Diethelm Keller Holding Ltd

Europe Asia Americas
Americas Asia Europe

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2004: CHANGE AND CONTINUITY


FAN TREE
DIETHELM & C°
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 23,910 people in four operating units in 40 countries. In 2004 it generated a consolidated transaction value of CHF 7,798 million and consolidated net revenues under International Financial Reporting Standards (IFRS) of CHF 5,183 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 both Diethelm Keller and DKSH (see next page).

Contents

Photography concept

The Diethelm Keller Group plays a bridge-building role in the exchange of goods and services between Asia, Europe and the Americas. In over 140 years of business activity, dense 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 Lena Amuat. Born in 1977 in Zürich, Switzerland, where she lives, Lena Amuat graduated in 2003 from the Hochschule für Gestaltung und Kunst Zürich. She is a freelancer and works for Swiss and international institutions.

2004: Change and continuity

Dear shareholders,
dear business partners, staff members and friends

The year 2004 presented the Diethelm Keller Group again with a variety of challenges and opportunities, as expected after the many political and economic burdens of 2003. While the global political climate did not change much, with terrorism remaining the greatest threat, the economic environment generally developed for the better even though the strength of the economic up-swing did vary in the different areas. Asia, the core region of the Group's businesses, enjoyed particularly vivid economic growth. The year ended with a great tragedy in Southeast Asia, when a tsunami of historical proportions caused massive and sad loss of life and extensive destruction of property around the Indian Ocean.

These circumstances influenced the development of our four operating units in different ways throughout 2004.

Clearly the strongest performance came from DKSH Holding Ltd. In its traditional Asian markets, both sales and profits grew impressively, and several acquisitions were successfully integrated into the various business units. DKSH made good use of market opportunities and continued to strengthen its competitive position. As a major investment in the future, DKSH inaugurated its global IT hub in Malaysia, centralizing all IT transactions company-wide, as well as improving services for customers. DKSH is well prepared to tackle the challenges ahead.

In an European environment generally less conducive to growth, Diethelm Keller Management & Investment Ltd. recorded sales at the same level of last year on a portfolio-adjusted basis. DKMI's new CEO, Josef von Arx, who joined the Group in August 2004, started to strategically reorient and regroup various subsidiaries in order to further optimize the portfolio and exploit potential synergies. While VonHoff was sold, the two companies Medinova and United Houseware were transferred to DKSH for a better strategic fit.

The management of Diethelm Travel Asia Ltd. succeeded in gaining new momentum following the difficult and disappointing business environment during the prior year. DTA continues on the path to sustainable success.

Despite difficult market conditions, STA Travel Group strengthened its leadership in the student and young people niche through cautious expansion into new segments of distribution, such as the growing Internet business.

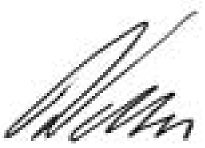
Overall and in line with our strategy of ensuring long-term sustainability, Diethelm Keller's portfolio of companies is well balanced and provides a better risk distribution than a year ago. We continue to pursue this strategy with determination and we therefore expect 2005 to be a year of continued progress. Diethelm Keller Group sales in the first months of 2005 show encouraging signs of improvement.

The year 2005 will add another page to our long history, which is documented in a new book titled 'The Fan Tree Company.' This richly illustrated publication went to press towards the end of 2004 and is intended to provide employees and business partners with a better understanding of the company's activities and its deeply rooted family tradition.

The management team at Head Office is complete with the appointment of the new Head of the Corporate Office, Dr. Markus Braun, at the beginning of the fourth quarter of 2004.

Subsequently a new internal reporting system has been introduced. The Chief Executive Officers of the four operating units now report directly to their respective Board of Directors and thus, ultimately to the Executive Committee of the Board of Directors of Diethelm Keller Holding Ltd.

On behalf of my colleagues of the Board of Directors, it is my pleasure to thank all staff members throughout our international network for their strong commitment to our businesses and their loyalty to the Group. 2004 was a challenging year. Thanks to the hard work and dedication of all involved – employees and business partners – we succeeded in further strengthening the foundations of the Diethelm Keller Group. This reinforces our resolve to implement necessary change and to continue to uphold our values, which over the past 140 years have served the Group well.



Andreas W. Keller
Chairman of the Board of Directors

Diethelm Keller Group: Key figures*
(Financial figures in CHF million)

	2004	2003	+/– %
Consolidated transaction value	7,798	7,379	+6
Consolidated sales under IFRS	5,183	4,778	+8
Employees at year end	23,910	22,171	+8

Locations

Headquarters: Zürich

International presence: Companies and branch offices in 40 countries as well as representatives, franchisees and licensees in 45 further countries.

