DKSH Capital Market Day 2015

150 years of DKSH –
Key value drivers and operating insights

Zurich, November 27, 2015

Think Asia. Think DKSH.

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Welcome to our first Capital Market Day

150 YEARS

OF MARKET
EXPANSION
SERVICES

 © DKSH

Introduction of today's speakers

Dr. Joerg Wolle
President & CEO

Industry experience since 1991

Bernhard Schmitt
CFO

Industry experience since 1996

Martina Ludescher
Head Corporate Development

Industry experience since 2003

Bruno Sidler
COO

Industry experience since 1980

Andrew Frye
Head Business Unit Healthcare

Industry experience since 2001

More than 100 years of profound industry experience

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Agenda

Time	Presentation/Event	Speaker	
09:00–09:30	Arrival and registration		
09:30–10:00	**Welcome and introduction**	**Dr. Joerg Wolle**	**President & CEO**
10:00–10:30	**Market and industry trends**	**Martina Ludescher**	**Head Corporate Development**
10:30–11:00	Coffee break		
11:00–11:30	**Strategy update**	**Dr. Joerg Wolle**	**President & CEO**
11:30–12:15	**Business Unit Consumer Goods**	**Bruno Sidler**	**COO**
12:15–13:30	Lunch break		
13:30–14:15	**Business Unit Healthcare**	**Andrew Frye**	**Head Business Unit Healthcare**
14:15–14:45	**Finance**	**Bernhard Schmitt**	**CFO**
14:45–15:15	Coffee break		
15:15–16:00	**Q&A session**	**All DKSH speakers**	
16:00–16:15	**Closing remarks**	**Dr. Joerg Wolle**	**President & CEO**
16:15–17:00	Refreshments and Farewell		

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Introduction

Dr. Joerg Wolle – President & CEO

Another Asian crisis ahead?

World Bank cuts 2015–2016 East Asia growth forecasts

Reuters, October 5, 2015

The worst ever golden week, retailers moan

South China Morning Post, October 2, 2015

A slowdown among Asian economies

The Economist, October 3, 2015

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150 years of experience in Asia

Trading companies → **Specialized services provider** → **Market Expansion Services provider**

1865 — 1887 — 2002 — 2015

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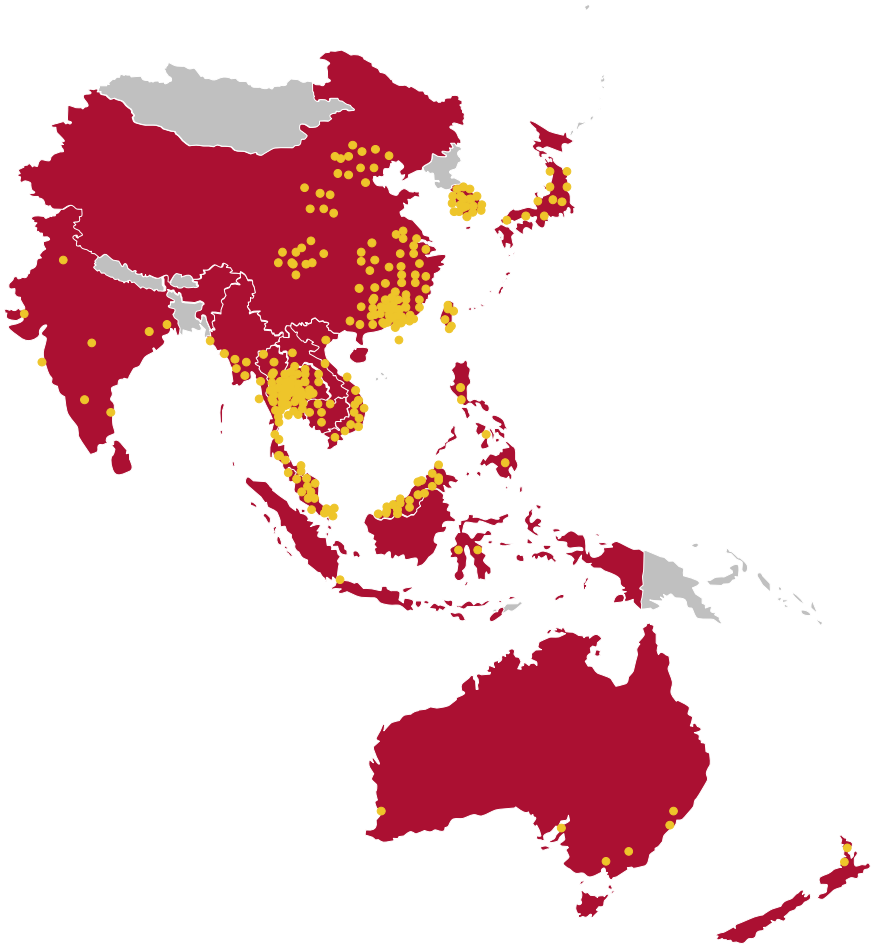
No. 1 Market Expansion Services provider in Asia[1]



No. 1
Market Expansion Services provider with focus on Asia

750
business locations

35
countries

28,000
specialists

9.8 billion
CHF net sales (2014)

14,000
jobs created since 2002 worldwide

[1] Roland Berger Strategy Consultants, February 2015, based on transaction value

 © DKSH

Market and industry trends

Martina Ludescher – Head Corporate Development

How to capture growth in Asia

- Small and medium size companies lack financial and personnel resources in Asia
- Larger multinational companies focus on core competencies
- MES providers help clients to enter Asian markets with high entry barriers
- Expand access to knowledge and sourcing

Drive revenues and market share – our definition of Market Expansion Services

 © DKSH

Market Expansion Services (MES) – at every stage

Entering Asia	Expanding in Asia	Growing within Asia
Enable market expansion into Asia	Capture ‘new’ Asian markets	Grow business within existing Asian markets

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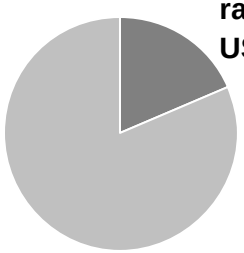
Asian MES market…

Greater China

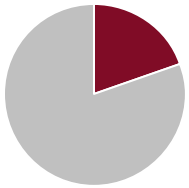
Total market size:
USD 1.516 billion



MES penetration rate 19% or USD 285 billion

Northeast Asia

Total market size:
USD 995 billion



MES penetration rate 20% or USD 201 billion

Southeast Asia

Total market size:
USD 469 billion

MES penetration rate 23% or USD 109 billion

…still offers significant penetration potential

Source: Roland Berger Strategy Consultants, February 2015

 © DKSH

Competitive landscape in Asia…

	FMCG	Healthcare: Prescription drugs & OTC	Healthcare: Medical devices	Specialty chemicals	Engineered products
#1	DKSH	Zuellig Pharma	DKSH	Brenntag	DKSH
#2	LF Asia	DKSH	Zuellig Pharma	DKSH	Rieckermann
#3	PT Arta Boga Cemerlang	Geoyoung	LF Asia	Connell Brothers	Illies

DKSH in Top 3

FMCG		Healthcare: Prescription drugs & OTC		Healthcare: Medical devices	Specialty chemicals	Engineered products	
Cambodia	Singapore	Cambodia	Myanmar	Philippines		Cambodia	Myanmar
Hong Kong	South Korea	China	Singapore	Thailand		China	Philippines
Laos	Taiwan	Hong Kong	Taiwan	Vietnam		Hong Kong	South Korea
Malaysia	Thailand	Laos	Thailand	Taiwan		Japan	Taiwan
Myanmar	Vietnam	Malaysia	Vietnam	Myanmar		Laos	Thailand
						Malaysia	Vietnam

…is still highly fragmented

Source: Roland Berger Strategy Consultants, February 2015

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Three major growth drivers of MES business…

1. **Growing middle class in Asia**
2. **Increasing inner-Asian trade**
3. **Trend towards outsourcing**

Overall consumption

MES penetration rate

…will increase consumption and penetration rate

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Rising middle class boosts local consumption

Asia Pacific middle class 2010	Asia Pacific middle class 2030
572 million people	**3.2 billion** people
28% of global middle class	66% of global middle class
4.8 trillion USD spending	**32.6 trillion** USD spending

