRETE, AND CEMENT WITH Sika® ViscoCrete®

Sika® ViscoCrete® TECHNOLOGY ENABLES **UP TO 40% REDUCTION OF WATER** CONTENT IN CONCRETE

SIKA WATERPROOFING SYSTEMS PROTECT AND SAVE WATER

SIKA WATERPROOFING SYSTEMS **PREVENT LEAKAGE AND CONTAMINATION** OF DRINKING WATER IN WATER RESERVOIRS AND WASTE WATER TREATMENT PLANTS

ENABLING CONSTRUCTION OF LIGHTWEIGHT AND ELECTRIC VEHICLES

Sika® Power® ADHESIVES: **50% WEIGHT REDUCTION** CAN BE ACHIEVED USING LIGHTWEIGHT MATERIALS

ENERGY-SAVING, DURABLE ROOFING SOLUTIONS

SOLUTIONS FOR **GREEN ROOFS** THAT SAVE ENERGY AND REDUCE HEAT ISLAND EFFECT AND FOR **COOL ROOFS** THAT REDUCE ENERGY CONSUMPTION BY UP TO 15%

SIKA REPAIR SOLUTIONS PROLONG THE LIFETIME, INCREASE SAFETY AND ENERGY EFFICIENCY OF STRUCTURES

SIKA REPAIR SYSTEMS **STRENGTHEN, WATERPROOF, INSULATE, PROTECT, AND REPAIR** BUILDINGS & STRUCTURES

ROOF RECYCLING PROGRAM EASES THE BURDEN ON LANDFILLS

ROOF RECYCLING PROGRAM CONSERVES NATURAL RESOURCES WITH **31,000 TONNES** OF PROCESSED RECYCLED MATERIALS DIVERTED FROM LANDFILLS TO DATE

SUSTAINABILITY AS A BASIC PRINCIPLE OF THE STRATEGY
SUSTAINABILITY TARGETS

- Overall target: **12% CO_2 emission reduction per ton sold**
- Our «More Value Less Impact» targets:

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

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

OCCUPATIONAL SAFETY
- 50% less accidents
- 0 fatalities

CLIMATE PERFORMANCE
- 12% reduction of CO_2-emissions per ton sold until 2023

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

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

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MARKET PENETRATION

INCREASE OUR MARKET SHARE TO 12%

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MAJOR MEGATRENDS SUPPORTING SIKA'S GROWTH

NO NEGATIVE DISRUPTION – UNLOCKING FURTHER POTENTIAL

TECHNOLOGY ADVANCEMENT

EXPLODING URBANIZATION

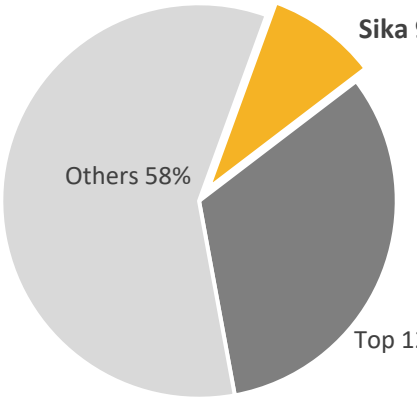
ECONOMIC POWER SHIFT

CLIMATE CHANGE, SHORTAGE OF RESOURCES

CHANGING DEMOGRAPHICS

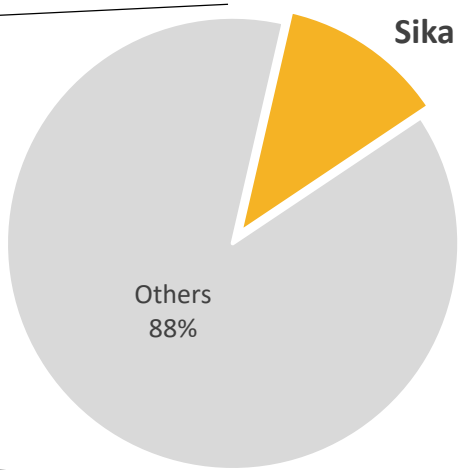
MARKET PENETRATION
CONSTRUCTION CHEMICALS MARKET WILL GROW TO CHF 80 BILLION

Construction chemicals market 2018
Approx. CHF 70 billion



+2.5% p.a. market growth

Construction chemicals market 2025
Approx. CHF 80 billion



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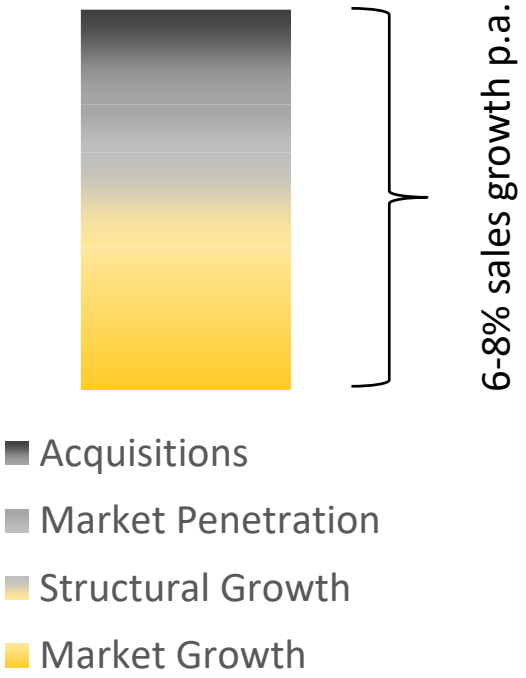
MARKET PENETRATION
OPERATING MODEL BASED ON MULTILAYERED GROWTH



- Capturing structural growth driven by mega-trends, conversion, building standards etc.
- Key Project Management, Cross-selling and multi-channel approach driving market penetration
- M&A to close market access gaps, improving growth profile over time