* Pursuant to International Financial Reporting Standards (IFRS), significant parts of our activities are not classified as revenues. For example, while STA Travel in 2004 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 1.5 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, Chawirman*
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 of the Board of Directors
** Member of the Audit Committee

Corporate Office

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

Auditors

PricewaterhouseCoopers AG, Zürich

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 Management & Investment Ltd.	Diethelm Travel Asia Ltd.	STA Travel (Holdings) Pte Ltd.
Ownership 75%	Ownership 100%	Ownership 100%	Ownership 100%
Joerg W. Wolle	Josef von Arx	John Watson	Richard S. Porter
Gonpo Tsering Joe Buergi (until June 2005) Stuart Davy (as of June 2005) Andreas Moelich	Joe Piaz	David Gostling Richard Brouwer	Mark Adams Peter Liney Lee Shave

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.

Ethics

We are committed to the highest standard of ethics and integrity throughout our company. This 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.

Corporate learning culture

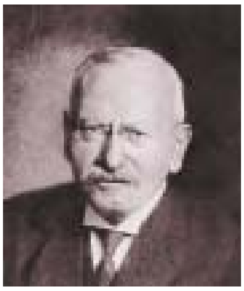
We foster an active, professional exchange of know-how among our employees by providing an open environment for our multicultural, multilingual and geographically diverse staff.

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. In 2001, these companies were integrated under the umbrella of Diethelm Keller Management & Investment.

In the postwar years, Diethelm & Co. Ltd. also began to offer travel services in Southeast Asia. In 2001, Diethelm Travel Asia 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 85 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 solution provider in the Asia/Pacific region with expertise in marketing, distribution and after-sales services.

Operating units and brands

Established in 2002 by the merger of Diethelm Keller Services Asia Ltd. with SiberHegner Holding Ltd. 19,635 employees in 35 countries. CEO: Dr. Joerg W. Wolle.

Established in 2001, DKMI owns a diversified portfolio of proprietary brand companies operating mainly in Switzerland. 1,154 employees in eight countries, including DKMI management. CEO: Josef von Arx

DKSH Market Intelligence

Diethelm Keller Management & Investment (DKMI)

Business units

Consumer Goods: Comprehensive service provider in the sectors of consumer goods, food products, and luxury goods. 11,449 employees. Executive Vice Presidents: Enzo Cunico, Koon Check Chua, Niels J. Holm, Somboon Prasitjutrakul.

Healthcare: Supply chain management solutions for pharmaceutical and healthcare industry. 6,147 employees. Executive Vice President: Dr. Guido Oelkers.

Specialty & Life Science Chemicals: Integrated service solutions for selected industries (such as chemical, pharmaceutical, life sciences, electronics). 405 employees. Executive Vice President: Beat Heller.

Food & Ingredients: Sourcing, production, marketing, and distribution of special raw materials and ingredients for food products. 488 employees. Executive Vice President: Wolfgang Schanzenbach.

Technology: Marketing, distribution, sourcing and integrated services for capital investment goods and scientific and analytical instruments. 1,146 employees. Executive Vice Presidents: Walter Brenneis, Christoph Enderle.

Proprietary brands

KOENIG

Distribution of Nespresso coffee machines and a broad range of top-brand household appliances. Established in 1954, acquired by Diethelm Holding Ltd. in 1983, with DKMI since 2001. Headquarters in Zürich (Switzerland). 62 employees. Managing Director: Willy Hofmann.

TURMIX

Distribution of Nespresso coffee machines and other household appliances. Established in 1933, acquired by Diethelm Holding Ltd. in 1990, with DKMI since 2001. Headquarters in Jona (Switzerland). 47 employees. Managing Director: Alexander P. Howden.

zyliss SWISS INNOVATION

Development, production and distribution of manually operated kitchen utensils and appliances. Established in 1951, acquired by Diethelm Holding Ltd. in 1984, with DKMI since 2001. Headquarters in the USA and Switzerland. 96 employees. Managing Director: Hardy Steinmann.

wetrok

Manufacture and distribution of industrial cleaning equipment and related products. Established in 1955, previously a subsidiary of Diethelm & Co. Ltd., with DKMI since 2001. Headquarters in Kloten (Switzerland). 266 employees. Managing Director: Andreas Kessler.

EDAK

Production and distribution of aluminum products such as coat racks, ladders, waste baskets, as well as shock-resistant cargo containers. Established in 1959 as a joint venture of Diethelm and Keller, with DKMI since 2001. Headquarters in Dachsen (Switzerland). 108 employees. Managing Director: Jean-Paul Couchman.