Sources: UnctadSTAT Roland Berger Strategy Consultants, The Economist

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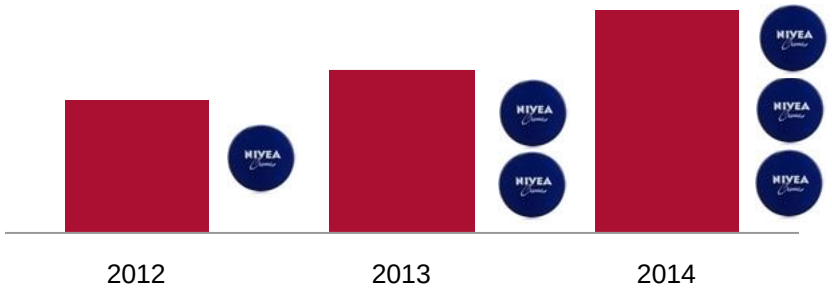
Beiersdorf targeting growing middle class in Myanmar

Background and results

- Collaboration started in 1988 in Thailand
- Partnership in Myanmar since 1997
- Middle class in Myanmar extremely underrepresented
- Distribution network of 28,000 points of sale to reach growing middle class
  - NIVEA largest skin care brand
  - Hansaplast synonym for plaster
  - Sales growth of Nivea Cream has potential to double by 2020

Sales growth Beiersdorf through DKSH



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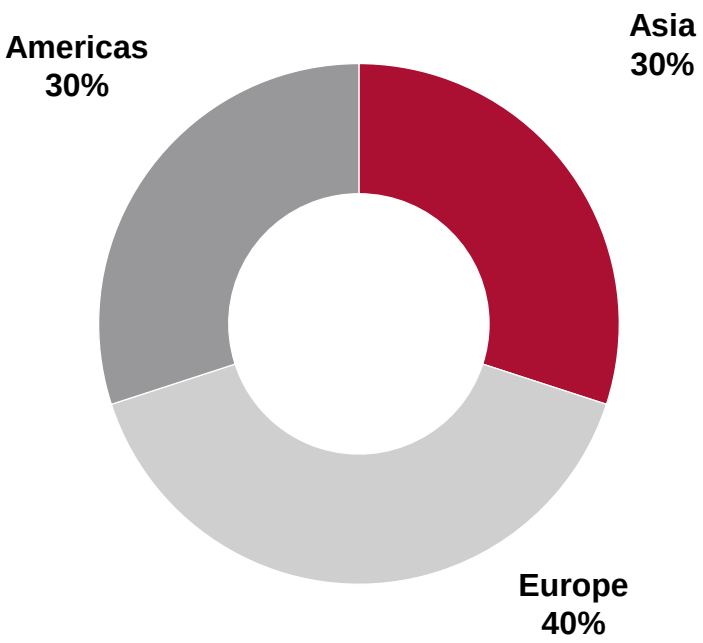
Strong inner-Asian trade

Trend of fast Asian trade to continue

- Asia is the second largest trading area after Europe, having overtaken America[1]
- Inner-Asian trade expected to grow fast:
  - Trade barriers fall
  - Local consumer markets develop fast
- Establishment of the ASEAN Economic Community (AEC) supports this trend

Origin of DKSH's key clients



DKSH enables and benefits from growing inner-Asian trade

[1] Roland Berger Strategy Consultants, March 2013

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Taiho Pharma's expansion into South East Asia

Background and results

- Taiho Pharma approached DKSH to expand its Asian footprint
- DKSH registered products in Hong Kong, Malaysia, Thailand and Vietnam
- Marketing, sales, distribution and logistic services
- Taiho enjoys double-digit sales growth

Geographic reach in Asia

 © DKSH

Suntory heading to further Asian countries

Background and results

- Partnership with Suntory started in the 1970s in Thailand
- Expansion to Hong Kong, Malaysia, Myanmar, Singapore and Vietnam
- DKSH showed strong track record to build brands in Asia
- Since 2015, DKSH as well supplies Suntory's Ribena fruit juices
- Full range of Market Expansion Services
- Double-digit sales growth across multiple markets

Geographic reach in Asia

SUNTORY
SUNTORY BEVERAGE & FOOD

© DKSH

Increasing trend towards outsourcing

- MES is one of the most promising sectors in the outsourcing industry
- Focus on core competencies and slower growth rates lead to increasing demand
- DKSH a reliable partner for a rapid and low-risk expansion to and within Asia
- The role of outsourcing has changed:
  - MES not only focuses on cost reduction
  - Drive top and bottom line growth

Focus on core competencies leads to increasing demand for MES

 © DKSH

BMS outsourced commercial business

Background and results

- Bristol Myers-Squibb (BMS) reallocated resources
- DKSH took over commercial business of new hepatitis B product in Malaysia
- Product availability expanded to virtually 100%; government tender secured
- Outperformed market, captured market share and took over as market leader
- Collaboration in Hong Kong, Singapore, Taiwan, Thailand and Vietnam

BMS core competencies:

R&D → Manu-facturing → Global Marketing

BMS outsourced to DKSH:

Capillary Distribution → Local Marketing and Sales

 © DKSH

Omni channel approach of DKSH

Brand owners
Manufacturers
Clients

DKSH

Channels

- Modern Trade
- Traditional Trade
- Specialty Stores
- Pharmacies and Medical channel
- Food Service
- E-Retailers
- E-Stores and market places

Consumers

 © DKSH

Digitization enables MES players to offer new services

Online channel management

- Manage online retailers and market places

→ **Extend reach of products**

Digital (full) services

- Creation of web shops, digital marketing, e-fulfillment and after-sales services