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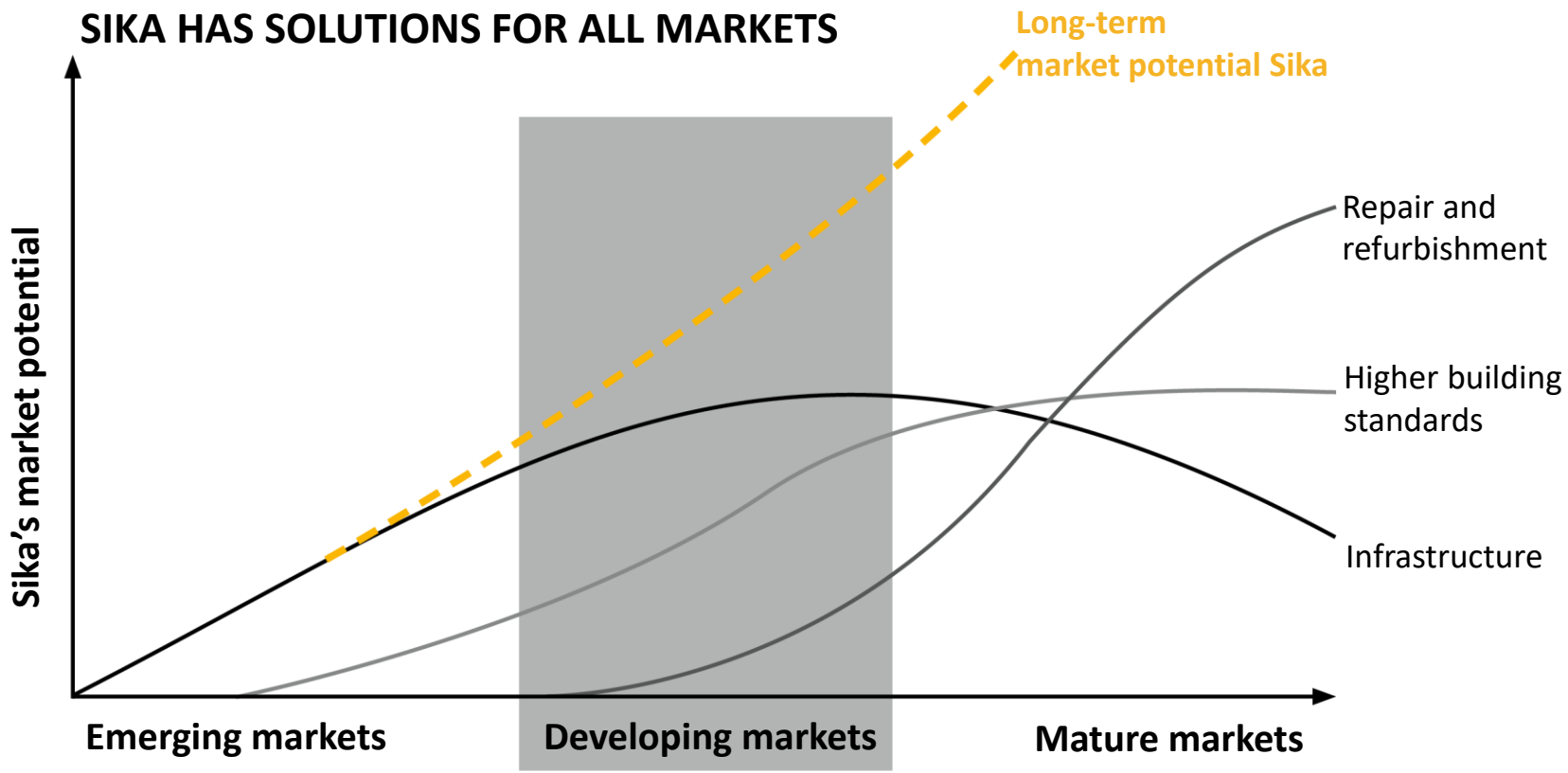
GROWTH MODEL WITH EARLY MARKET PENETRATION
FROM NEW-BUILD TO REFURBISHMENT



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MARKET PENETRATION
DRIVER FOR FUTURE GROWTH

Key facts current market penetration at Sika

- Strong Global Brand
- Clear Market Leader
- Solution-driven and close to customer

