

Letter to shareholders



Adrian T. Keller, Chairman, and Dr. Joerg Wolle, President & CEO, DKSH Group

Dear Shareholders,

In 2002, DKSH was formed through the merger of long-established Swiss trading houses Diethelm Keller Services Asia and SiberHegner. Since then, DKSH has become the leader among the Market Expansion Services providers in Asia.

The success in numbers means that in the past 14 years we have tripled net sales, increased operating profit by five times and created more than 15,000 jobs. At the same time, we expanded our leading market position, strengthened our balance sheet and enhanced our reputation among clients and customers. A further milestone in our history was the initial public offering in Switzerland in 2012.

We are therefore delighted to inform you that DKSH performed well in 2016 and, despite challenging market conditions, exceeded 2015 record numbers.

Net sales in 2016 increased by 4.5% to CHF 10.5 billion. Organic growth was 4.4% and 0.2%-points were derived from acquisitions. This result was achieved despite exchange rate fluctuations which had a slightly negative impact of 0.1%.

DKSH completed only one acquisition in 2016. In September, we acquired the majority of Shanghai Sweets International (eSweets). With the takeover DKSH continues its strategic expansion in the fast-growing Chinese e-commerce market.

Operating profit (EBIT) increased over-proportionally to CHF 293.0 million. Profit after tax of CHF 213.0 million was significantly above last year's level. The revaluation effect of derivatives used for hedging foreign exchange rate fluctuations at year-end resulted in a lower finance result when compared to 2015.

The positive result reflects the development of our four Business Units.

DKSH managed to continuously expand its leading positions in Business Units Consumer Goods and Healthcare. In Thailand DKSH stabilized growth rates that were slowing due to political challenges in 2015 and in Malaysia the investments of recent years are further paying off.

The restructuring measures initiated in the luxury goods business had a positive effect. Despite further market contractions, DKSH improved results in this business significantly and at the same time successfully divested assets. This course will be continued in 2017.

Net sales of Business Units Performance Materials and Technology rose due to higher demand for capital investment goods and specialty raw materials.

In line with the progressive dividend policy practiced since many years, the Board of Directors will propose to the Ordinary Annual General Meeting (AGM) in March 2017 an ordinary dividend of CHF 1.50 per share for the financial year 2016. The ordinary dividend thereby would be CHF 0.20 or 15.4% higher than last year.

Additionally, the Board of Directors proposes to distribute a special dividend of CHF 3.00 per share to reduce excess cash for the benefit of shareholders. Payment date for these dividends, if approved by the AGM, is set starting March 29, 2017 (record date: March 28, 2017; ex-dividend date: March 27, 2017).

At year-end 2016, DKSH for the first time ever employed more than 30,000 specialists, representing an increase of some 2,000 employees or 7.0% compared to 2015.

For us, as a service company, our employees and their engagement are the base of our continued success. They guarantee continuity at DKSH – even during times of change.

On the occasion of the AGM in March 2017, we will propose Dr. Joerg Wolle to succeed Adrian T. Keller as Chairman of the Board of Directors. Adrian T. Keller will remain member of the Board of Directors.

As announced at the beginning of 2016, DKSH has appointed a successor to take over operational management of the company at an early stage. Stefan P. Butz, who has been member of the Executive Board since January 1, 2017, will succeed Dr. Joerg Wolle as CEO. With this move we ensure continuity in pursuing our strategy.

Based on this distinct strategy and our broadly diversified and scalable business model, DKSH is ideally positioned to continue to benefit from the growing middle class, the rising inner-Asian trade and the increased outsourcing to specialist services providers like DKSH.

From today's perspective, net sales and profit growth should continue for DKSH.

Not only operationally, but as well financially, DKSH can look back on a very prosperous performance. DKSH has launched one of the most successful IPOs in Switzerland in the past years. Since the listing, we have generated a total return of more than 60% and thus, dear loyal shareholders, DKSH's success is yours as well.

We thank our business partners, employees and shareholders for their commitment and look forward to a successful joint future.

Sincerely yours,



Adrian T. Keller
Chairman



Dr. Joerg Wolle
President & CEO

Key figures

Consolidated income statement

	At CER ¹			
in CHF millions	2016	2015	Change in %	Change in %
Net sales	10,505.2	10,050.8	4.5	4.6
Operating profit (EBIT)	293.0	270.2	8.4	6.9
Profit after tax	213.0	199.6	6.7	5.8
EBIT margin (in %)	2.8	2.7	–	–

Consolidated statement of financial position

in CHF millions	December 31, 2016	December 31, 2015
Total assets	4,415.3	4,095.8
Equity attributable to the shareholders of the Group	1,641.8	1,509.2
Net operating capital (NOC)	1,142.8	1,049.4
Net cash	512.5	468.8
Return on net operating capital (RONOC) (in %)	26.7	24.3
Return on equity (ROE) (in %)	12.7	13.4

Earnings per share

in CHF	2016	2015
Basic earnings per share	3.21	3.12
Diluted earnings per share	3.21	3.11

Other

	December 31, 2016	December 31, 2015
Specialists	30,318	28,340

¹ Constant exchange rates: 2016 figures converted at 2015 exchange rates

Publisher

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