→ **Extend reach to consumers**

DKSH Digital services

- B2B platform enables online orders, sales, data and loyalty management

→ **Connect clients and customers**

- Build data mining competencies and offer technological innovations

→ **Enrich digital portfolio**

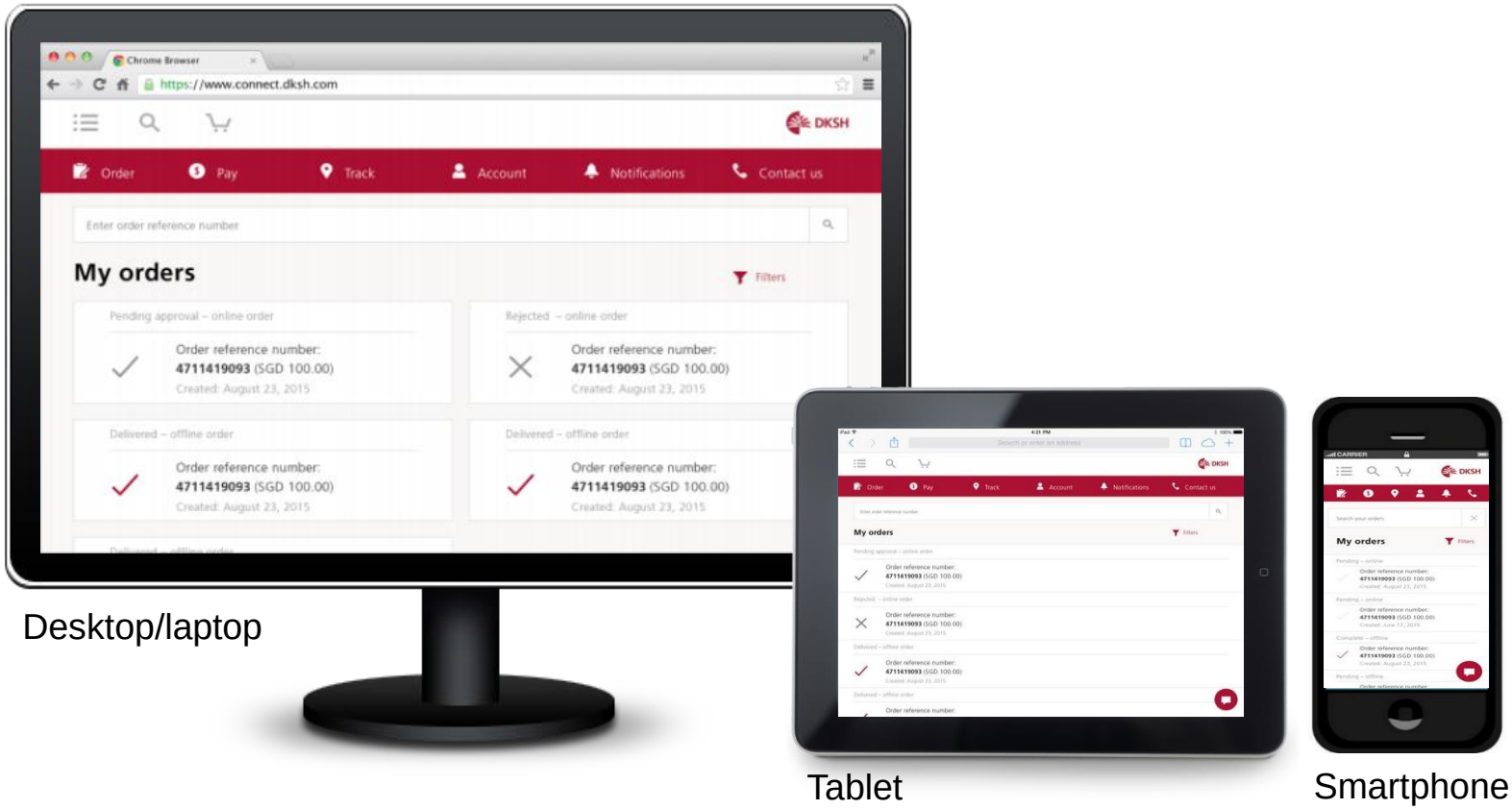
DKSH Connect digital platform

Digital value added services

© DKSH

DKSH Connect digital platform

Accessible across all digital devices



Desktop/laptop

Tablet

Smartphone

© DKSH

Coffee break

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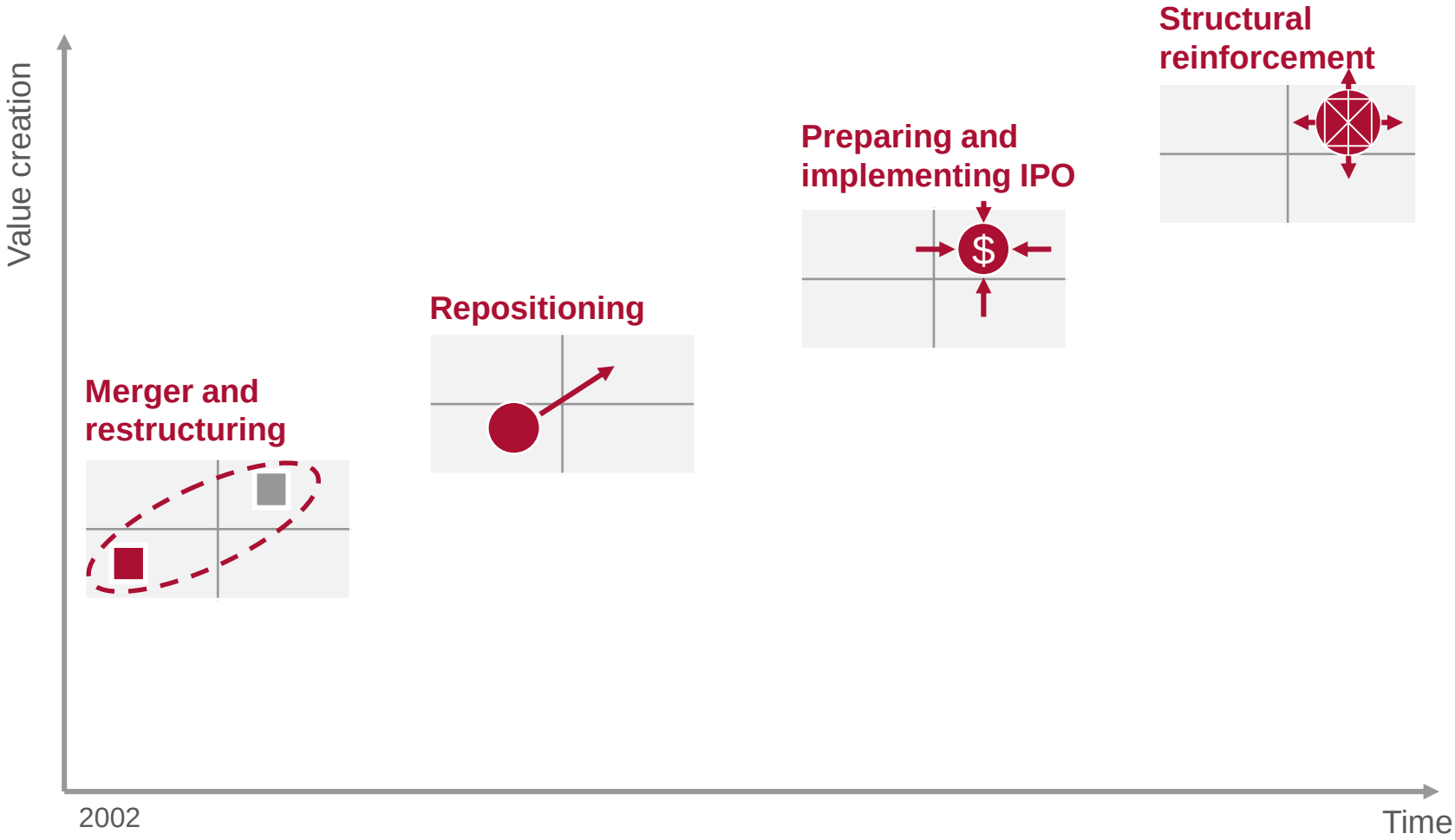
Strategy update

Dr. Joerg Wolle – President & CEO

DKSH has undertaken four stages of transformation



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Clear strategy for future profitable growth

Focus on existing markets and Business Units	Strengthen service offering	Increase operational efficiency
• Focus on existing markets • Grow Business Units organically • Further drive industry consolidation • Focus on core competencies	• Enhance service and solution competence • Selectively expand service value chain, e.g.: − Regulatory services − Field Marketing − Digital services	• Strengthen market position to use economies of scale • Realize operational synergies • Improve operational excellence (standards)

To do more of the same and… to do it more efficiently

 © DKSH

DKSH value creation track record

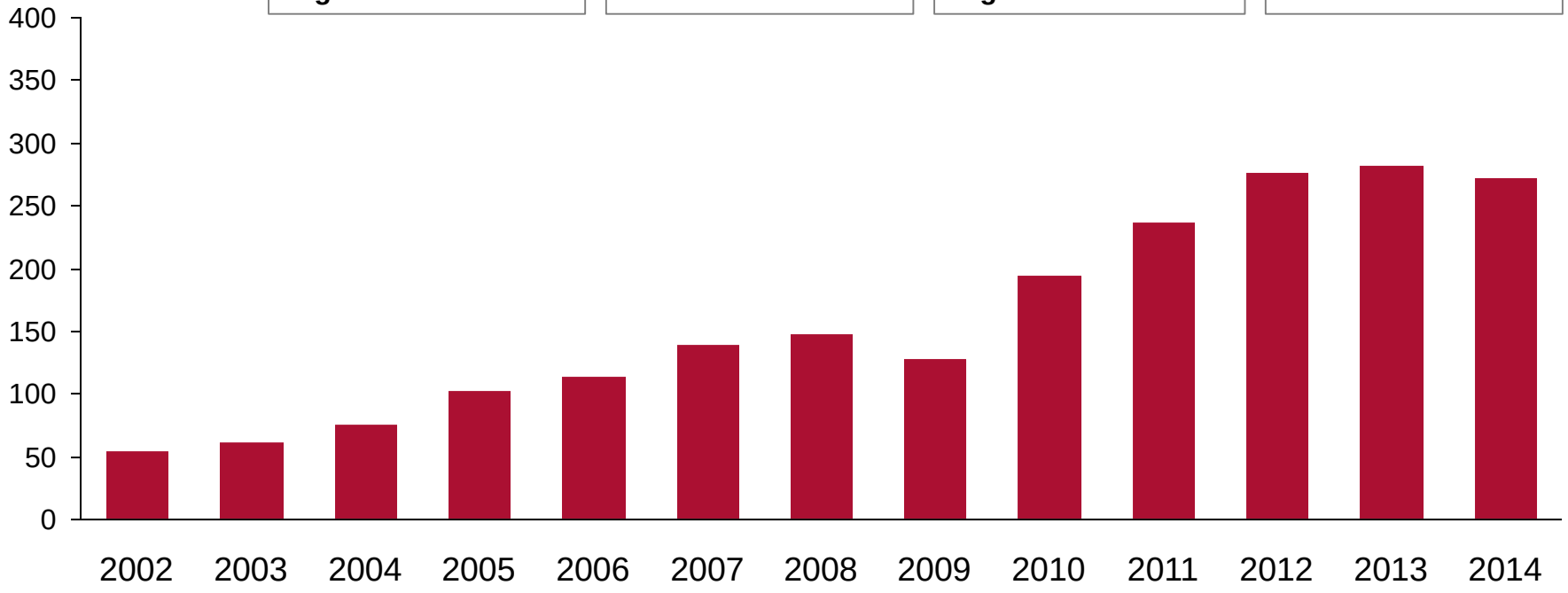
EBIT (in CHF million)