How we increase market share

New Target Market

Building Finishing

Initiatives

1 Emerging Markets

2 Key Project Management

3 Cross-Selling

4 Channel Penetration

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MARKET PENETRATION
BUILDING FINISHING AS OUR 8TH TARGET MARKET

Concrete

Waterproofing

Roofing

Building Finishing

Flooring & Coating

Sealing & Bonding

Refurbishment

Industry

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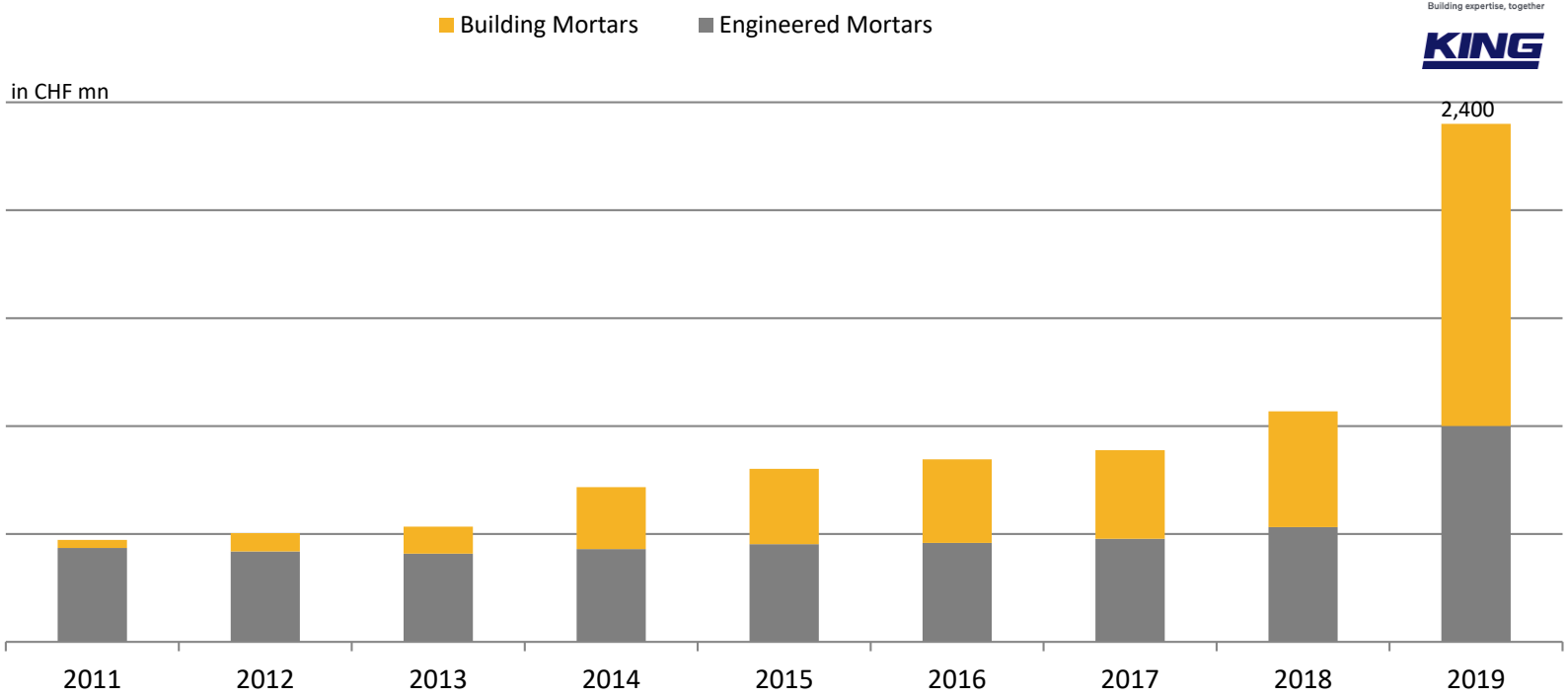
MARKET PENETRATION
DEVELOPMENT IN BUILDING FINISHING 2011 TO 2019



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BUILDING FINISHING WITH STRONG EXPOSURE TO REFURBISHMENT

Technical Mortars / Other Sika Target Markets

Highly-technical building and infrastructure projects

Direct sales to large contractors and concrete producers, where an engineer is the key decision maker

Building Finishing – Tile Adhesives and Facade Mortars

Residential and light commercial focus

Need for capillary distribution network to serve highly fragmented applicator base

MARKET PENETRATION – EMERGING MARKETS
GROWTH THROUGH RISING PENETRATION AND SOPHISTICATION

- Sika as early mover in frontier markets
- Early opportunities due to high infrastructure build-up
- Increasing penetration of higher end solutions over time
- Increasing regulations and sophistication driving further growth
- Open up 3-5 new national subsidiaries

Higher penetration and growth opportunities
Example pre-mixed vs job-site mixed mortars

>90% pre-mixed mortars in developed markets

<30% in emerging markets, majority is still job-site mixed mortars

Opportunities in infrastructure build-up
Infrastructure spend

>25% Infrastructure spend as % of total construction spend in emerging markets

<15% Infrastructure spend as % of total construction spend in mature markets

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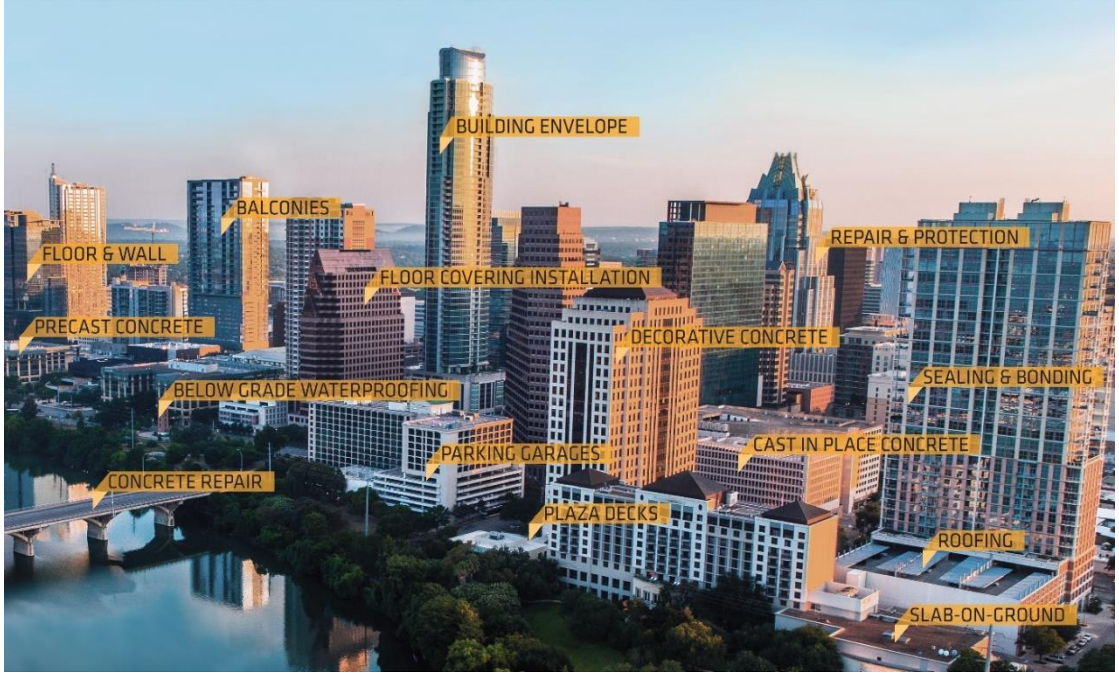
MARKET PENETRATION – CROSS-SELLING
INCREASE PROJECT PENETRATION

- Sika is the only company offering the full range of construction chemicals: from below ground to the roof
- Cross-selling with opportunities in all Target Markets
- Set up organization to coordinate and increase project penetration

PROJECT SALES AS % OF CONSTRUCTION SPEND
Estimated average: 0.5%
Estimated additional potential: 1-2%