Diethelm Keller Engineering

Production of high-quality metal products for the construction industry. Established in 1978 as a subsidiary of Diethelm & Co. Ltd., with DKMI since 2001. Headquarters in Singapore. 131 employees. Managing Director: Lothar Till.

With a history of more than five decades, Diethelm Travel Asia is the leading destination management provider in Southeast Asia. It is an independent operating unit since 2001. 687 employees in seven countries.
CEO: John Watson

STA Travel was founded in Australia in the early 1970s and acquired in 1979. Today it is the world's largest travel company for students and young people, with 2,421 employees in 17 countries, as well as franchising and licensing partners in 68 further countries.
CEO: Richard S. Porter.

DIETHELM TRAVEL

STA TRAVEL

DTA locations

Thailand
Myanmar
Laos
Cambodia
Vietnam
China (Yunnan province)
Malaysia

STA locations

400 signature travel agencies in:
Australia
Austria
Canada
Denmark
Finland
Germany
Great Britain
Japan
Malaysia
New Zealand
Norway
Singapore
Sweden
Switzerland
South Africa
Thailand
and the USA.
Represented by franchising and licensing partners in 68 further countries.

Singapore

Diethelm Furniture: Production and distribution of high-end office furniture.
Independent company of DKMI since 2002.
Headquarters in Singapore.
52 employees.
Managing Director:
David Lim.

Diethelm Keller Aviation

Production of in-flight service equipment such as meal carts etc.
Independent company of DKMI since 2002.
Headquarters in Singapore.
165 employees.
Managing Director:
Chia Chee Seng.

GLOSTER MADE FOR LIFE

Production and distribution of high quality outdoor furniture made of plantation teak.
Established in 1975, joint venture with a 50% participation by DKMI.
Headquarters in Singapore.
896 employees; not included in DKMI employment total (equity consolidation).
Managing Director:
Villy Nielsen.

Delta

Manufacturer of acrylic paint and related supplies for the arts & crafts market. Established in 1974, acquired by Diethelm & Keller (USA) Ltd. in 1981, with DKMI since 2001. Headquarters in Whittier (CA, USA).
172 employees.
Managing Director:
Bill George.

United Housewares

Distribution of a broad range of top-brand household appliances.
Established in 1969, with DKMI since 2001.
Headquarters in Sydney (Australia).
26 employees.
Managing Director:
Anthony E. Michaels.
(Sold to DKSH on January 1, 2005)

This overview reflects the status as of May 2005;
the number of employees refers to December 31, 2004.


VITRINE
RÉFRIGÉRÉ

Asia's leading marketing, distribution and logistics group

In 2004 DKSH Holding Ltd. again reported strong growth fuelled both by internal growth and selected smaller acquisitions and strategic investments. The business expansion resulted in the broadening of the employment base by an additional 2000 jobs. The strong increase in sales was exceeded by even better profit growth. Towards the end of the year DKSH inaugurated its global IT hub in Malaysia, which centralizes company-wide all IT transactions and serves as center to unify and standardize DKSH IT infrastructure. This will ensure higher service levels to both our operations and customers and will create significant savings in the future.

DKSH Group: Key figures
(Financial figures in CHF million)

	2004	2003	+/– %
Total sales	5,803	5,377	+8
Net sales	4,495	4,075	+10
EBIT	77	64	+20
Assets	1,923	1,842	+4
Employees at year end	19,635	17,567	+12

DKSH Holding Ltd.

Dr. Joerg W. Wolle, President & CEO
Gonpo Tsering, Senior Executive Vice President Operations and Business Support
Joe Buergi, Executive Vice President Finance & Administration (until June 2005)
Stuart Davy, Executive Vice President Finance & Administration (as of June 2005)
Andreas Moelich, Executive Vice President Human Resources

Locations

Headquarters: Zürich
300 offices in 35 countries

Heads of business units

Consumer Goods: Koon Check Chua, Enzo Cunico, Niels J. Holm, Somboon Prasitjutrakul
Healthcare: Dr. Guido Oelkers
Specialty & Life Science Chemicals: Beat Heller
Food & Ingredients: Wolfgang Schanzenbach
Technology: Walter Brenneis, Christoph Enderle

Board of Directors

Adrian T. Keller, Chairman
Christophe R. Gautier*, **, Vice Chairman
Dr. Jean-Pierre Blancpain*
Jean-Daniel de Schaller**
Andreas W. Keller**
Dr. Rolf A. Meyer*
Beat Naef
Dr. Joerg W. Wolle

* member of Audit & Finance Committee
** member of Nomination & Compensation Committee

Profile

DKSH is an internationally active services group with a leading position in Asia, focusing on sourcing, marketing, logistics and distribution. Founded and deeply rooted in Asia, DKSH successfully bridges complex markets within and between Asia/Pacific, Europe and the Americas.