2002–2008:
Booming markets
→ **Double digit growth**

2008–2009:
Financial crisis
→ **Decline of ~10%**

2010–2012:
Natural desasters
→ **Double digit growth**

2013–2014:
Slowing markets
→ **Slow growth**



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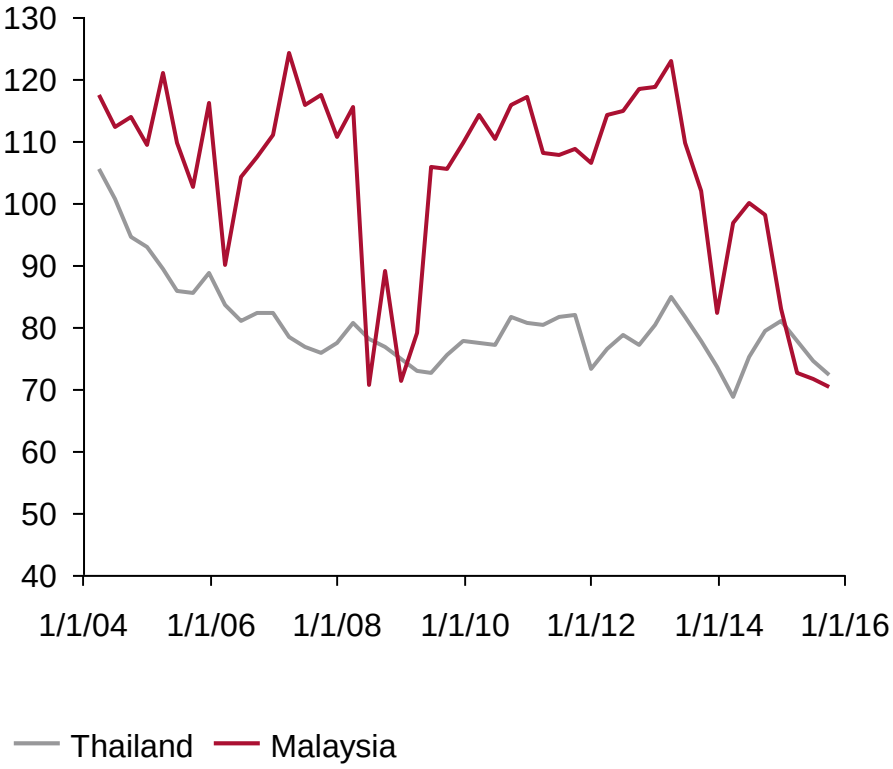
Current impacts on Business Unit Consumer Goods

1	FMCG
2	Luxury goods business
3	Translational FX effects

Consumer Confidence Index[1]



[1] University of the Thai chamber of commerce; Malaysian institute of economic research

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Chinese business of DKSH

Limited impact on DKSH business

- DKSH successfully follows a niche strategy approach since many years
- Accordingly less than 10% of group net sales are derived from mainland China
- Present with all four Business Units with focus on Healthcare and Technology
- Anticipated economic slowdown in China with limited impact on DKSH
- Still higher economic growth in China than in Western world expected

DKSH presence in mainland China

 © DKSH

Business Unit Consumer Goods

Bruno Sidler – COO

Leading consumer goods MES provider in Asia

CHF
4.1 billion
net sales

14,560
specialists

640
business locations

Note: Financial figures (FY 2014)

 © DKSH

Long-lasting client relationships in various categories

Consumer Goods clients and categories

Personal care:

Johnson & Johnson, Beiersdorf, Unilever, Henkel, 3M

Confectionery and snacks:

Mondelēz International, MARS, Lindt – Master Swiss Chocolatier since 1845, FERRERO, HERSHEY'S

Infant nutrition:[1]

Abbott, Nestlé – Good Food, Good Life, Mead Johnson Nutrition, DANONE, FrieslandCampina

Beverages:

PEPSICO, Red Bull, ICHITAN, MORINAGA, Ribena

Dairy and dry grocery:

Kraft Heinz, PANZANI, Campbell's, SMUCKER'S, Barilla

[1] Partly consolidated in Business Unit Healthcare
DKSH is further active in the categories of consumer health, health and wellness, home care and car care

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DKSH omni channel approach

Modern Trade

Traditional Trade

DKSH omni channel approach

Specialized channels

E-commerce

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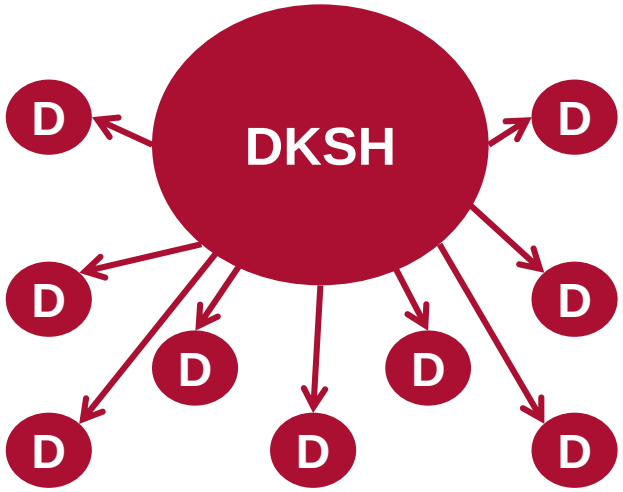
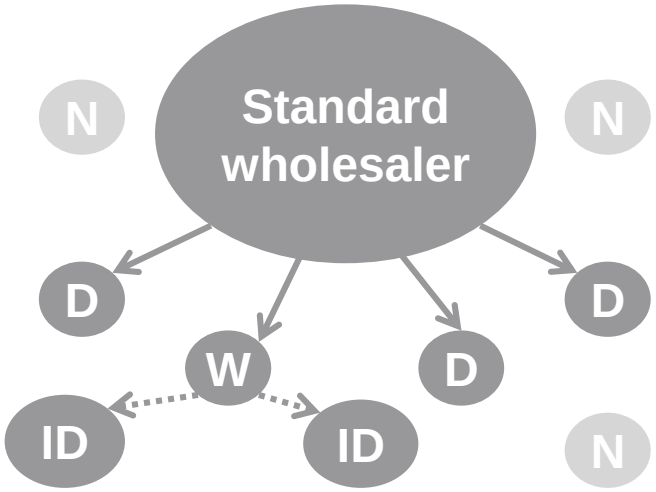
The theory of capillary distribution

Capillary distribution



Non-capillary distribution



D	Direct access	W	Wholesaler	ID	Indirect access	N	No access

© DKSH

Regional growth for Mars

Background and results

- Partnership since 1987 in Malaysia
- Further partnership in Myanmar, Singapore, Taiwan, Thailand and Vietnam
- Through DKSH's capillary network, Mars products have broader reach
- Enhanced impact at point-of-sale through field marketing excellence
- Expand distribution to a potential of 100,000 outlets

© DKSH

Reasons for Mars to work with DKSH

Terry Seremetis
General Manager – Mars Chocolate South East Asia & Thailand

 © DKSH

DKSH value chain

Comprehensive portfolio of services along the value chain

Clients → Sourcing → Market Analysis and Research → Marketing and Sales → Distribution and Logistics → After-Sales Services → Customers

Field Marketing

…by providing blanket market coverage across Asia

 © DKSH

Why is Field Marketing of increasing importance?

