Diethelm Keller Holding Ltd

Europe Asia Americas
Americas Asia Europe

2 0 0 7

2007: STRENGTHENING THE FOUNDATIONS


FAN TREE
DIETHELM & Cie
SAIGON - HAIPHONG

Fan tree*

The fan tree (ravenala madagascariensis), also known as the traveller palm, is the symbol of the Diethelm Keller Group. The fan tree is not only beautiful; it is strong, sturdy and enjoys long life. It bends with the wind but does not yield. The branches and leaves form a circle, thus embracing all the activities of the Diethelm Keller Group. The red color reflects the Swiss heritage, and the fan tree stands for the Group's Asian roots.

The Diethelm Keller Group

- is an internationally active Swiss holding company of long standing, principally owned by fourth generation descendants of the founders;
- has been fulfilling a bridge-building role in the exchange of products and services between Asia and Europe for over 140 years and today also operates own companies in Europe, as well as in the Americas;
- employs 25,795 people in four operating units in 40 countries. In 2007 it generated a consolidated transaction value of CHF 10,710 million and consolidated net revenues under International Financial Reporting Standards (IFRS) of CHF 7,147 million.

* The fan tree on the left page was registered as a trademark in Saigon by Diethelm & Co. Ltd. in the late 19th century. Today, the modern version of the fan tree is the official logo of the Diethelm Keller Group.

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Photography concept

The Diethelm Keller Group fulfills a bridge-building role in the exchange of goods and services between Asia, Europe and the Americas. In over 140 years of business activity, extensive networks have been built with people from the most diverse cultural backgrounds. The images in this publication pay tribute to partnerships that have evolved through the generations.

Commissioned by Diethelm Keller Holding Ltd., the photographs in this Annual Report were taken by Anja Tanner. Born in 1981 in Saanen and living in Bern (Switzerland), Anja Tanner studied landscape photography at the Schule Fotografie am Schiffbauerdamm in Berlin (Germany). In 2004, she graduated from the Ecole d'Arts Appliqués Vevey (Switzerland).

2007: Strengthening the foundations

Dear shareholders
Dear business partners, staff members and friends

The favorable global business conditions prevailing in 2006 continued during 2007. In summer 2007, rumors of upcoming valuation problems in the USA home mortgage industry did not yet affect the real economy. Only later, experts deemed a recession possible in the USA. Their fears took hold. 2007 ended and 2008 began with a substantial reappraisal of the financial industry's assets and with a declining value of the US dollar, coupled with a global weakening of stock prices in most market segments. It is too early to judge the consequences for the world economy, but careful monitoring remains essential in times marked by instability.

In 2007, the Diethelm Keller Group strengthened its position in the various markets, especially in the Asian environment and in the area of its branded products, and concluded the year with satisfying results.

DKSH, maintaining its longstanding pattern of double digit growth in sales and profits, recorded another year of great achievements. Negotiations with two well known investors were successfully concluded. The signing and closing of the contracts in early 2008 was followed by an increase of DKSH's share capital. These funds were partly used in the context of the acquisition of the marketing, distribution and trading businesses of the Swiss company Desco von Schulthess. By acquiring Desco's worldwide speciality raw materials business and the luxury products activities in the Asia-Pacific region, DKSH reinforces its position as the leading market expansion services group in Asia.

Diethelm Keller Brands successfully regrouped the household products portfolio (Zyliss, Turmix, Koenig) including the acquired brands of William Levene (Cole & Mason, Culinare, Ken Hom and Jamie Oliver Flavour Shaker™), resulting in sales exceeding expectations in most markets. Wetrok was strengthened by the acquisition of the Minatol company, a renowned manufacturer and marketer of cleaning products in Switzerland. EDAK performed well in Switzerland and the USA. Diethelm Keller Aviation established a production site in China and achieved again satisfying results. Diethelm Keller Furniture and Delta Creative faced a challenging environment and performed as expected. Gloster Furniture successfully improved its products' quality and design.

Diethelm Travel was faced with temporary political turmoil in Thailand, which reduced the number of tourists. Nevertheless all destinations contributed to the satisfying result of 2007. In April, Diethelm Travel celebrated its 50th anniversary with a memorable event in Bangkok attended by customers, suppliers, employees and friends alike. During the past 50 years Diethelm Travel has been promoting tourism with dedication and enthusiasm, initially only to Thailand and expanding gradually to other Asian destinations, with last year's entry into India marking the latest step. The year culminated with Diethelm Travel winning the award for 'Asia's Leading Tour Operator' for a second time in a row.

STA Travel continued its reorganization process. These efforts led to efficiencies and cost reductions. As the technology platform rollout continued, the new point of sales system became operational in the UK, in Australia, in New Zealand and in the USA, while Europe will follow in 2008. New partnerships with airlines operating out of the Middle East improved STA Travel's market position on the very important Australia-Europe route.

Throughout the year, the Board of Directors closely monitored the attainment of its most important long-term goals of ensuring sustainability and maintaining the risk balance within the Group. The introduction of the Internal Control System (ICS) newly mandated by Swiss corporate law supports the supervision. ICS is the responsibility of the operational management. The newly introduced internal audit function further strengthens the risk monitoring of the Group.

2008 started well for the Group. However, the continuing economic instability is starting to impact growth in certain business segments.

The achievements of 2007 and the promising start into 2008 are the result of strong leadership in the operating units, as well as the loyalty, dedication and hard work of the entire staff of the Group. The Board of Directors extends its thanks, gratitude and appreciation to all staff members as well as to the business partners, friends and supporters of the Diethelm Keller Group.

Andreas W. Keller
Chairman

Diethelm Keller Group: Key figures*

(Financial figures in CHF million)

	2007	2006	+/– %
Consolidated transaction value	10,710	10,095	+6
Consolidated sales under IFRS	7,147	6,502	+10
Employees at year end	25,795	25,346	+2

Locations

Headquarters: Zurich (Switzerland)

International presence: companies and branch offices in 40 countries as well as representatives, franchisees and licensees in 50 further countries.

* Pursuant to International Financial Reporting Standards (IFRS), significant parts of our activities are not classified as revenues. For example, while STA Travel sold tickets and other services to over 2.5 million passengers representing more than 6 million customer transactions and generated a transaction value with airlines and other partners of over CHF 1.4 billion, according to IFRS, only the commissions earned on these transactions are recognized as Diethelm Keller revenues.

Professional standards as guiding principle

Diethelm Keller Holding Ltd. is a privately held company, principally owned by fourth generation descendants of the founders. The four major owners form the Executive Committee of the Board of Directors of the Holding Company.

The Diethelm Keller Group is committed to the principles of good Corporate Governance, has a professionally organized Board and applies group-wide International Financial Reporting Standards (IFRS).