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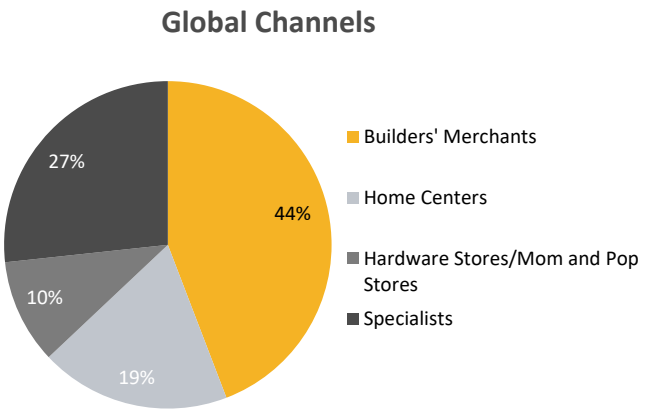
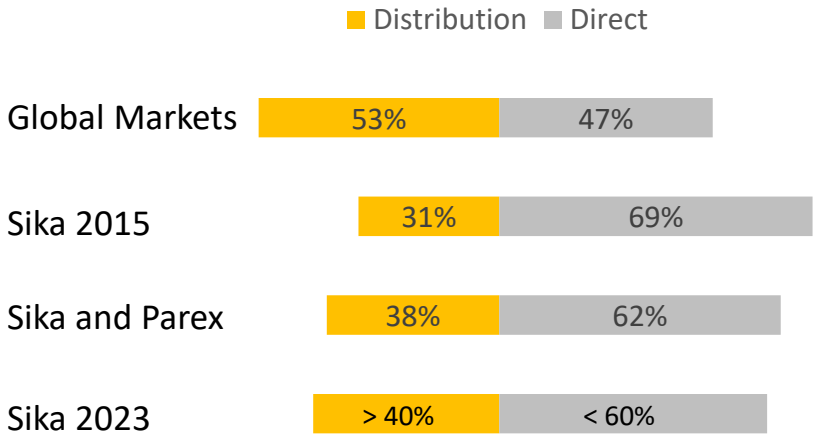
MARKET PENETRATION – CHANNEL PENETRATION
DISTRIBUTION: LARGE POTENTIAL TO GROW





4 main Distribution channels with growth opportunities

- through increased penetration of **physical stores**
- build-up of online channel with **CHF 100 million** sales by 2023

Sika is present in **101** countries, of which today **40** countries mainly focus on project and direct sales and generate **< 30%** of sales via **Distribution channel**

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INNOVATION

MORE PERFORMANCE – MORE SUSTAINABLE

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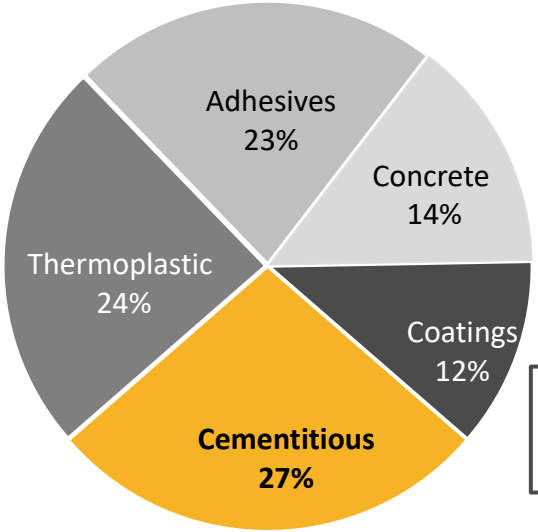
SIKA'S 5 CORE TECHNOLOGIES
KEY INNOVATION MOVES 2023

- Launch first new basic PU with unique performance
- New Sika Hybrid Technologies
- Expand Adhesion Range

- Next generation concrete additives
- Industry leading cement additives
- 3D concrete printing

- Launch of best in class membrane
- Thermoplastic-concrete hybrid
- PP concrete fibers, hybrid bitumen



- Novel patented building blocks
- Performance Water-based coatings

- High performance mortars
- Novel additives + mortar knowhow
- Low cement mortars

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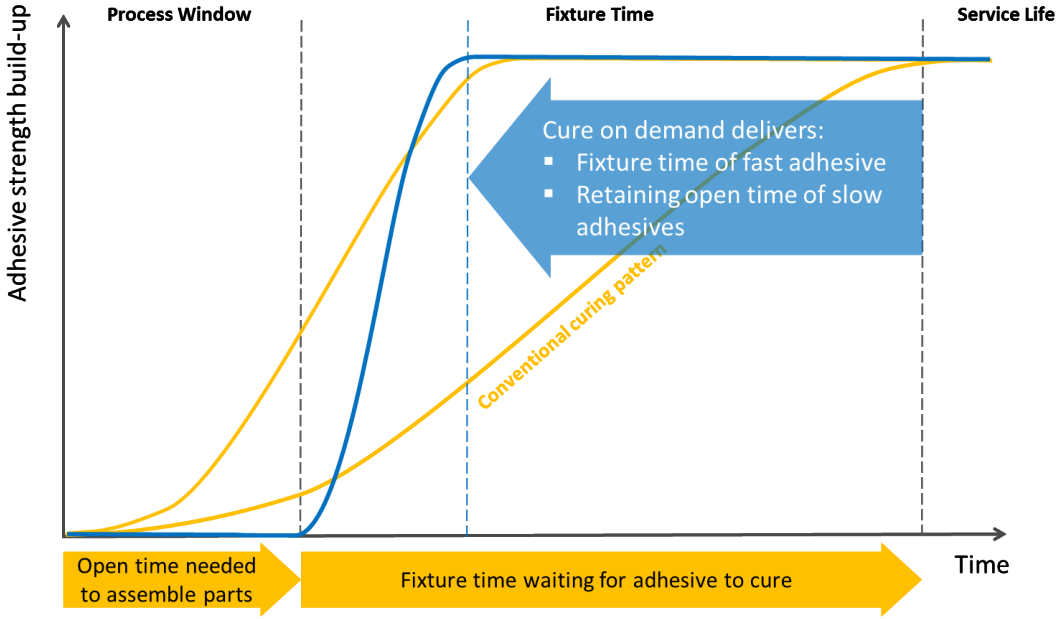
CURING ON DEMAND – SIKA WINNER OF SWISS TECHNOLOGY AWARD

REVOLUTIONARY ADHESIVE CURING TECHNOLOGY

Delivers unparalleled process optimization



Groundbreaking curing technology designed for structural adhesives.