Sales growth drivers

Availability

- On-shelf availability
- Stock availability
- Channel ranging
- Shelf-life management

Visibility

- Planogram implementation
- Product shelf display
- On-shelf display standards
- Point-of-sale marketing

Implementation

- Promotions
- New innovation (*speed-to-shelf*)
- Pricing compliance
- Retail training

© DKSH

DKSH Smollan Field Marketing (DSFM)

- Founded in 2009 as joint venture of DKSH (51%) and Smollan (49%)
- More than 3,500 specialists in Asia servicing around 60,000 retail stores in seven countries
- Clients such as Mars, Nestlé, Friesland Campina or P&G

DSFM is the largest Field Marketing provider in South East Asia

© DKSH

Field Marketing service offerings

Category management science

- Range assortment
- Shelf space management
- Store layout optimization
- Demand forecasting

Brand activation

- Promotional and event campaigns
- Point-of-sale management and design
- Shopper engagement
- Mystery shopping

Turning shoppers into buyers

Field sales and retail execution

- Order prompting
- (Visual) merchandising
- Promotional execution
- In-store KPI measurement and audits
- Shelf hygiene

Information technology

- Operational and business intelligence
- Geographical Information Systems
- Image recognition
- Dashboard reporting and analytics

 © DKSH

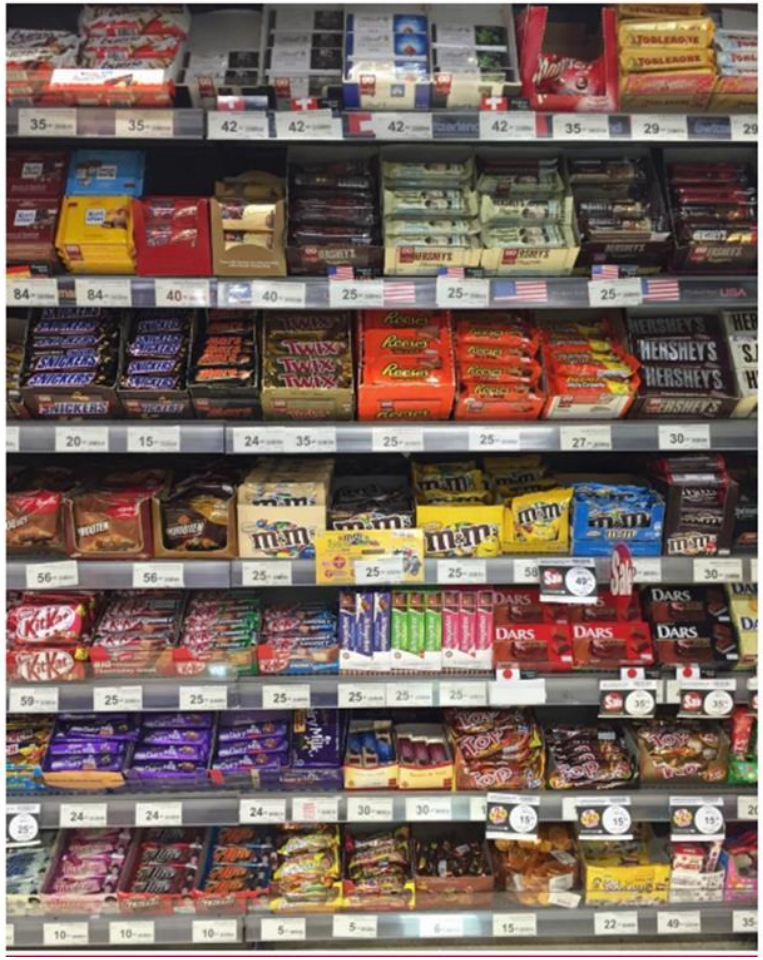
Field Marketing insight reporting

© DKSH

Showcase Field Marketing (during lunch break)

What awaits you later

- Category management explanation
  – Why and how we plan
- In-field management: order entry and measurement demo
- Reporting explanation
- Activation



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Consumer Goods outlook

- Structural long-term growth drivers intact
- Focus on adding new clients and expanding existing client relationships
- Focus on demand creation through Field Marketing
- Focus on omni-channel access – providing access to the growing online channel
- Focus on scale efficiencies across all our operating platforms

Preparing for the future

 © DKSH

Lunch break

 © DKSH

Business Unit Healthcare

Andrew Frye – Head Business Unit Healthcare

Proven integrated MES leader in Asia in healthcare

4,200
Marketing and sales specialists

150
business locations

4.5 billion
CHF net sales (2014)

 © DKSH

Three specialized Business Lines

Selected Healthcare clients and Business Lines

Pharmaceuticals:

Bristol-Myers Squibb, Roche, Bayer, Boehringer Ingelheim, Pfizer, astellas

Over-the-counter (OTC) & Consumer Health:

Haw par, P&G, DR·WOLFF, Beiersdorf, Abbott

Medical Devices:

Medtronic, Johnson & Johnson, OMRON, COOK MEDICAL, Alcon

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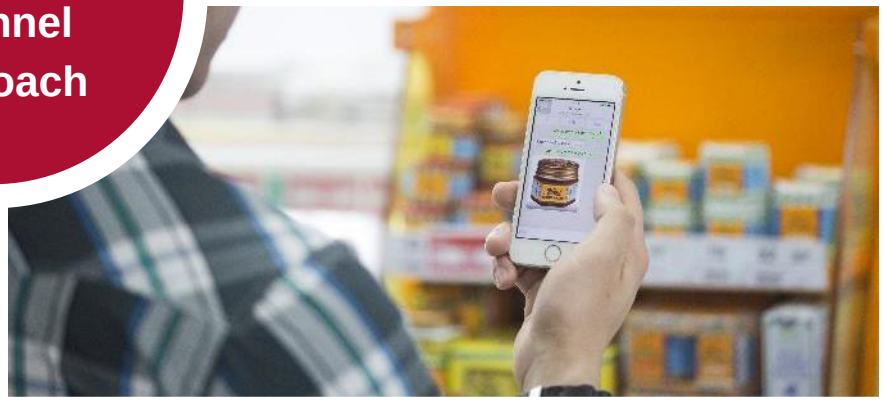
Covering all relevant channels

Medical channel

Traditional Trade

DKSH omni channel approach

Modern Trade



E-commerce

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Value chain integrity – product arrival

1
2
3
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6
7
8
9
10
11
12

 © DKSH

Product control

1
2
3
4
5
6
7
8
9
10
11
12

 © DKSH

Relabeling

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11
12

 © DKSH

Storage

1
2
3
4
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7
8
9
10
11
12

 © DKSH

Cold chain handling

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9
10
11
12

 © DKSH

Picking in the cold chain area

1
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4
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7
8
9
10
11
12

 © DKSH

Picking in the ambient area

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2
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 © DKSH

Dispatching

1
2
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11
12

 © DKSH

Transport

1
2
3
4
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11
12

© DKSH

Traffic control center

1
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3
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7
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10
11
12

 © DKSH

Delivery

1
2
3
4
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8
9
10
11
12

 © DKSH

Consignment inventory management

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11
12

 © DKSH

Two pillars of medical sales

Demand creation

- Educating healthcare professionals on the technical benefits of a therapy
- Recommending prescription and/or correct usage of a medicine or device

Order facilitation and customer mgt.

- Ensuring products are in stock and properly visible
- Actively engage consumers or manage the product displays in-store