Diethelm Keller Holding Ltd.
Board of Directors

Andreas W. Keller, Chairman*
Dr. Jean-Pierre Blancpain, Vice Chairman*
Adrian T. Keller, Vice Chairman */**
Jean-Daniel de Schaller*
Walter Ehrbar**
Rudolf Schiess
Dr. Joerg W. Wolle

* Member of the Executive Committee
** Member of the Audit Committee

Corporate Office

Dr. Markus Braun, Head of Corporate Office
Joe Piaz, Chief Financial Officer

Auditors

PricewaterhouseCoopers Ltd., Zurich

Organization Diethelm Keller Group

Diethelm Keller Holding Ltd.

Executive Committee of the Board of Directors

Andreas W. Keller
Jean-Pierre Blancpain
Adrian T. Keller
Jean-Daniel de Schaller

Corporate Office

Markus Braun
Joe Piaz

DKSH Holding Ltd.	Diethelm Keller Brands Ltd.	Diethelm Travel Asia Ltd.	STA Travel (Holdings) Pte Ltd.
Ownership 73%[1]	Ownership 100%	Ownership 100%	Ownership 100%
Joerg W. Wolle	Josef von Arx	John Watson	Peter Liney
Gonpo Tsering	Joe Piaz	Richard Brouwer	Jill Robinson
Stuart Davy	Michel Bösiger	David Gostling	Penny Illston

[1] As per Swiss Code of Obligations at year end 2007; 65% after DKSH's share capital increase in April 2008. Diethelm Keller Holding did not participate in this capital increase in order to allow the new shareholders to reach the agreed minority participation in DKSH.

Values and success factors

Our values

Diethelm Keller Holding is a privately held enterprise in the tradition of European family companies. The principal owners are fourth generation descendants of the founders and have a long-term commitment to the business. We are proud of the long-standing reputation of our company, which is based on the following principal values:

Respect

We conduct our business with responsibility and respect toward people, cultures, countries and the environment. We respect national customs, regulations and laws.

Fairness

We are proud of the good reputation the names Diethelm and Keller have enjoyed for generations, standing for credibility, stability and fairness.

Integrity

We are committed to the highest standards of ethics and integrity throughout our company. It is a key requirement for employees to succeed in our organization.

Sustainability

We own our various businesses for the long term. Each entity is responsible for its financial soundness and is allowed to retain sufficient profits to enable a long-term growth strategy.

Our success factors

Diethelm Keller Holding operates as a portfolio holding company. The long-term strategy and the balance of risk exposure are determined by the core shareholders to safeguard the long-term viability of our company. The responsibility and the authority to operate our various businesses are delegated to the operating units, which enjoy a high degree of entrepreneurial freedom. The following are the key factors for our success:

Operating autonomy

Our operating units can rely on a high degree of entrepreneurial and financial autonomy in the implementation of their long-term strategies.

Commitment to customers

We are fully committed to the products and services we provide and distribute. With our know-how, reliability and efficiency, we make sure that our customers' interests are served optimally.

Learning culture

We foster an active, professional exchange of know-how among our employees by providing an open environment for our multicultural, multilingual and geographically diverse staff.

Long-term financial orientation

With the vision to remain private, we pursue a long-term strategy of sustainable growth. Adequate profits combined with a conservative dividend policy ensure a successful long-term future.

Milestones in our history

In the late 1860s, two young Swiss pioneers, Wilhelm Heinrich Diethelm and Edward Anton Keller, ventured to the Far East. Diethelm settled down in Singapore and Keller chose the Philippines as his new home.


Wilhelm Heinrich Diethelm


Edward Anton Keller

In 1887, Edward Anton Keller acquired his employer's company, Lutz & Co., Manila, and Wilhelm Heinrich Diethelm obtained the majority of shares of his employer, Hooglandt & Co., Singapore. The dedication to their companies and their in-depth knowledge of their markets and customers brought about the respect and trust of local business communities, which was essential for the development of strong ties with international business partners.

Diversification, together with a policy of reinvesting profits, provided the basis for continuous growth. Diethelm & Co. Ltd. and Edward Keller Ltd. had the foresight to tap the potential of their extensive networks throughout Asia, Europe and the Americas and combine them with their core competencies.

Although cooperation between the two families and their companies dates back to the beginning of the 20th century, the establishment of the Diethelm Keller Group did not take place until 100 years later, i.e. in July 2000.

After World War II, Diethelm & Co. Ltd. and Edward Keller Ltd. began to expand their presence in Europe to reinforce their strong position in Asia. In the course of the years, they built up a portfolio of brands. These companies are integrated under the umbrella of Diethelm Keller Brands.

In the postwar years, Diethelm & Co. Ltd. also began to offer travel services in Southeast Asia. In 2001, Diethelm Travel was established to encompass all travel activities in Southeast Asia and is currently one of the leading travel companies in the region.

In 1979, STA Travel was acquired. Established in the early 1970s, STA Travel is the world's largest travel organization for students and young people. STA Travel is present in over 70 countries.

DKSH Holding Ltd. was formed in June 2002 through the merger of Diethelm Keller Services Asia Ltd. with SiberHegner Holding Ltd. SiberHegner's roots date back to 1865 when Hermann Siber, another Swiss entrepreneur of pioneering character, founded his own trading company in Yokohama. Today, DKSH is the leading market expansion services group with focus on Asia. DKSH offers sourcing, marketing, sales, distribution and after-sales services and provides its partners with sound expertise and on-the-ground logistics based on a comprehensive network of unique size and depth established over its long corporate history.

Operating units

DKSH

DKSH is the No. 1 market expansion services group with focus on Asia. It enables and supports companies in expanding their business in existing markets and launching into new ones. DKSH offers sourcing, marketing, sales, distribution and after-sales services. All business activities are managed through four highly specialized business units. 22,098 employees in 35 countries. CEO: Dr. Joerg W. Wolle.

Business units

Consumer Goods
Biggest market expansion services provider in Southeast Asia. High volume supply chain specialist and brand-builder, focusing on fast-moving consumer goods, luxury & lifestyle products and food services & hotel supplies. Over 12,500 employees in 350 locations in 18 countries.

Healthcare
Leading partner for healthcare companies seeking to grow their business in Asia. Providing product registration, marketing, sales, distribution and toll manufacturing for the pharmaceutical and healthcare industry. Over 7,100 employees operating out of 127 offices in 12 countries.

Performance Materials
Globally linked supplier of integrated service solutions and materials for the chemical, pharmaceutical, animal care, food and beverage and personal care industries. Over 1,100 employees in 40 offices in 24 countries.

Technology
Leading supplier of machinery and laboratory equipment in Asia, providing market entrance consulting, marketing, sales, after-sales services, sourcing and application engineering. Over 1,100 employees with 69 offices in 19 countries.

Diethelm Keller Brands

Diethelm Keller Brands Ltd. (DKB) owns a portfolio of proprietary brand companies with 14 brands aligned in three divisions. DKB is headquartered in Zurich, with 1,052 employees in ten companies and its nine subsidiaries across ten countries as well as agents and distributors in more than 60 countries. CEO: Josef von Arx.

Divisions

Cleaning Systems Division

The Cleaning Systems Division includes an internationally active solution provider to the cleaning industry and owns two brands. 240 employees.