Market intelligence is the core competence of DKSH. A profound understanding of market conditions and product and application expertise are its trademarks. DKSH combines marketing and logistics skills and enhances them through unique networks established over a corporate history of one and a half centuries.

DKSH is a preferred partner for business expansion in new and demanding growth markets. The Group operates in 35 countries through a coordinated network of some 280 offices across Asia and another 20 units in Europe and the Americas. It employs over 19,500 specialized staff incorporating 48 nationalities. Ranked by sales and number of employees, DKSH, headquartered in Zürich, is among Switzerland's largest private companies.

Strong performance of sales and profits

2004 was an excellent year for DKSH with net sales increasing by 10.3% to CHF 4,495 million, EBIT in Swiss francs rose by 20.3% and by 28% in local currencies. These figures underscore the fundamental strength of DKSH. The considerable business expansion was achieved both through internal growth and various acquisitions and investments.

In 2004, DKSH expanded the scope of its business by signing up new principals and acquiring several smaller competitors. In April, Medinova, a Swiss specialty pharmaceutical company focusing on the core sectors of dermatology and gynecology, was transferred from Diethelm Keller Management & Investment Ltd. to DKSH. The takeover of Medinova, which was integrated into the business unit Healthcare, permitted a strategic expansion into business activities with higher value added. In order to complement the existing product portfolio, DKSH acquired various complimentary product lines from Sankyo Pharma, Germany. This transaction secured a well established marketing relationship through various Asian countries and included the rights for the Swiss and several Eastern European markets.

Following the acquisition of the East Asiatic Company's Malaysian Consumer Goods business, Diethelm Holdings (Malaysia) Berhad in May purchased 51% of EAC Transport Agencies (Malaysia) Sdn Bhd, a leading Malaysian forwarding and customs-handling agent. This acquisition constituted an important milestone in transforming the Malaysian Consumer Goods operation into a fully integrated distribution and logistics services provider.

Furthermore DKSH acquired 100% of KOSE Logistics, a former joint venture in Korea, providing a meaningful entry into the fast growing Korean logistics and distribution market. A further milestone was Consumer Goods' entry and strategic forward integration in the specialty luxury retail segment. In the second half of the year, DKSH opened its own flagship stores in several Asian cities. The company's activities in the luxury goods sector will be further expanded in 2005.

Effective January 1, 2005, DKSH acquired United Housewares Pty Limited, an Australian marketing and distribution company for premium household goods, from Diethelm Keller Management & Investment (DKMI), an operating unit of Diethelm Keller Holding. The business model of United Housewares fits the strategy of DKSH in Australia, and the combination with the existing Australian operation creates an excellent platform for sustained profitable growth. At the same time, DKSH Singapore sold its industrial business, an unrelated non-core activity, to DKMI.

To fully exploit the potential of DKSH, further investments in Information Technology and recruitment of highly skilled specialists are crucial. As a first important step to offer a global IT infrastructure, the DKSH Corporate Shared Services Center (CSSC) was launched in Kuala Lumpur at the end of November. The CSSC was formed to serve the company as a global hub for state-of-the-art IT services. By upgrading to the newest standards, and by centralizing and creating uniform communication processes, DKSH will significantly increase the cost efficiency and quality of its IT services, both within the organization and towards its business partners.

Outlook

Over the three years since its creation, DKSH has successfully implemented its business model. The Group stands out as the premier services brand in its major markets. DKSH owes its impressive value creation primarily to the increased market dominance of the company, to a superior portfolio mix and the leveraging of its knowledge network across country borders. In addition, its strategic expansion is focused on highly specialized activities with higher value added. As a result, DKSH is well positioned to benefit in general from the continuing focus on Asia as the fastest growing world region and in particular, DKSH is well prepared to take advantage of the ongoing strong trend among large and medium-sized enterprises to outsource marketing, logistics, distribution and other services, which constitute the core business of DKSH.

DKSH business units

Consumer Goods: Unchallenged leader in Asia

The business unit Consumer Goods, Asia's leading full-service marketing provider and supply chain specialist is focused on fast-moving consumer goods, food services, luxury goods and fashion and lifestyle products. It has earned a reputation for creating markets and building brands, as well as for delivering complex supply chain management solutions. Consumer Goods with more than 11,000 specialists operates from 140 offices in 20 countries and serves more than 300,000 retail outlets throughout Asia.