The cure mechanism enables Sika to formulate extremely fast curing adhesives with **customizable working and curing times.**

- Unmatched snap cure effect to reduce fixture times
- Variability in working and open times (short > long)
- Unique intellectual property of Sika

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CURING ON DEMAND
EXAMPLE – BUS MANUFACTURER

Adhesive	open time	Strength after 4h	Strength after 24h
Adhesive used in the beginning	15 min	0.45 MPa	1.8 MPa
SikaForce-803	45 min	> 4 MPa	> 6 MPa

4 worker needed for adhesive application

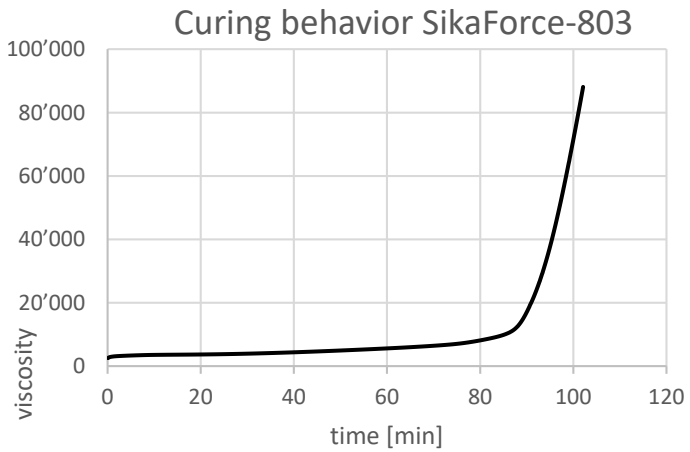
Wait > 24h until moving the bus further

1 worker needed for adhesive application

Wait 2h until moving the bus further

Cost saving

Time saving



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25% OF SALES WITH NEW PRODUCTS
INNOVATION AS KEY GROWTH AND PROFIT DRIVER

Innovation

Major New Product Developments

Key Updates

Target 2023

25% of sales with new products released in the past 5 years

- Market penetration with innovative products
- Higher profitability with products offering unique USP's

Adding value to customers at improved environmental impact

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INNOVATION – INCREASED FOCUS ON PRODUCT SUSTAINABILITY

MORE PERFORMANCE, MORE SUSTAINABLE

SUSTAINABLE SOLUTION = BETTER PERFORMANCE + SUSTAINABILITY BENEFITS

PERFORMANCE SOLUTION

PERFORMANCE AND SUSTAINABILITY SOLUTION

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INNOVATION – INCREASED FOCUS ON PRODUCT SUSTAINABILITY

NEW SOLUTIONS: MORE PERFORMANCE, MORE SUSTAINABLE

HYDROFLEX SEALANTS

Better stretchability, adhesion and application properties
+
Excellent Health & Safety profile, low VOC emissions (EC1+)

NEW EPOXY FLOOR COATINGS

Improved blushing resistance, significantly reduced yellowing
+
Low VOC emissions,
low odor, LEED v4 contribution

HEMP BASED MORTARS

Thermal and phonic insulation benefits, very easy to apply
+
Negative CO_2 footprint (renewable), optimum interior air comfort

INNOVATION THROUGH A UNIQUE COMBINATION OF HIGHER PERFORMANCE AND MARKEDLY IMPROVED SUSTAINABILITY

OPERATIONAL EFFICIENCY

MORE THAN OPERATING LEVERAGE

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OPERATIONAL EFFICIENCY

FAST EXPANSION: POTENTIAL TO INCREASE OPERATIONAL EFFICIENCY

Sika's footprint significantly expanded since 2015

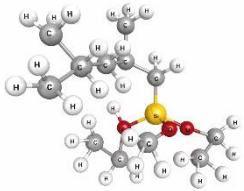
+ 11 subsidiaries	**+ 116** factories	**> 7,000** employees	**+ 24** acquisitions

To increase operational efficiency we focus on the following areas

Operations / Factory Efficiency

Logistics

Procurement



Formulation Efficiency

Sales and admin costs in %

0.5% savings expected per year

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OPERATIONAL EFFICIENCY - AUTOMATION
OPERATIONS / FACTORY EFFICIENCY

AUTOMATION TO DRIVE PRODUCT EFFICIENCY

- Sika US investing in automation equipment for its roofing membrane line
- New automated packaging line featuring robotic palletizer to be installed in late 2019

→ Labor efficiency to **improve by 40%** with automated process

AUTOMATED GUIDED VEHICLE FOR WAREHOUSING

- Driverless fork trucks for shipping warehouses
- Sika US to invest in this technology in second half of 2019

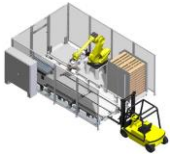
AUTOMATION TO DRIVE PRODUCT EFFICIENCY

Today

- 3 full time employees
- Expensive, custom, pre-decorated bottles
- 2 shifts to meet demand at 56% equipment efficiency

Investment of CHF 1 million in new automation for bottling line

Future



- **1 full time** employee
- Generic bottles labeled in-process
- **1 shift** at around **70%** equipment efficiency

OPERATIONAL EFFICIENCY AND MARGIN IMPROVEMENT IN SEALING AND BODING

- Sika US investing in a new automated production line that will **reduce cost by 7%** on a critical product for retail market
- New line to be operational in 2020