Household Division

The Household Division unifies five companies and nine brands with innovative products in the areas of household and kitchen, creative leisure activities, outdoor furniture and distribution of Nespresso coffee machines and consumer electronic brands grouped into Audio, Vision and High End.
312 employees (excl. Gloster).

Industrial Division

The Industrial Division encompasses four companies which manufacture top-quality aluminium products.
478 employees.

Diethelm Keller Aviation

Diethelm Keller Engineering

Diethelm Travel

With a history of five decades, Diethelm Travel has evolved to become a leading destination management company.
Diethelm Travel services tour operators worldwide from over 80 countries.
662 employees in nine countries.
CEO: John Watson.

Diethelm Travel locations

Diethelm Travel offers professional inbound travel services in nine countries and is active in the convention and conference business.

Bhutan
Cambodia
China
India
Laos
Malaysia
Myanmar
Thailand
Vietnam

STA Travel

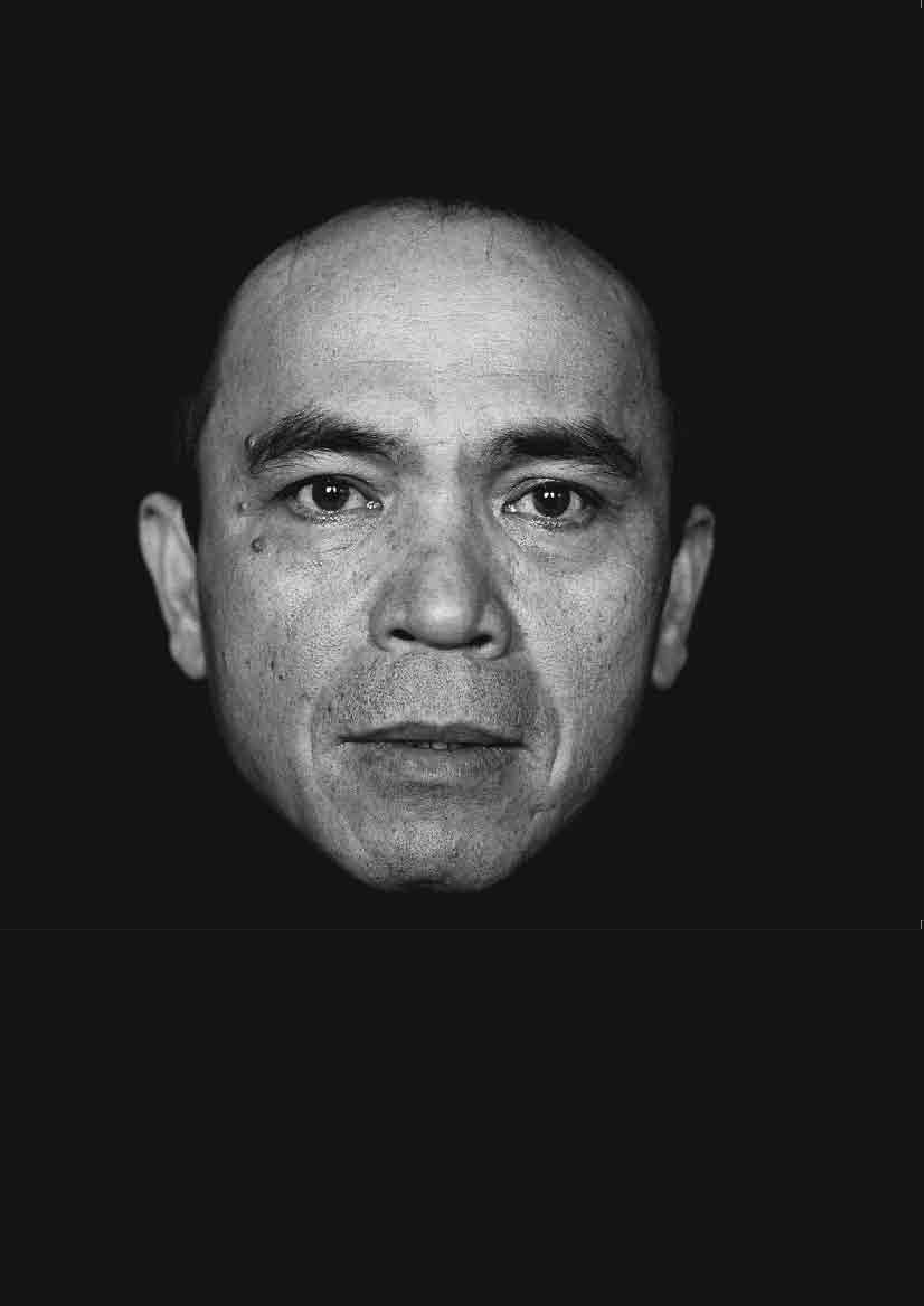
STA Travel was established in Australia and the UK and subsequently acquired by Diethelm Keller Group.
Today it is the world's largest student and youth travel company, with 1,965 employees in 14 countries, as well as franchising and licensing partners in a further 64 countries.
CEO: Peter Liney.

STA Travel locations

STA Travel sells its products and services to young people with a love for adventure. STA Travel covers individual journeys, group tours, language holidays as well as 'work and travel programs.'
STA Travel uses a network of 330 signature travel agencies in:

Australia
Austria
Denmark
Germany
Japan
Malaysia
New Zealand
Singapore
South Africa
Sweden
Switzerland
Thailand
United Kingdom
USA

This overview reflects the status as of May 2008.
The number of employees excludes Gloster (50% ownership) and refers to December 31, 2007.



Asia's leading market expansion services company

2007 was a milestone year for DKSH. For the sixth consecutive year DKSH realized double digit growth in revenue and profitability. The company strengthened its foundations for future growth with strategic acquisitions, by winning new investors, by increasing the share capital and by adapting its business structure.

DKSH: Key figures

(Financial figures in CHF million)

	2007	2006	+/– %
Transaction value	8,755	8,122	+8
Net sales	6,465	5,859	+10
Assets	2,634	2,499	+5
Employees at year end	22,098	21,551	+3

Management Committee

Dr. Joerg W. Wolle, President & CEO
Gonpo Tsering, Senior Executive Vice President Operations & Business Support
Stuart Davy, Executive Vice President, Chief Financial Officer

Locations

Headquarters: Zurich
455 offices in 35 countries

Heads of business units

Consumer Goods: Niels J. Holm, Somboon Prasitjutrakul, Dr. Marcel Braun
Healthcare: Charles Toomey
Performance Materials: Eric Baden
Technology: Luke Mitchell

Board of Directors

Adrian T. Keller, Chairman
Christophe R. Gautier*/**, Vice Chairman [1]
Dr. Jean-Pierre Blancpain
Jean-Daniel de Schaller**
Rainer-Marc Frey * [2]
Andreas W. Keller**
Dr. Rolf A. Meyer*
Beat Naef [1]
Robert Peugeot [2]
Dr. Theo Siegert*
Dr. Joerg W. Wolle

* Member of Audit & Finance Committee
** Member of Nomination & Compensation Committee
[1] Member of the Board until February 2008
[2] Member of the Board as of February 2008

Profile

DKSH is the leading market expansion services company with focus on Asia. DKSH helps other companies and brands to grow their business in new or existing markets. With 455 business locations in 35 countries – 15 of them in Europe and the Americas – and more than 22,000 specialized staff it is one of the top 20 Swiss companies ranked by sales and employees.