 © DKSH

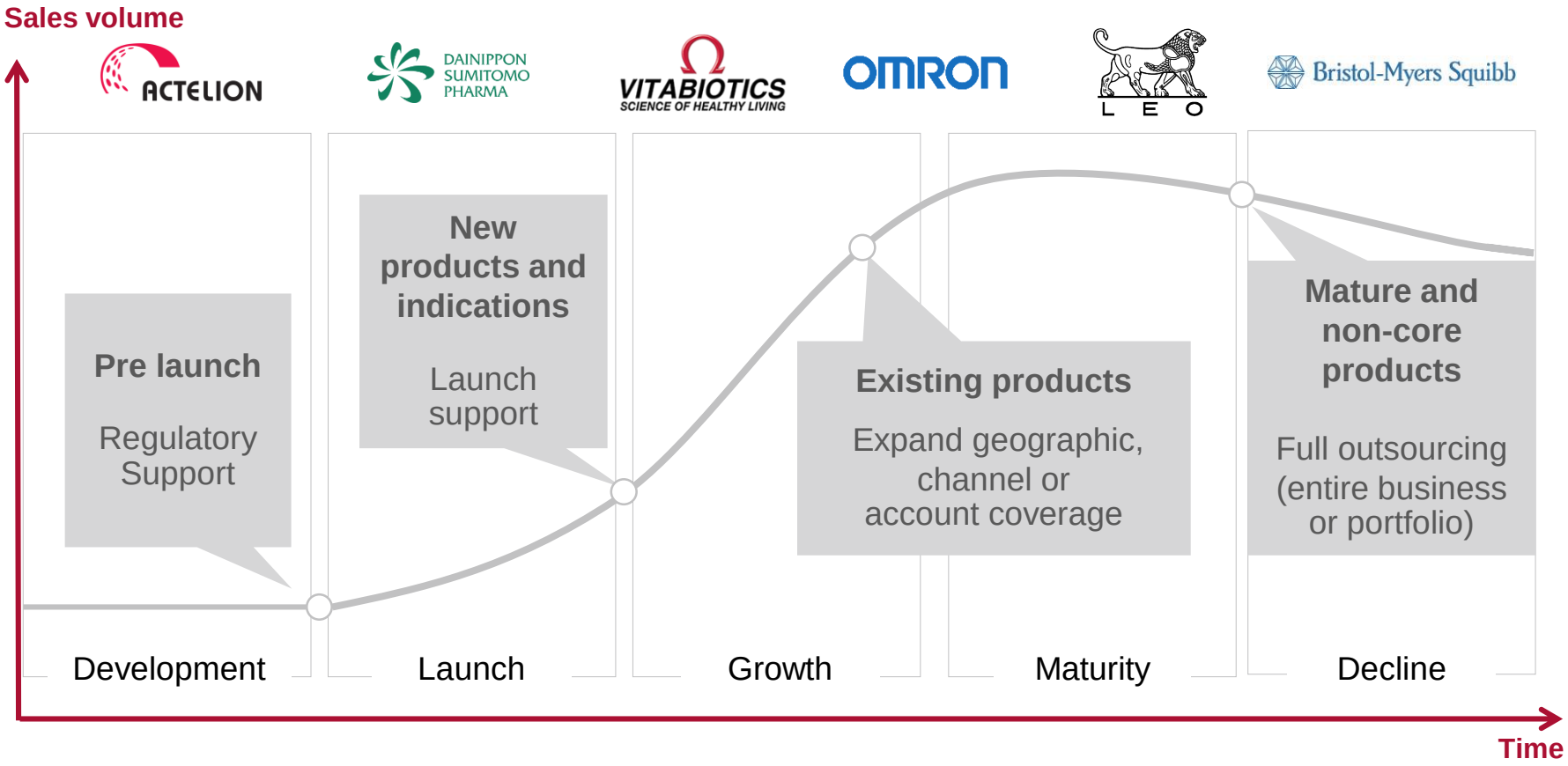
Marketing and sales teams grow business

Facts and figures

- More than 4,200 dedicated healthcare marketing and sales specialists
- Strong relationships with clients, customers and healthcare professionals
- EchoPlus, DKSH's proprietary mobile sales management and CRM tool
- More than 3,500 healthcare marketing authorizations in Asia

 © DKSH

From market entry to managing tail brands



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Bringing Dr. Wolff into the South East Asian markets

Background and results

- Dr. Wolff outsourced the entire range of services to DKSH in 2013
- Markets covered: Hong Kong, Malaysia, Singapore, Taiwan and Thailand
- DKSH expanded revenue by leveraging relationships with chain pharmacies
- Continuous expansion of partnership, e.g. with Plantur products in Hong Kong

Market analysis and research → **Marketing and sales** → **Distribution and logistics**

 © DKSH

Cooperation with Dr. Wolff

Eduard R. Dörrenberg
Managing Partner

 © DKSH

Healthcare outlook

- Markets continue to grow faster than in Europe and the Americas
- Market changes let clients outsource parts of their value chain
- More competition for lower margin, but high volume clients emerging
- Recent distribution center openings enable to serve more clients and customers
- Continued strong business development pipeline

Focus on expanding business

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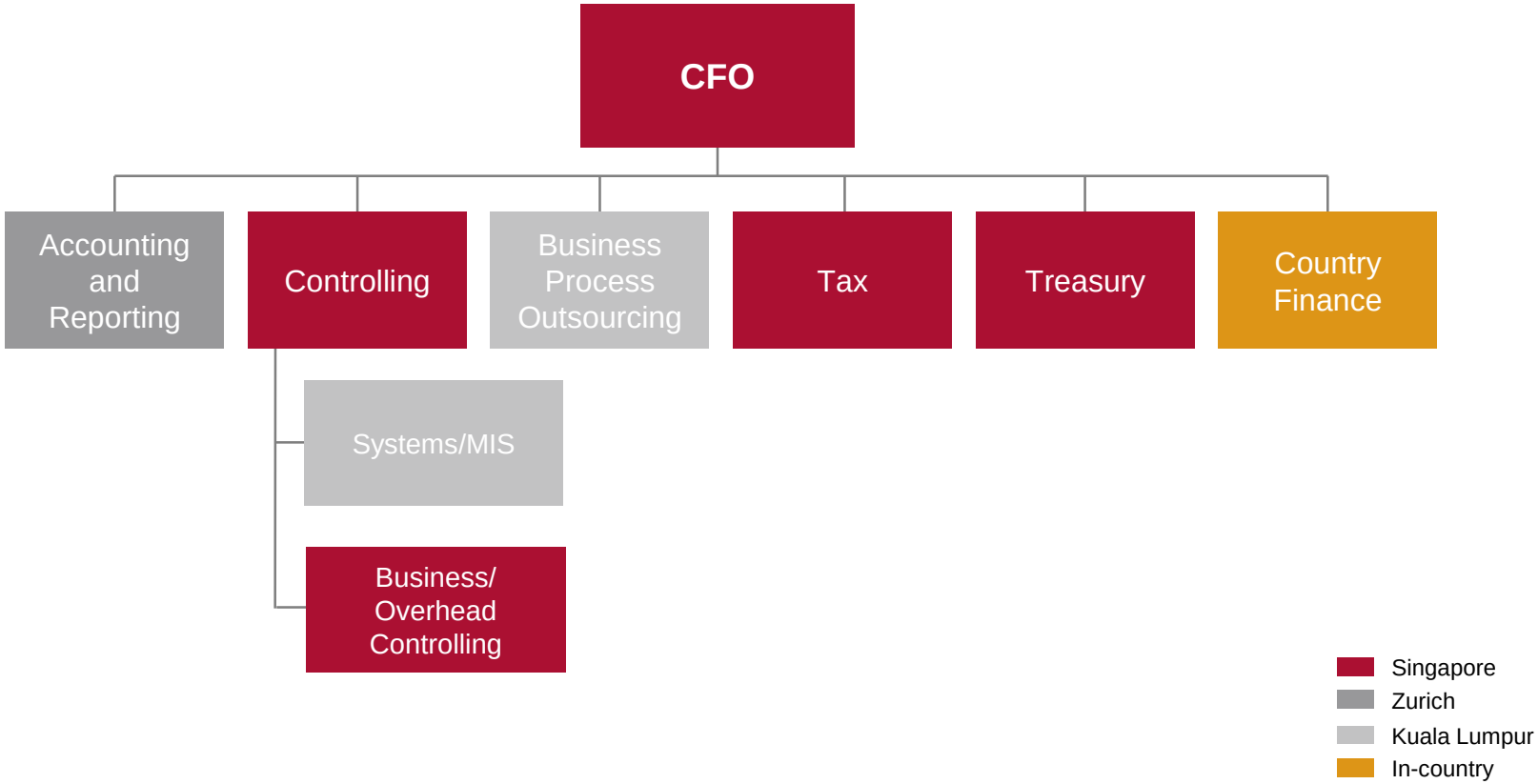
Finance

Bernhard Schmitt – CFO

Our finance team's mission…



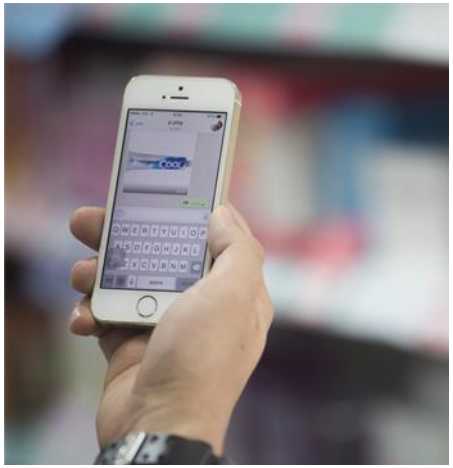
…is to enable growth and safeguard assets

© DKSH

State-of-the art IT platform is the backbone for finance

Clients	DKSH IT platform	Customers

- Single instance worldwide
- >15,000 IT and >8,000 SAP users
- >15 million transactions per year
- Mirroring every 30 minutes
- IT costs below 0.5% of net sales



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Risk management ensures safeguarding of assets