Total **savings** in the US of **CHF 4.2 mn** from 2020 onwards

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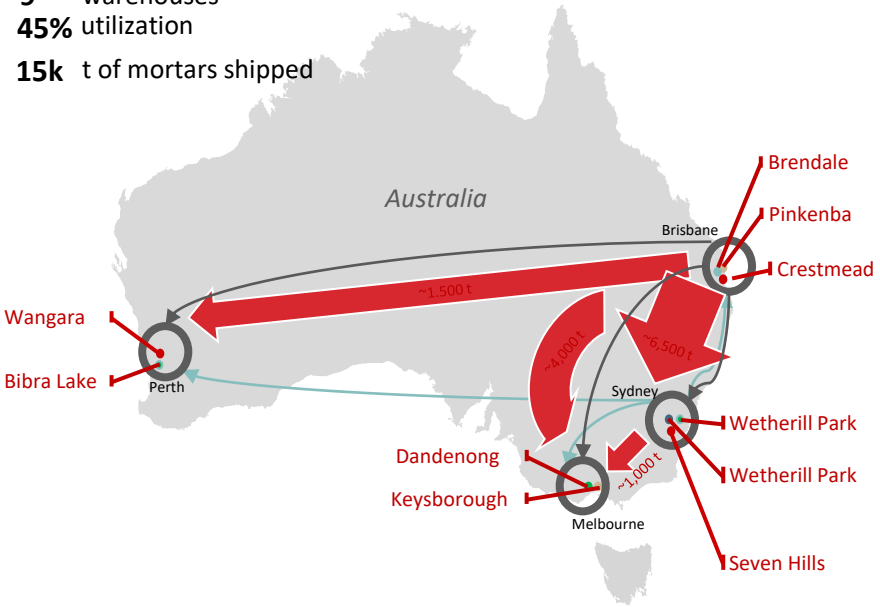
OPERATIONAL EFFICIENCY
LOGISTICS – A CLOSER LOOK AT AUSTRALIA

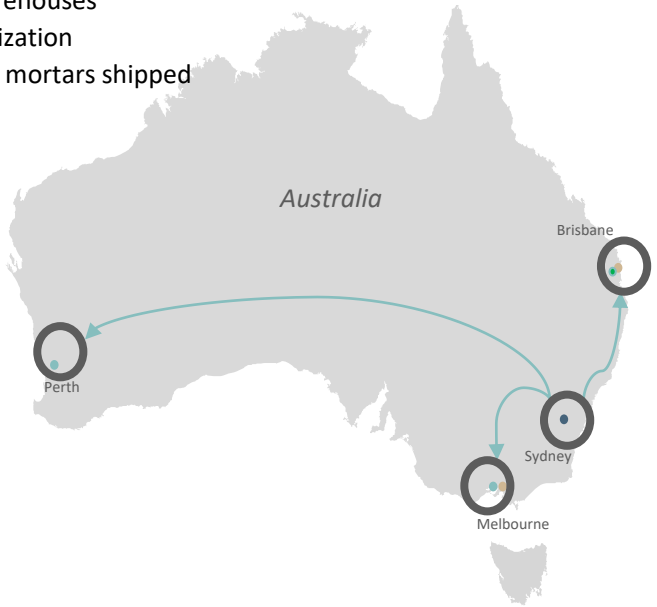
FROM INEFFICIENT PLANTS/ FLOWS & HIGH COMPLEXITY …

10 plants (of which 9 mortar plants)
9 warehouses
45% utilization
15k t of mortars shipped



… TO 1 MORTAR PLANT PER CITY & EFFICIENT SUPPLY CHAIN

6 plants (of which 4 mortar plants)
5-6 warehouses
67% utilization
2k t of mortars shipped



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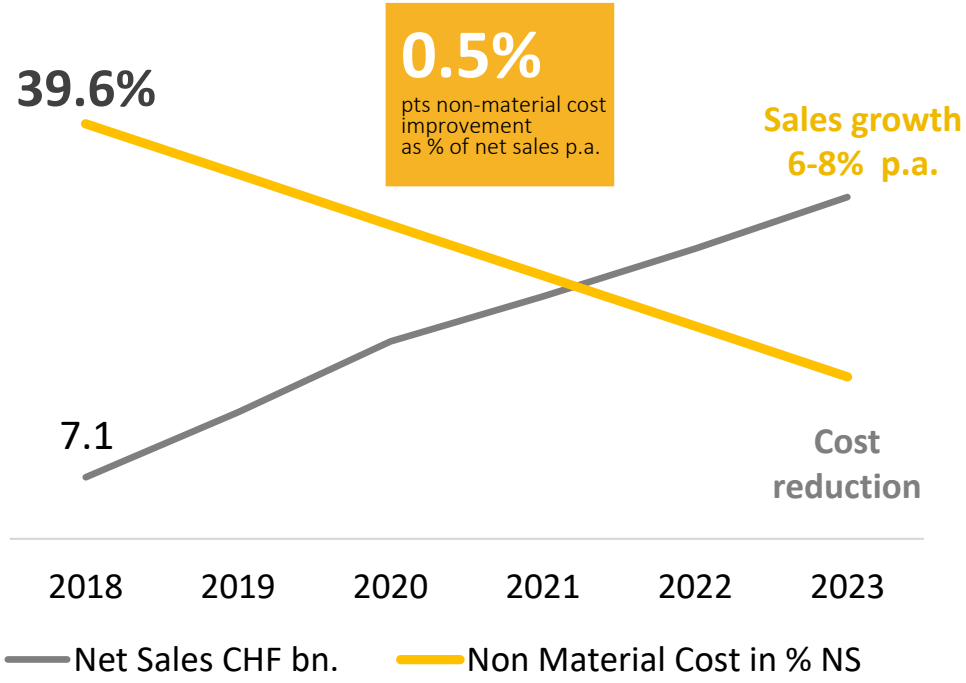
OVERALL OPERATIONAL EFFICIENCY
YEARLY IMPROVEMENT



Additional efficiency gains from:

- Operating leverage
- Lean corporate organization
- Various efficiency programs in countries
- Prudent cost management in countries with lower growth
- Fast integration of acquisitions / realization of synergies

BUILDING TRUST

ACQUISITIONS

GROWTH PLATFORMS

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EXTERNAL GROWTH
DEAL FLOW AND ACQUISITION FUNNEL

	Basic Review	Formal Analysis	Due Diligence	Signed / Executed
2016	~70	>40	8	4
2017	~90	>50	10	7
2018	~80	>40	8	4
2019	~80	>45	10	5