The company offers any combination of sourcing, marketing, sales, distribution and after-sales services. It provides business partners with expertise as well as on-the-ground logistics based on a comprehensive network of unique size and depth. Business activities are organized into four specialized business units that mirror DKSH fields of expertise: Consumer Goods, Healthcare, Performance Materials and Technology. DKSH, with headquarters in Zurich, is deeply rooted in communities all across Asia Pacific. This is because the company looks back on a more than 140 year long tradition of doing business in and with the region.

Laying the foundations for future success

2007 turned out to be another successful year for DKSH. Net sales increased by 10.3 %, and 550 new jobs were created. Since 2002 DKSH has created 9,100 new jobs, growing the employment base by 51%, while turnover increased by 87%. During the same period DKSH reinvented its business model and developed into the leading market expansion services company with focus on Asia. 2007 was also a milestone year, because it saw the start of a new branding strategy, inhouse reengineering projects, development of new processes and several strategic acquisitions.

Recognizing that the future of the company requires combining internal growth with strategic acquisitions to expand its own markets, DKSH started an active search for new investors supportive of the strategy of expansion and accelerated growth. In early 2008, new investors – Swiss financial entrepreneur Rainer-Marc Frey and FFP, the French holding company of the Peugeot family – acquired substantial minority stakes from existing shareholders. Both investors were instrumental in subsequently broadening the equity base by way of a capital increase in April 2008. Robert Peugeot and Rainer-Marc Frey joined the Board of Directors.

To further extend the lead as the No. 1 market expansion services company DKSH redefined and streamlined its visual appearance by gradually introducing a consistent corporate design throughout the company. Besides, DKSH remodeled its organizational structures for future growth. Responsibilities within the Executive Board were redefined and specialist functions such as Treasury, Taxation, Logistics and Corporate Governance were set up. While the operational management structure which is spread across Asia remains unchanged, this decision is one more step in creating a 'virtual management team' structure that clearly defines areas of responsibility. The Center of Competence for Shared Services (CSSC) recently built in Kuala Lumpur serves the same purpose. In 2007, the SAP-based Global Enterprise Resource Planning (ERP) template aimed at harmonizing business processes, successfully went live in various countries.

In a strategic move with respect to the future growth potential of the entire company, DKSH acquired in full Desco Rohstoffe Holding and Desco Asia Pacific Holding. Coming into effect in 2008, this acquisition adds considerably to the activities of the Consumer Goods and Performance Materials business units. In another important deal DKSH acquired Texchem Consumers Sdn. Berhad, the largest competitor in the Malaysian market, making DKSH Consumer Goods by far the biggest market expansion entity in the Southeast Asian market.

The largest business unit, Consumer Goods, in 2007 recorded another year of exceptional growth. As the clear industry leader commanding 30–70% in market shares in respective countries, it grew net sales by 14.1%. DKSH is still the only market expansion services company with blanket coverage in Asia for fast moving consumer goods. The business unit opened a new distribution center for the Hong Kong market as well as in Korea that serves as a model in size and state of the art operation. Consumer Goods' Luxury & Lifestyle segment will strongly benefit from the Desco deal, increasing the network and distribution portfolio in the luxury watch segment by 30%. DKSH, the sole franchisee and distributor of Levi® Strauss products in Thailand, opened the first megastore for the brand in Bangkok. Also, with Dockers® San Francisco a new brand was added to the Thailand Levi® Strauss portfolio.

With the rollout of the new SAP System the business unit Healthcare proactively adressed the growing demand for quality information. 2007 was a challenging year. After the reassessment of the strategy, Healthcare grew sales by 6.1%. With the new state of the art distribution centers in Thailand and Vietnam operational, the year 2007 may be put down as one laying the groundwork for future success.

The business unit Performance Materials changed the name from Specialty Raw Materials and redesigned the entire unit structure by moving from country-based operations to a structure along highly specialized business lines. This change, in combination with a stronger regionalization and more effective global sourcing schemes, led to an increase of net sales of 15.2%. The business unit established a Sourcing Center in Zurich and a Supply Chain Competence Center for Europe in Hamburg.

With a decisive entry into new technologies in fields such as renewable energy, recycling and measurement research, the business unit Technology generated healthy profits. The Thailand joint venture with long-term partner Cummins prospered far beyond expectations. DKSH Technology posted a record year with a net sales increase of 7.0%.

Market expansion services means offering a variety of services, capabilities and expertise in an entrepreneurial spirit. The balance between entrepreneurial freedom in the operational business and the focus provided by a strong Corporate Center is the key to success. DKSH's business unit structure brings experts of DKSH together with experts of business partners. Yet, expertise of the highest level for the good of business partners also requires to remain focussed within the respective business units.

Outlook

There are predictable challenges ahead in 2008, such as currency fluctuations, rising inflation in China and an US economic slowdown. During 2007, DKSH has invested heavily in its own infrastructure and its business foundations, thereby strengthening the potential to creating as well as taking advantage of growth opportunities coming along. This and the fact that 2008 has started well for DKSH's business justifies, despite some clouds on the economic horizon, a somewhat optimistic glimpse into the future which has considerably brightened up for DKSH as the leading market expansion services company with focus on Asia.

DKSH business units

Consumer Goods: Providing high quality market expansion services

The business unit Consumer Goods, Asia's leading marketing and high volume supply chain specialist, is focused on fast moving consumer goods, luxury & lifestyle and food services & hotel supplies. Consumer Goods is reputed for its high quality market expansion services and brand building. It provides a complete service package, from product feasibility studies and registration to importation, customs clearance, warehousing and sales, marketing and merchandising to physical distribution, invoicing, money collection and after-sales services. Consumer Goods employs over 12,500 specialists in 350 locations in 18 countries and services over 300,000 retail outlets.

In 2007, DKSH Consumer Goods increased net sales by 14.1% over 2006. By acquiring Texchem Consumers Sdn. Berhad, a subsidiary of Texchem Resources Berhad and the largest competitor in the Malaysian market, the business unit added many new brands to the portfolio. In Korea the main distribution center was successfully relocated. In Thailand, Consumer Goods entered into two new businesses: hair care and sports equipment. In Greater China (i.e. China, Hong Kong and Taiwan) remarkable sales growth was achieved, and a distribution center in South China was set up to supply Hong Kong.