© DKSH

Receivables management in Thailand

Net sales
CHF 3.4 billion annually

400,000 customer invoices a month
(20,000 a day)

Rural collections a challenge

40% of collections in cash or cheque
(90,000 cheques a month)

 © DKSH

Process of receivables management in Thailand

1 Credit assessment and credit limits

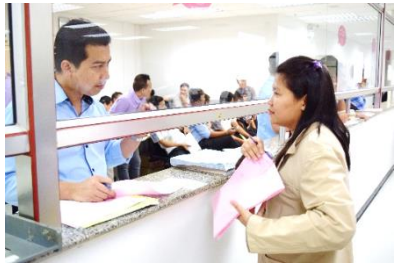
3 Sort and re-distribute bills

5 Customized bar-coded bank-in slips

7 Same or next-day funding

2 Delivery of goods and customers sign bills

4 Customers pay collectors



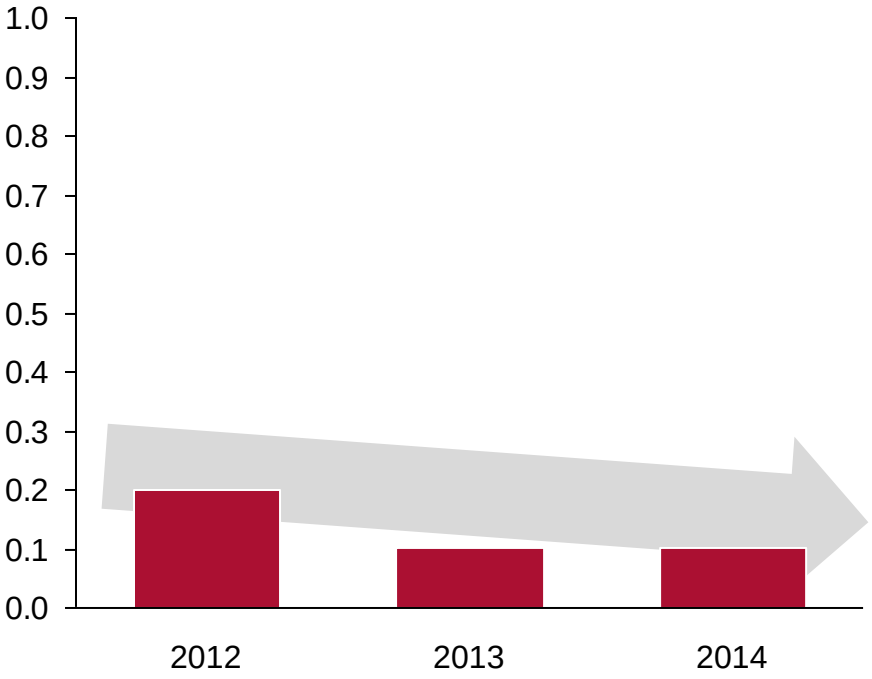
6 Bank staff at over 400 branches

8 Release or lower credit limit

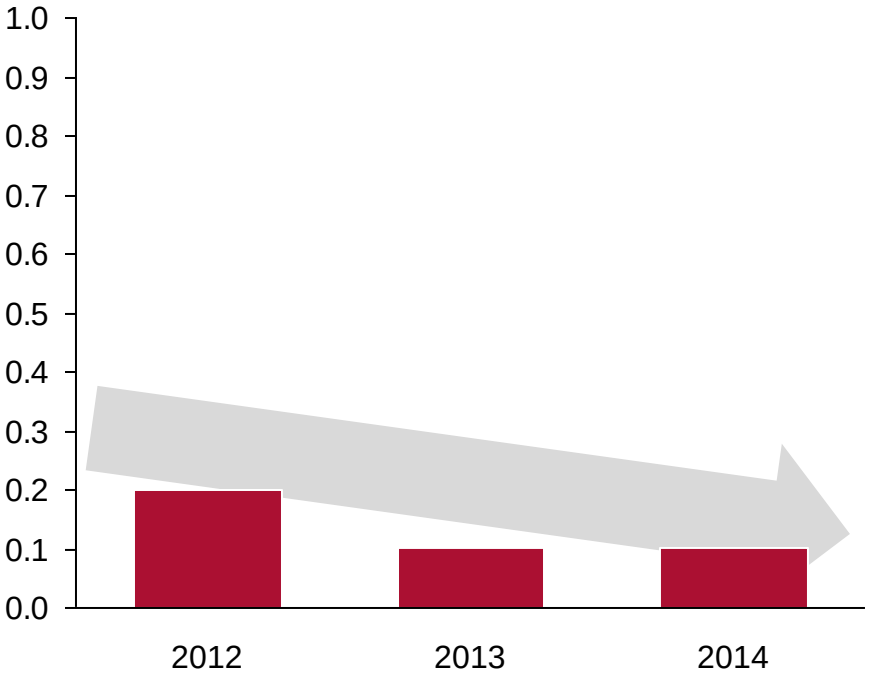
 © DKSH

Successful receivables management

Write downs of trade receivables (%)



Write downs of inventories (%)



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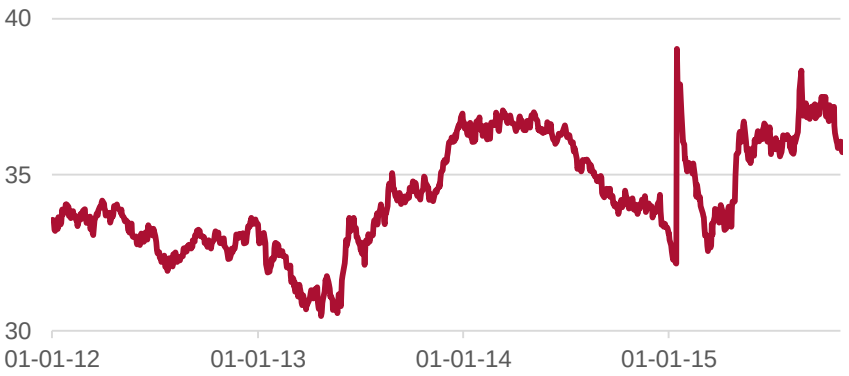
Conservative currency risk management

- Conservative way to manage currency risks
- In Consumer Goods and Healthcare
  - Purchase and sell in local currency
  - Hardly any transactional currency risk
- In Performance Materials and Technology
  - Purchase in foreign currency
  - Weaker local currencies can result in temporary pricing pressure
  - Negotiation with clients and customers

- Transaction risk minimal
- All transaction exposure hedged

THB / CHF



MYR / CHF

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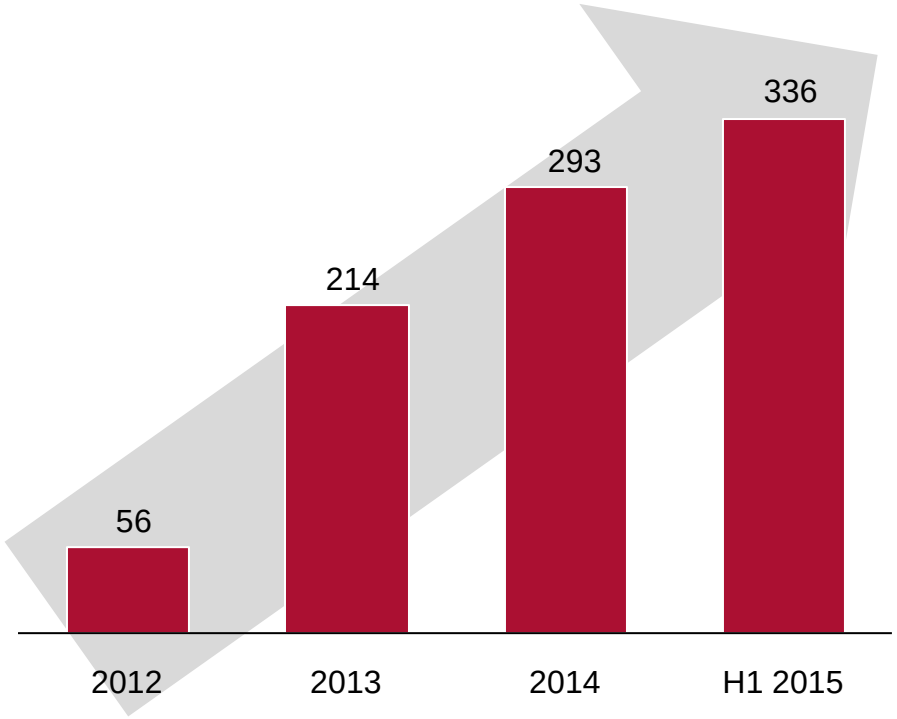
Strong cash generation