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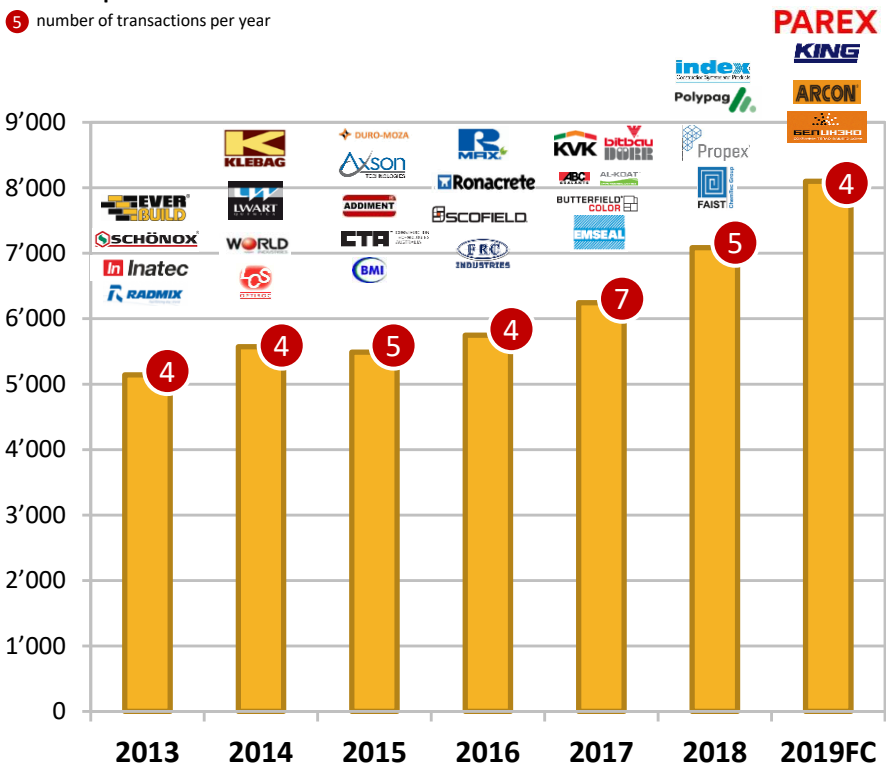
SUCCESSFUL STRATEGIC LEVER
ACQUISITIONS IN THE LAST 7 YEARS

Sika Group Sales in MCHF

5 number of transactions per year



33
acquisitions

Successful integration

Contribution in 2018
CHF 1.2 bn
Net Sales

Major **growth driver** enabling market penetration through:

- Market share
- Technology
- Channel access

Clear financial criteria and robust acquisition process

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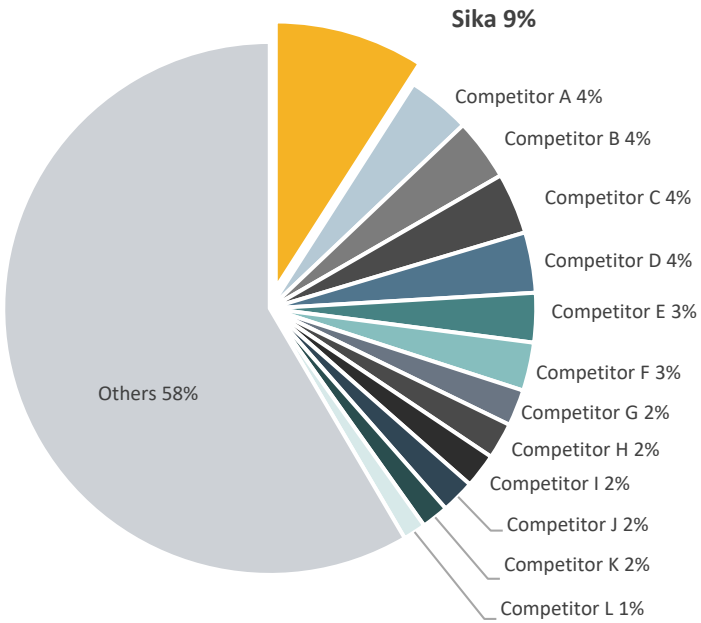
ACQUISITIONS – HIGH MARKET POTENTIAL
LARGE, GROWING AND FRAGMENTED MARKET

Construction chemicals market 2018
Approx. CHF 70 billion



- Fragmentation offers acquisition opportunities
- Acquisitions as growth platforms