The segment Luxury & Lifestyle focused on consolidating its strong footprint across the three key regions Greater China, South East Asia and Japan. 2007 saw the opening of the first Harry Winston boutique in Shanghai. From early 2008 on, the takeover of the Desco Asia Pacific Holding yielded distribution rights in Asia for Desco's own watch brand Maurice Lacroix, as well as distribution rights for watch brands like Breitling, Parmigiani Fleurier, Arnold & Son and Graham. It enables the Luxury & Lifestyle segment to cover more countries and strengthen its presence in the Chinese market. At the beginning of 2008, Luxury & Lifestyle opened the first exclusive Bally boutique in Bangkok. In 2007, the first Graf von Faber-Castell flagship store started in Tokyo, and a big shop-in-shop opened in Taipeh. The Premium Household Goods business line showed excellent results in 2007, and powered by brands such as J.A. Henckels, Zyliss and William Levene it became the leading distributor of high-quality household goods in Korea and Australia.

In 2008, another year of strong growth is projected. The key focus is to grow by acquiring new clients and by further developing staff, and to cooperate even closer with clients.

Healthcare: Leading partner for market expansion

The business unit Healthcare is the leading partner for healthcare companies seeking to grow their business in Asia. More than 7,100 healthcare experts, operating out of 127 offices across 12 countries and covering the entire pharmaceutical, consumer health and medical supplies industries, provide product registration, marketing, sales, physical distribution and also toll manufacturing. Working closely with local regulatory authorities, Healthcare also manages all licensing processes. With the largest marketing and sales organization in Asia the business unit is servicing more than 120,000 medical and consumer health customers, delivering to hospitals, clinics, pharmacies, doctors and drugstore outlets across the region, representing hundreds of healthcare companies. Complementing the vast network is DKSH's own Swiss based pharmaceutical research and development company Medinova Ltd. which facilitates inlicensing of pharmaceutical products.

In 2007, Healthcare's performance improved in almost all countries, with Thailand, Vietnam, Hong Kong and Switzerland showing particularly strong results. Despite many challenges the business unit increased its market share in the target segments pharmaceutical industry, consumer health and medical supplies. The increase of net sales by 6.1% over 2006 reflects a successful year. In 2007, major new contracts were won across the region. Business with generics companies came into focus alongside with building up the inlicensing business in Medinova, making full use of DKSH synergies by using the common logistics system shared by Healthcare and the business unit Consumer Goods. Anticipating the growing complexity of future markets the rollout of the new SAP system was completed. The business unit now operates on a common IT platform in all countries. Healthcare moved into new distribution centers in Thailand, and a second one in Vietnam opened in January 2008.

In 2008, the key focus is to encourage more companies to use the services of Healthcare. Having laid a lot of groundwork in 2007, further growth is expected in all countries.

Performance Materials: Access to global sources

The business unit Performance Materials (formerly Specialty Raw Materials) is the world's only provider of market expansion services for the specialty chemicals and ingredients sector active in all major economic zones. The name change documents the competence as a development partner and innovative solutions provider and embodies the commitment to industry expertise and diversity of service. With its five business lines, Performance Materials is a globally linked supplier of materials needed by the chemical, pharmaceutical, animal care, food and beverage and personal care industries. The business unit is subdivided into five regional operations in order to serve suppliers and customers at their places of business. Performance Materials is operating out of 40 offices in 25 countries, serving more than 24,000 customers. Over 1,100 specialists provide expertise in sourcing, R&D, quality assurance, marketing, sales, distribution, toll manufacturing brokerage and project management. Performance Materials offers unique access to products sourced with highest diligence.

In 2007, Performance Materials grew net sales by 15.2 %. The Specialty Chemicals business line achieved strong growth. The business lines Animal Care, Personal Care and Specialty Chemicals improved their results compared to 2006, participating in the strong growth in the region. The business unit entered the emerging markets of Brazil and Indonesia. It switched to a regional business line organization enabling better focus on customer needs and making optimum use of cross-business unit synergies. As a consequence several large new clients were won, among them two major US players. Significant new business came from DKSH's Japanese operation Nihon SiberHegner (NSH) buying into RAS Superfries, a gourmet food producer, which shifted its entire sourcing and import business to NSH, thereby providing access to RAS' well established sales network for introducing new products and promoting own product groups. As a major expansion the acquisition of Desco Rohstoffe Holding added an entirely new range of products and sales.

In 2008, with the new regional business line organization the business unit is a stronger partner and provider of performance materials from reliable suppliers. Its global network and synergies produced by it are the key to sustainable growth. Gearing growth toward the ability to serve clients better will strengthen the capability of Performance Materials as a market expansion services specialist.

Technology: Competitive advantages for partners

The business unit Technology is the leading supplier of machinery and laboratory equipment in Asia, providing products and services in manufacturing, construction, transport, energy and power generation, instrumentation, printing, processing and packaging, recycling and hospitality industry. With a customer base of over 5,000 companies, more than 1,100 specialists with 69 offices in 20 countries also cover product planning, marketing, sales, after-sales services and training for these industries. Being part of DKSH enables the business unit to leverage operations in different industries and to come up with cross-industry solutions that offer competitive advantages to business partners.

2007 was a successful year for DKSH Technology which achieved record growth and an increase of net sales of 7.0% over 2006. The business unit repositioned the China hospitality business and the Philippine operation and withdrew from the Indonesia operations. The entry into renewable energies proved to be a success, as the business line Renewable Energy & Electronics was a major contributor to growth. The success also shows the company's capability to sell solutions in Asia as well as in Europe. In 2007, 30 new suppliers were added to meet the demand for new and innovative products.

The markets of China, Switzerland, Vietnam, Australia and Korea were the key contributors to the excellent figures in 2007. China's strong result was in part due to the success of the Trumpf SiberHegner joint venture. The joint venture with Cummins in Thailand showed results exceeding expectations. Further cross-border activities involved Thai collaboration with Cambodia, Laos and Myanmar in projects of energy and power generation, transport, construction and mining. The Vietnamese market repeated last year's strong show. For the Korean operation the collaboration with a leading supplier of photovoltaics based in Germany proved a major success. The two companies stepped up their collaboration in distributing and promoting advanced solar cell manufacturing. Production lines were installed in Taiwan, Korea, France and Spain. The North American operation saw business picking up as a result of the newly opened sourcing office.

In 2008, the strategy is to continue to move toward a product portfolio less prone to economic fluctuations and with bigger potential for future growth, such as renewable energy, recycling and the environment. Investing in emerging markets like Vietnam, Myanmar, Laos and Cambodia as well as gaining a stronger foothold in India are priorities.

Passion for brands

In 2007, Diethelm Keller Brands (DKB) made remarkable progress in all its businesses. Total sales grew by 11%, while the operating profit increased overproportionally. This progress is the result of consistent strategy implementation, focus on efficiency, brand development and innovation. The successful integration of William Levene's brands had a marked impact on the household appliances business. As of January 1, 2008, DKB expanded the Cleaning Systems business by the acquisition of Minatol Ltd., a well established Swiss family enterprise.

