Letter to shareholders

Stefan P. Butz, CEO, and Dr. Joerg Wolle, Chairman, DKSH Group

Dear shareholders,

For more than 150 years, DKSH has been a reliable partner for clients and customers to expand their business in new and existing markets. In 2018, once again, we helped them grow in one of the most dynamic regions of the world, Asia.

At DKSH, our strength is not only our long-term commitment, but also our ability to anticipate market developments and adapt to new conditions. Entire industries currently undergo fundamental change. That is particularly true for consumer goods, a key area for DKSH. Therefore, the year 2018 was characterized by both continuity and change.

Part of this were personnel changes in the leadership of the company. The former long-term CEO and Chairman, Dr. Joerg Wolle, announced in October 2018 that he will not stand for re-election as member of the Board and Chairman.

Further, Theo Siegert, David Kamenetzky and Robert Peugeot will not stand for re-election to the Board of Directors. DKSH thanks these long-standing members of the Board for their valuable contributions over the past years. The proposal for the election of the members of the Board and of the Chairman will be published in the invitation to the Ordinary General Meeting.

To strengthen its position as a leading Market Expansion Services provider in Asia, DKSH made further adjustments in 2018. DKSH sold the Healthcare business in China and realized the value created over the years. With the divestment of the watch case manufacturer Queloz, DKSH continued restructuring its luxury goods business.

During 2018, DKSH announced acquisitions in growing and highly profitable business segments. With the takeover of the beverage business of Davies Foods, DKSH positions itself for additional growth in New Zealand. Moreover, DKSH signed an agreement to acquire Auric Pacific's distribution business in Singapore and Malaysia.

DKSH also continued to increase its footprint in Asia's fast-growing online channels. The digital team has been strengthened and now offers services for around 600 brands in nine countries across Asia. DKSH has further developed its capabilities in Indonesia to offer more services in South East Asia's most populous country.

These events characterized the course of our business in 2018. It was an intense year with much progress, but also some challenges.

In 2018, net sales increased by 3.1% to CHF 11.3 billion. Exchange rates had a positive impact of 2.0% and acquisitions contributed 0.5%. Divestments and a changed service offering with some clients in China in Business Unit Healthcare reduced net sales by 3.0%. Consequently, organic growth was 3.6%. DKSH generated strong growth in Vietnam, Laos, Cambodia and Myanmar.

Operating profit (EBIT) of DKSH Group was CHF 263.6 million with one-time effects of CHF 12.6 million in Business Unit Consumer Goods and CHF 8.1 million in Business Unit Healthcare reducing the result. Without these effects, EBIT was CHF 284.3 million.

Business Units Healthcare, Performance Materials and Technology reported an improved operating profit compared to last year. The EBIT decline in Business Unit Consumer Goods, however, could not be compensated. As a result of a weaker operating performance, DKSH initiated restructuring measures and expects an improved result for Business Unit Consumer Goods in 2019.

The divestment of the Healthcare business in China resulted in a gain on sale of CHF 75.2 million. Profit after tax grew substantially by 22.0% amounting to CHF 260.3 million. Excluding the gain from China (CHF 75.2 million) and the one-time effects in Business Units Consumer Goods and Healthcare (CHF 20.7 million), profit after tax of CHF 204.8 million was around last year's level. The Free Cash Flow of CHF 140.6 million was slightly above last year.

In line with the progressive dividend policy – pursued for many years – the Board of Directors proposes an ordinary dividend of CHF 1.85 per share to the Ordinary General Meeting (AGM) on March 21, 2019. The ordinary dividend would thereby be CHF 0.20 or 12.1% higher than last year. Payment date for the dividend, if approved by the AGM, is set to start on March 27, 2019 (record date: March 26, 2019; ex-dividend date: March 25, 2019).

DKSH remains optimistic for Asia's long-term outlook and expects a higher operating result in 2019 – with a strong performance in the second half of the year.

We would like to thank our business partners, employees and shareholders for their continued commitment and trust.

Sincerely yours,

Dr. Joerg Wolle
Chairman

Stefan P. Butz
CEO

Key figures

Consolidated income statement

in CHF millions	2018	2017	Change in %	At CER[1] Change in %
Net sales	11,344.6	11,006.4	3.1	1.1
Operating profit (EBIT) [2]	263.6	297.0	(11.2)	(12.9)
Profit after tax [3]	260.3	213.3	22.0	19.1

Consolidated statement of financial position

in CHF millions	December 31, 2018	December 31, 2017
Total assets	4,895.4	4,645.0
Equity attributable to the shareholders of the Group	1,710.4	1,576.4
Net operating capital (NOC)	1,236.3	1,234.1
Net cash	473.8	344.2
Return on net operating capital (RONOC) (in %)	21.3	25.0
Return on equity (ROE) (in %)	14.9	13.1

Earnings per share

in CHF	2018	2017
Basic earnings per share	3.92	3.18
Diluted earnings per share	3.92	3.18

Other

	December 31, 2018	December 31, 2017
Specialists	32,996	31,973

[1] Constant exchange rates (CER): 2018 figures converted at 2017 exchange rates
[2] Including one-time effects in Business Units Consumer Goods (CHF 12.6 million) and Healthcare (CHF 8.1 million)
[3] Including gain on sale of Healthcare Business in China (CHF 75.2 million)

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