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VALUES AND PRINCIPLES

WHAT WE STAND FOR

BUILDING TRUST

STRONG CORPORATE CULTURE
SIKA'S VALUES AND PRINCIPLES

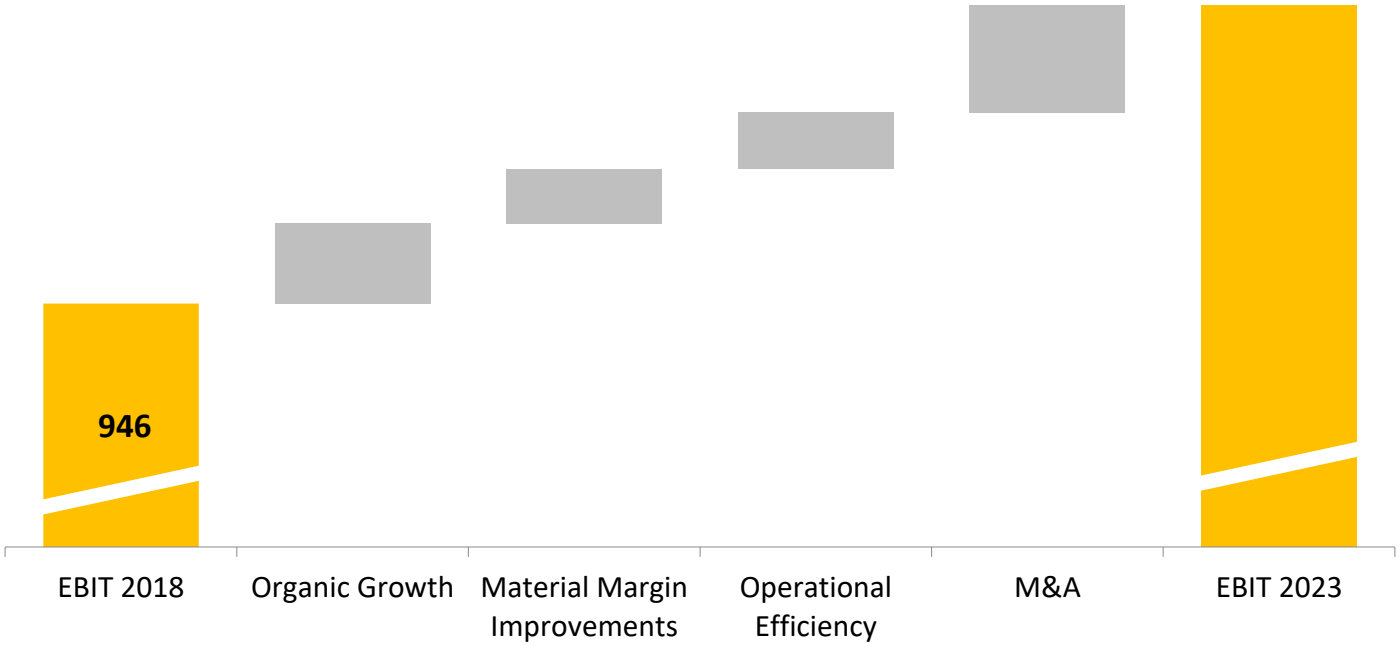
- Customer first
- Courage for innovation
- Sustainability & integrity
- Empowerment and respect
- Manage for results

Sika's Values and Principles are the foundation for the Code of Conduct. They are put into action through strong leadership and by all employees every day, worldwide.

PROFITABILITY TARGETS

EBIT MARGIN OF 15%-18%
IMPROVING MARGIN PROFILE

EBIT 15%-18% of net sales by 2021



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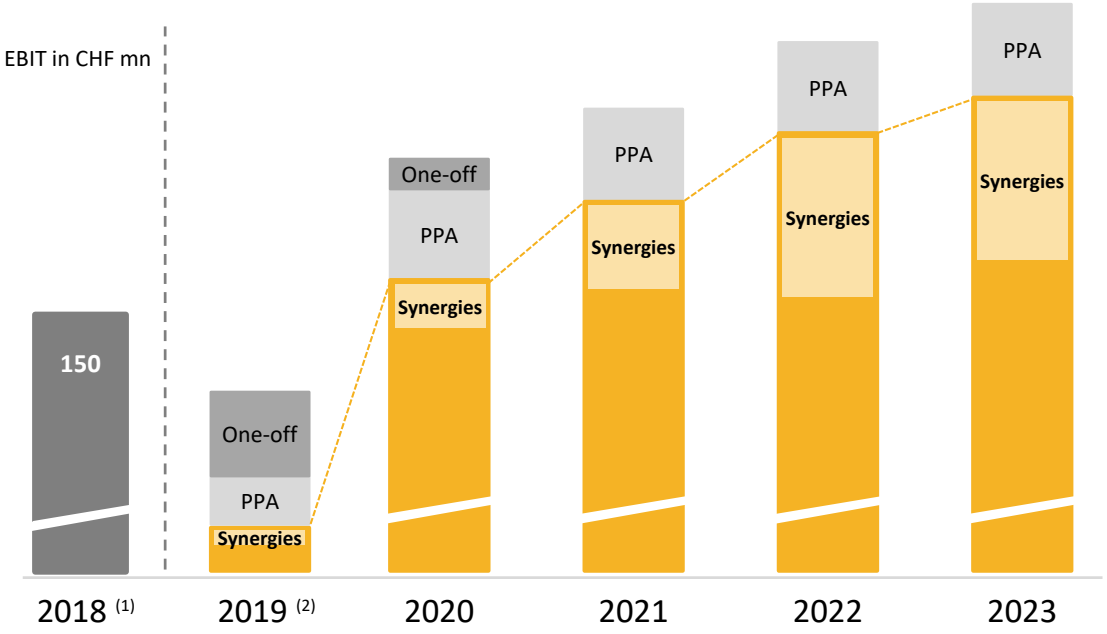
PAREX CONTRIBUTION TO EBIT GROWTH



- Parex with strong "stand-alone" growth & profitability pre-PPA
- One-time costs of CHF 70 – 75 million skewed towards 2019 (CHF 45 million)
- Initial annual PPA amortization effect of about 4% of Sales
- Run-rate synergies of CHF 100 million fully validated and confirmed (upper end of guidance)
- Synergies will overcompensate PPA effects by 2021

(1) Proforma without amortization from acquisitions

(2) Forecast May-Dec 2019

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OUTLOOK

STRONG OUTLOOK
CONTINUATION OF SUCCESSFUL GROWTH STRATEGY

- Double-digit EBIT growth for 2019
- New Strategy 2023 will ensure Sika's success in the upcoming years with sustainable, profitable growth
- Outlook 2020: In line with strategic targets 2023, sales growth of 6-8% in local currency and over-proportional EBIT increase are expected

FORWARD-LOOKING STATEMENT

This presentation contains certain forward-looking statements. These forward-looking statements may be identified by words such as ‘expects’, ‘believes’, ‘estimates’, ‘anticipates’, ‘projects’, ‘intends’, ‘should’, ‘seeks’, ‘future’ or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forward-looking statements contained in this presentation, among others:

- Fluctuations in currency exchange rates and general financial market conditions
- Interruptions in production
- Legislative and regulatory developments and economic conditions
- Delay or inability in obtaining regulatory approvals or bringing products to market
- Pricing and product initiatives of competitors
- Uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of research projects, unexpected side-effects of pipeline or marketed products
- Increased government pricing pressures
- Loss of inability to obtain adequate protection for intellectual property rights
- Litigation
- Loss of key executives or other employees
- Adverse publicity and news coverage

Any statements regarding earnings per share growth are not a profit forecast and should not be interpreted to mean that Sika’s earnings or earnings per share for this year or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Sika.

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