Diethelm Keller Brands: Key figures

(Financial figures in CHF million)

	2007	2006	+/– %
Revenues	363	326	+11
Employees at year end	1,052	1,063	–1

Management Committee

Josef von Arx, Chief Executive Officer
Joe Piaz, Chief Financial Officer
Michel Bösiger, Head of Human Resources

Managing Directors

Sanjay Choudhuri, DKB Household USA Corp., Irvine (USA)
Nick Cornwell, DKB Household UK Ltd., Farnborough (UK)
Ronald Fehlmann, Wetrok Ltd., Kloten (Switzerland)
Bill George, Delta Creative Inc., Whittier (USA)
Alexander Howden, DKB Household Switzerland Ltd., Zurich (Switzerland)
David Lim, Diethelm Furniture Pte Ltd., Singapore
Anders Norgaard, Gloster Furniture Ltd., Bristol (UK)
Chia Chee Seng, Diethelm Keller Aviation Pte Ltd., Singapore
Peter Wyss, EDAK Ltd., Dachsen (Switzerland)

Locations

Headquarters: Zurich (Switzerland)
10 companies and 9 subsidiaries in Austria, China, Germany, Malaysia, Singapore, Sweden, Switzerland, United Kingdom and USA

Board of Directors

Andreas W. Keller, Chairman
Dr. Jean-Pierre Blancpain, Vice Chairman
Adrian T. Keller
Jean-Daniel de Schaller

Profile

Diethelm Keller Brands Ltd (DKB) holds a portfolio of proprietary brand companies, aligned in three divisions. The Household division unifies brand companies in the areas of household, crafts, home décor and garden. The Industrial division encompasses four companies which primarily manufacture aluminium products; the Cleaning Systems division includes an internationally active solution provider and a strong Swiss company.

2007: Impressive progress across all business divisions

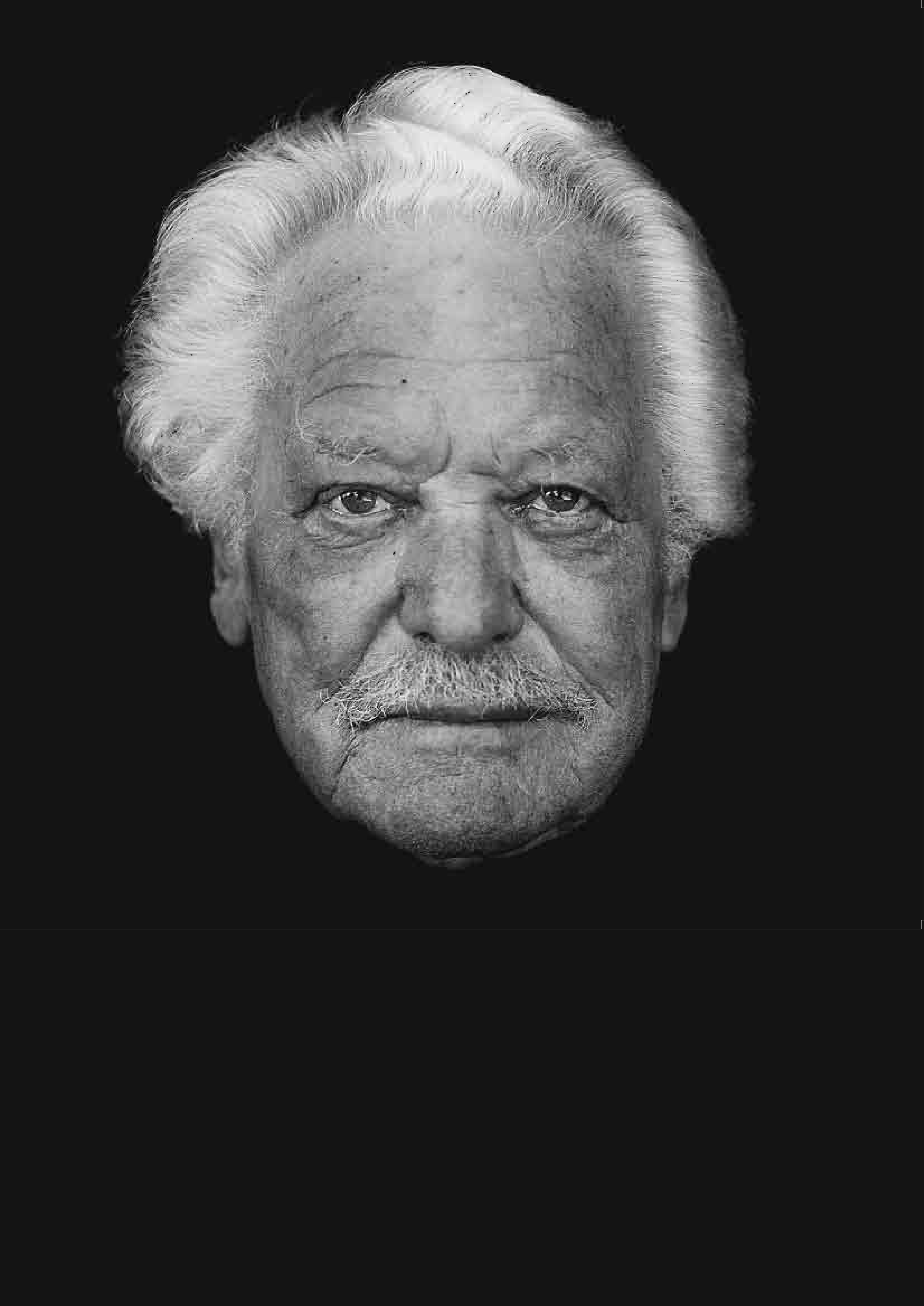
In the Household division, major attention was paid to the integration of William Levene's strong and internationally well established brands, such as Culinare, Cole & Mason, Jamie Oliver Flavour Shaker™ and Ken Hom. By forming three operating companies – DKB Household Switzerland with its subsidiaries in Austria and Germany, DKB Household UK and DKB Household USA –, the structure of the division was adapted to support the international marketing efforts. Furthermore, a new global business unit operating out of the UK was created to manage all of the manual household appliances brands worldwide. The three business entities showed strong growth. Delta's year was marked by reorientation, as innovative products for 'Kids Craft' and 'Kids Cosmetic' made up for the decreasing sales of acrylic paint. Manufacturing outsourcing improved flexibility and paved the way for the establishment of a sourcing office in China.

In the Industrial division, EDAK and Diethelm Keller Aviation (DKA) continued their successful development. DKA benefited from the growth in the aviation business and increased capacity with its new production facility in China. EDAK founded an independent subsidiary in the US, thus providing the prerequisites for continued growth in the attractive US market. The downsizing of Diethelm Keller Engineering (DKE) proceeded according to schedule. All projects, with the exception of warranty work, were finalized at the end of 2007.

In the Cleaning Systems division, Wetrok achieved growth for the first time in three years and nearly doubled its operating profit. Wetrok acquired the Swedish distributor Priwet AB. The acquisition of Minatol, a well established Swiss family enterprise and manufacturer and marketer of cleaning products, as of January 1, 2008, further strengthened its product portfolio.

Outlook: Growth through innovation

In 2008 DKB will continue to focus on growth through innovations. Increased customer orientation and investments in design and development will reinforce efforts to grow. The sourcing hub in China will be further developed to support the international growth of all DKB companies.