- Tight working capital management contributes to strong cash generation
- More than CHF 335 million net cash position at the end of June 2015
- A committed syndicated facility of CHF 200 million (5+2) is available

- Capital strength and resilience is an important factor for our clients
- Well positioned for business opportunities

Net cash development (in CHF million)



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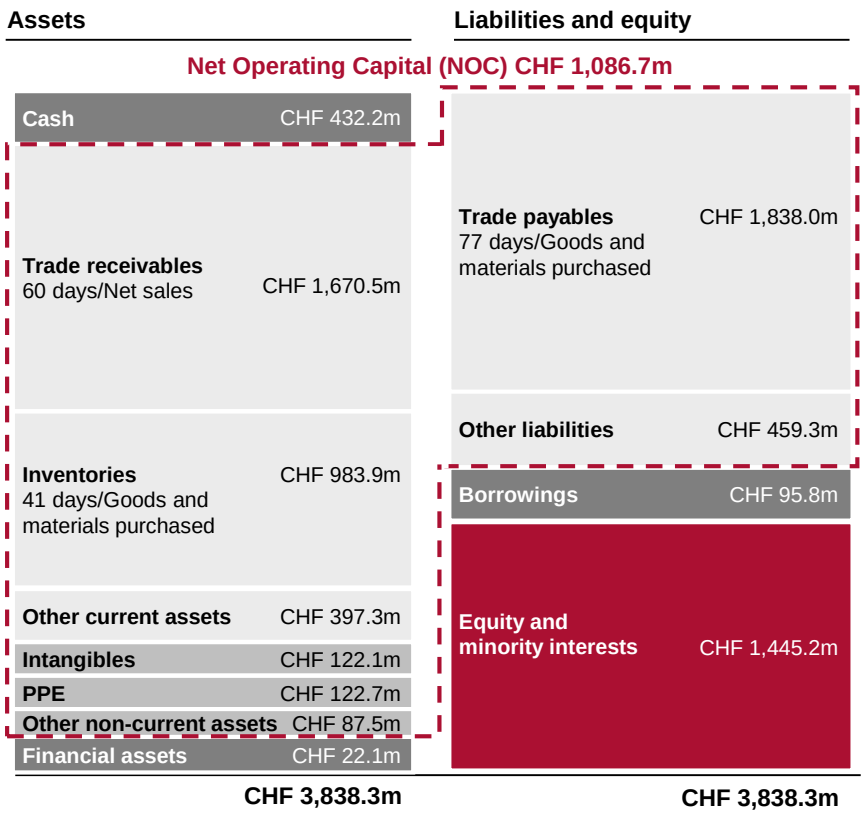
Strong balance sheet

Balance sheet as of June 30, 2015



Extract from Mead Johnson 10K report

"Our products are sold principally to distributors and retail customers, both nationally and internationally. ***Sales to*** *two of our customers,* ***DKSH*** *International Ltd., a distributor serving primarily Asia (including sales to its regional affiliates), and Wal-Mart Stores, Inc. (including sales to Sam's Club),* ***accounted for approximately 16%, 16% and 15%****, and approximately 11%, 10% and 11%* ***of our gross sales for the years*** *ended December 31, 2014, 2013, and 2012, respectively."*

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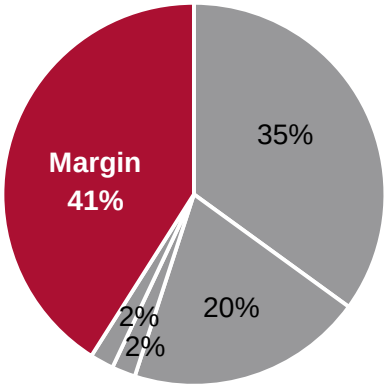
Capillary distribution – Finance view

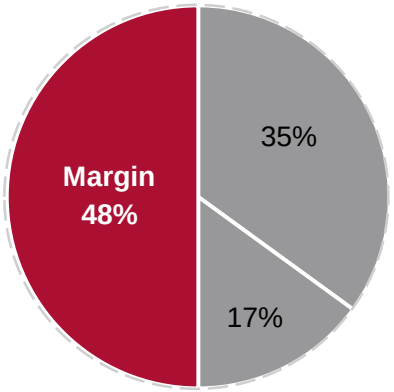
Client sells directly



Client sells with DKSH

Market intelligence

Less complexity



Reduced risk

	Client sells direct	DKSH cost only	…with Market Expansion Services +5%	+10%	+20%
Sales	100	100	105	110	120
Variable production costs	(35)	(35)	(37)	(39)	(42)
In-country costs / DKSH costs	(20)	(17)	(18)	(19)	(20)
Account receivable losses	(2)	0	0	0	0
Inventory losses	(2)	0	0	0	0
Margin	**41**	**48**	**50**	**53**	**58**
Margin grows at a faster rate		**+17%**	**+23%**	**+29%**	**+40%**

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Finance – a look ahead

- Manage age-old, entrenched market practices
- Further drive benefits of modern technologies
- FX translational impact of 2–3% on net sales[1]
- Capex of around CHF 40 million
- Tax rate in the range of 28–30%

[1] Assuming that FX rates stay the same as of October 31, 2015

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Coffee break

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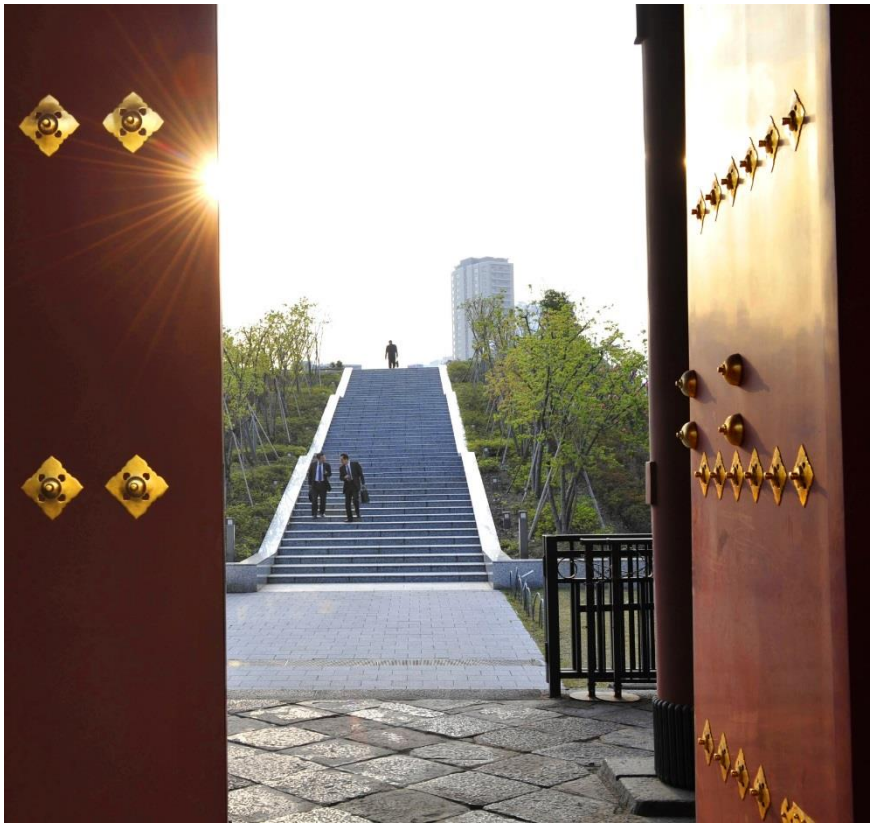
Q&A session

Closing remarks

Dr. Joerg Wolle – President & CEO

Key takeaways

- Structural growth drivers are intact – expand leading MES position in Asia
- Balance sheet strength enables DKSH to drive industry consolidation
- DKSH weathers current market challenges
- Net sales and profit for 2015 expected to be similar to last year's levels
- Confident to achieve sustainable net sales and profit growth in our core business in 2016 and after[1]
- DKSH continues with its proven progressive dividend policy



DKSH preparing for further sustainable, profitable growth

[1]Assuming a mid-term recovery in most affected countries and at constant exchange rates

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Apero

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150 YEARS OF MARKET EXPANSION SERVICES

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Think Asia. Think DKSH.

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