Diethelm Keller Brands' operating companies

DKB Household Switzerland With the newly acquired brands from William Levene, the company's business structure follows its product lines: electrical appliances, manual appliances and outdoor barbeque grills. Other strategic business fields are the distribution of Nespresso coffee machines, various brands of consumer electronics and Weber barbeque grills. Headquarters: Zurich, 117 employees.

To strengthen the Turmix and Koenig brands, over 35 new products were introduced into the electrical appliances business unit, and the Koenig 'professional@home' was successfully launched as a separate subbrand. The Nespresso business reached a peak and could not achieve the past growth. The introduction of the Jamie Oliver Flavour Shaker™ to the market was promoted through a commercial on Swiss TV. Weber terminated the distribution agreement by the end of 2007. In consequence a new assortment of gas, charcoal and electrical grills, as well as fire pits and a full range of accessories was created for Koenig.

DKB Household UK The company (formerly William Levene) designs and markets manual household appliances under its Cole & Mason, Ken Hom, Culinare and Jamie Oliver Flavour Shaker™ brands. Cole & Mason is a global leader in pepper and salt mills. Headquarters: Farnborough (UK), 109 employees.

The company had a successful year, reporting strong growth in its home market with its key brands, particularly Cole & Mason and Culinare. The new gourmet line of condiment mills, produced at the company's own manufacturing facility in the UK, was very well received internationally. In addition, the Culinare 'One Touch Can Opener' launched in July was a big hit in the home market. The integration of the UK company's brands with the Zyliss brand by the middle of 2007 led to the formation of a new business unit managing all of the manual household appliance brands worldwide.

DKB Household USA The company (formerly Zyliss USA) sells all Household products in the Americas and Australia and continues to be the center of development and innovation for the Zyliss brand worldwide. Headquarters: Irvine (California), 19 employees.

The company widened its sales base in the Americas, in spite of difficult economic conditions in the United States. The export markets of Canada and Brazil showed particular buoyancy, helping to deliver good operating profit. In the United States, growth continued in grocery accounts, while independent accounts remain an important source of sales, accounting for about 45 % of the total revenues. The Cole & Mason brand of salt and pepper mills was officially relaunched in the United States as a company-managed brand.

Delta Creative is a leader in the US arts and crafts industry with a new focus on expansion into youth products which allow for personalization and self-expression. Headquarters: City of Industry (California, USA), 67 employees.

In 2007, Delta opened a wholly owned subsidiary in Shenzhen, China, to facilitate its international growth. The new company DCI Creative Resources International Shenzhen Ltd. employs 14 people and serves as a support center for marketing and distribution world-wide. Sales efforts thus far resulted in adding four international trading partners from the list of top 100 retailers.

Gloster The Gloster brand is most frequently associated with outdoor furniture made of plantation teak. The company has diversified into alternative materials such as aluminium, sling, stainless steel and synthetic wicker. DKB holds 50 % of the share capital of Gloster, one of the most recognized brands in quality outdoor furniture with over 500 products and a worldwide distribution network. Headquarters: Bristol (UK), 1,079 employees.

2007 was a challenging year for the outdoor furniture industry. Nevertheless, Gloster maintained sales volumes and market share by focusing on the non-retail segment of the market, including spas, resorts, hotels, restaurants and cruise ships. In line with current trends in Europe, Gloster decided to increase its offering of stainless steel furniture by launching a unique range of dining furniture that combines stainless steel with laminated teak, ceramic, glass and plastic materials. In addition, two collections of modular teak lounging and two new ranges of woven furniture were launched. The capacity of Gloster's metal working factory in Surabaya is in the process of expansion. Investments were also made in equipment to increase the scratch and corrosion resistance of stainless steel. Gloster USA started the manufacturing of cushions at its new facility in Virginia, widening the base for future growth of its US business.

EDAK manufactures and distributes a wide range of aluminium and stainless steel products such as shock-proof transit cases for electronics, customized water- and dust-tight transport cases, ladders, waste baskets, coat racks and transport trolleys. Production facilities are located in Dachsen (Switzerland) and Melbourne (Florida, USA). Headquarters: Dachsen, 151 employees.

In 2007 sales of cases in the USA decreased by a third compared to the record year 2006. On the favorable side there was strong demand for air-conditioned transit cases. Other markets, especially Australia, Scandinavia and Switzerland, performed with outstanding sales volumes. For the other EDAK product ranges 2007 was a year of restructuring and reorganization. Yet the targets were reached, if not exceeded.

Diethelm Keller Aviation (DKA) is one of the world's leading manufacturers of airline food service equipment. DKA also provides design, engineering, certification and maintenance services. Headquarters: Singapore, 273 employees.

In 2007, production of carts grew at a sustained level of 20 % while sales improved by 16 %, reflecting a weak US dollar. The increase in volume was driven by gains in market share and demand created by delivery of new aircraft. A new production facility was commissioned in Suzhou, China. Major orders won last year included a two-year contract to reequip Air France with 50,000 sets of new lightweight concept carts for its existing fleet of aircraft. These concept carts will be made in Suzhou, following DKA's success as the only foreign company to obtain an airworthiness approval from the European Air Safety Agency. Moving part of the production to China was an important step for DKA in sustaining its competitiveness.

Diethelm Furniture (DF) is a well-known manufacturer and marketer of office systems, seating and related office furniture products and solutions planning in Southeast Asia. Headquarters: Singapore, 47 employees.

In 2007, the company further strengthened its position and continued to perform well especially in Singapore. Its consolidated sales turnover increased by 36% over 2006 while profitability improved. The base of corporate customers expanded with orders from Malaysia, Brunei and some other Asian countries. Prestigious projects were completed for Shell, KPMG, Nestlé, Lehman Bros and Emerson Process & Management. DF's commitment to quality and innovative design was recognized with the Malaysian International Furniture Excellence Award 2007.

Diethelm Keller Engineering (DKE) went through a major downsizing exercise in 2007. The architectural products business was closed and a core team was formed to attend to façade maintenance and fulfill warranty obligations for projects completed earlier. About 50 façade structures remain under warranty. The company is focused on serving its customers in meeting all warranty commitments. Headquarters: Singapore, 7 employees.

Wetrok develops, manufactures and trades industrial cleaning equipment and provides total cleaning-system solutions. The company has a strong presence in over 30 key European and several overseas markets. Headquarters: Kloten (Switzerland), subsidiaries in Germany, UK and Sweden; 240 employees.

In 2007, Wetrok consequently implemented its market segmentation strategy with high focus on customer needs in the health and hotel business, in the public sector, in the contract cleaning market and in industry. Wetrok managed to grow for the first time in three years and double operating profits. Key positions in sales, finances, human resources and in the subsidiaries were restaffed. Two new scrubber-dryers – Wetrok Scrubo (for small areas) and Wetrok Duomatic Laser (for large open spaces) – were introduced. During the year, Wetrok fully acquired the Swedish distributor Priwet AB. The acquisition of Minatol, a well established Swiss enterprise based in Dübendorf, as of January 1, 2008, considerably reinforces the position of Wetrok in the Swiss market.

A travel industry leader in Southeast Asia

Tourism in Southeast Asia flourished in 2007. In its wake, Diethelm Travel strengthened its position as a leading travel operator in the region. Diethelm Travel celebrated its 50th anniversary in Thailand. 2007 ended on a high note as the company retained the award for 'Asia's Leading Tour Operator' at the World Travel Awards – the Oscars of the travel industry.

Profile

With 50 years of experience in providing quality travel services in Asia, Diethelm Travel is respected as a highly professional organization, evolving to become one of the leading travel operators in the region. Diethelm Travel is active in nine countries, serving tourists from more than 80 countries. The company is also active in the convention and conference business. Through dedicated, professional, multilingual staff, Diethelm Travel will continue to develop its travel skills and service levels.

2007: Profitable expansion

Diethelm Travel Thailand celebrated its 50th anniversary of operations in the Kingdom. As a tribute to Diethelm Travel's excellent staff across the region, the Thailand organization was awarded 'Best Travel Agency' in the TTG Awards 2007. Although corporate business for hotels in Bangkok was somewhat depressed, the leisure business was in full swing. The island of Phuket and neighboring provinces such as Krabi and Khao Lak flourished. Thailand has enjoyed a smooth transition from military to civilian government and a return of investor confidence.

Diethelm Travel Bhutan enjoyed a record year and a healthy increase in bookings. Customer satisfaction ratings for the country are extremely positive, mainly due to the high levels of service and the totally unspoiled environment. The Cambodian business recorded substantial gains. A 60 % increase in hotel bookings in Sihanoukville highlighted the growing popularity of Cambodia as a beach destination. Arrival numbers increased also to Phnom Penh and Siem Reap.

The first full year of operations in Beijing with coverage of the entire country – ten years after the formation of Diethelm Travel China – was successful, and the office in Kunming continues to set new records. Product offerings have been improved. Diethelm Travel India was incorporated in August and spent the next few months establishing the office and operations. The first bookings were received towards the end of the year, and the future looks promising. The operation in Laos had a record number of arrivals. New daily direct flights link the world heritage city Luang Prabang to Chiang Mai and Kunming.

Diethelm Travel Malaysia had an excellent year aided by continued interest in the new Kuala Lumpur Convention Center. In the corporate travel business, Diethelm Travel performed to a high standard and remains a substantial player. Myanmar closed the year with an overall decrease in tourists compared to 2006, although by year end things had started to pick up again. Diethelm Travel remains committed to Myanmar as a tourist destination to the benefit of its staff of some 70 employees. Diethelm Travel Vietnam enjoyed a successful year, in spite of very tight hotel supply conditions, and recorded its highest turnover since the company's inception in 1999. Vietnam continues to benefit from its fashionable destination status.

Diethelm Travel: Key figures
(Financial figures in CHF million)

	2007	2006	+/– %
Revenues	133	123	+8
Employees at year end	662	661	0

Management Committee

John Watson, Chief Executive Officer
Richard Brouwer, Chief Operating Officer
David Gostling, Chief Financial Officer

Locations

Headquarters: Bangkok (Thailand)
Offices: Bhutan, Cambodia, China, India, Laos, Malaysia, Myanmar, Thailand, Vietnam

Board of Directors

Adrian T. Keller, Chairman
Dr. Jean-Pierre Blancpain, Vice Chairman
Stuart Davy

Diethelm Business Travel recorded excellent turnover and maintained its top agent corporate status with suppliers. Diethelm Events performed slightly better than expected given the political uncertainty throughout 2007. Diethelm Events was nominated as a top Destination Management Company for corporate events in Asia by readers of two leading trade publications.

Outlook

2008 promises to become another successful year of Diethelm Travel. The investments in improving the whole range of its travel services as well as continuing progress of individual destinations in upgrading the infrastructure provide ever better conditions for future growth.

The world's largest travel company for students and young people

The student and youth travel sector continues to grow, and STA Travel remains uniquely placed as the global travel brand serving this market. In 2007, STA Travel continued to adjust to changing market requirements. While overall sales declined, the revamping of the organization progressed, leading to cost reductions and an enhanced technological base.

STA Travel: Key figures*

(Financial figures in CHF million)

	2007	2006	+/– %
Transaction value	1,415	1,483	–5
Revenues	191	193	–1
Employees at year end	1,965	2,057	–4

Management Committee

Peter Liney, Chief Executive Officer
Jill Robinson, Chief Financial Officer
Penny Illston, Head of Human Resources

Locations

Headquarters: Singapore and London (UK)
330 travel agencies in 14 countries, as well as franchising and licensing partners in another 64 countries

Board of Directors

Andreas W. Keller, Chairman
Jean-Daniel de Schaller, Vice Chairman
Dr. Markus Braun
Joe Piaz
Richard B. Porter
Choo Teck Wong

* In 2007, STA Travel sold tickets and other services to over 2.5 million passengers representing more than 6 million customer transactions. This generated a transaction value with airlines and other partners of over CHF 1,4 billion. However, pursuant to International Financial Reporting Standards (IFRS), only the commissions earned on these transactions are recognized as revenues.

Profile

STA Travel, established in Australia and the UK in the early 1970's, is the world's largest specialist in the student and youth retail travel sector. STA Travel maintains a global distribution network spanning over 70 countries through a combination of wholly owned businesses as well as franchising and licensing partnerships, using a combination of retail shops, call centers, the Internet and wholesale agents. Although the majority of the transactions are with individuals, there are important group and academic travel business units within the overall mix.

2007: Year of many challenges

In 2007, STA Travel continued to transform its business model and to adjust its organization to changing market requirements. As a consequence of the branch restructuring program and the closing of the unprofitable offices in Finland and Norway, overall sales declined compared to 2006. Furthermore a delay in implementing all of the elements of the new technology program had a slowing effect on sales.

However, good progress was made in other areas. The new technological platform was successfully rolled out to the USA. This means that the new global point of sales system is now operational across the UK, Australia, New Zealand and the USA. New partnerships were established with the emerging Middle Eastern air carriers which hold strong positions on the Australia–Europe route. Sales of non-air products, especially soft adventure tours, were successfully expanded. Operational costs continued to fall, reflecting an organization which has become leaner across the globe. Richard B. Porter, after leading the company for 16 years, stepped down as CEO; he continues to serve on the Board. Appointments at division and head office level complemented the senior management team.

Outlook

In 2008, the company is focusing on three themes. Firstly growth: it is to be achieved through the deployment of a new online booking engine in core markets and through exploiting the capabilities of the retail system rolled out in the UK, Australia and USA. This is further enhanced through improved branch management capabilities, achieved from the rollout of the company's leadership development and performance management programs. Secondly greater operational efficiency will be achieved by a major operational excellence program. Thirdly a brand relaunch program will be implemented.

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Design:
Gottschalk+Ash Int'l (Zurich)

Typesetting, separations
and printing:
Neidhart+Schön Group
(Zurich)

Photos: Anja Tanner (Bern)

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