In 2004, Consumer Goods strengthened its position as the leading marketing and distribution services provider for consumer goods in Asia. While net sales increased by 13.3% to CHF 2,254 million, EBIT improved by 27.3% over 2003 to CHF 48 million. Accelerated business development and market expansion in various countries contributed to these results. As in 2003, the operation in Thailand contributed the lion's share of profits, based on the good performance of a number of key brands. Malaysia and Hong Kong achieved improved results.

In the luxury goods business, retail flagship stores were opened in Thailand, Vietnam, Hong Kong, Singapore and Jakarta. The acquisition of EAC Transport, a customs clearance and freight-forwarding specialist in Malaysia, brought a profitable business base, as well as relevant synergies for the companies' needs in logistics. After establishing a new consumer goods business in the Philippines, the business unit can now be of service to brand owners in all principal markets in Asia.

Pursuing the concept of regional partnerships Consumer Goods will continue to expand the business of brand owners and provide services in new markets. As of March/April 2005, the business unit provides full agency services for a major brand owner in Singapore and the Philippines.

Healthcare: Strong force in pharma distribution

The Business Unit Healthcare is a leading provider of complete supply chain management solutions for the pharmaceutical and healthcare industry throughout Asia. The business unit is active in three distinct functional areas: marketing and sales, wholesale/distribution and toll manufacturing. As a services provider, DKSH Healthcare possesses highly focused functional and channel expertise, providing its partners with experience and expertise in the complex areas of registration, procurement, local and regional manufacturing, quality control as well as product distribution to the end user. Serving over 430,000 customers on a daily basis, the business unit supplies both medical and consumer channels with branded quality ethical and over-the-counter pharmaceuticals, consumer health products, diagnostics and medical equipment. Healthcare has a network of 160 business locations in 14 countries employing over 6,100 specialists.

In 2004, the business unit Healthcare achieved dynamic growth and excellent results. EBIT grew by 26.7% to CHF 19 million. While total sales increased by 1.8% to CHF 1,629 million, net sales rose to CHF 1,512 million, an expansion of 7.8% over 2003. To support the expanding business, Healthcare increased the number of specialists by more than 50% since 2002. The strategic repositioning of Healthcare, which started in 2003, continued successfully. All country organizations with the exception of Indonesia operated profitably. Having entered Indonesia in 2003, this result was expected. Dos Ni Roha, the strategic partner in Indonesia, significantly increased the competitive strength of Healthcare. Mature markets such as Thailand, Hong Kong and Malaysia took the lead in contributing to the excellent performance. The Philippines, Hong Kong and Vietnam provided very impressive gains compared to the previous year while Singapore posted a convincing turn-around in profitability.

The outlook for growth in the Healthcare industry overall remains challenging. However, the business unit is committed to a double-digit increase in transaction volume and continued positive earnings growth. This will be achieved by focusing on the core strategy of improving effectiveness and efficiencies, enhancing value chain transparency, as well as developing new value-added services.

Specialty & Life Science Chemicals: Globe-spanning knowledge networks

Specialty & Life Science Chemicals supplies highly specialized raw materials, formulations and integrated service solutions for the following industries: agrochemical and environmental protection, animal and personal care, imaging, electronics, pharmaceuticals, as well as polymer and surface coating. The core business activities range from global sourcing, brokerage of toll manufacturing to marketing, sales, logistics and distribution services. Furthermore, the business unit provides project management, research and development, quality assurance and financing and insurance services. DKSH Specialty & Life Science Chemicals employs 405 people in 19 countries and 43 offices worldwide.

In 2004, the business unit increased both net sales and profits by more than 8.3%. Net sales rose to CHF 250 million, while EBIT grew from CHF 12 million to 13 million. Japan again was the key profit generator. Excellent results were achieved in Germany, China, Switzerland, the Philippines and India. The business unit expanded its global coverage by establishing a business location in Australia, which initially will focus on the coating and polymer industry. Sales of high purity chemicals for the electronics industry were high. In the area of performance chemicals for the coating industry, six new principals were added. In pharmaceuticals, the team for regulatory affairs in Japan was enlarged in view of new legal requirements governing that industry. Sales of feed additives and feed ingredients were depressed in Thailand and Malaysia due to the bird flu, whereas they increased strongly for the hog raising industry in China. The sourcing capacities in Shanghai were doubled particularly since China is growing into an important sourcing market for the whole business unit.

For 2005 alone, Specialty & Life Science Chemicals plans to recruit about 40 sales and marketing specialists in order to increase sales in its core industries. Furthermore, to follow customers who have moved to Eastern Europe and to participate in the growth of the East European markets, Specialty & Life Science Chemicals is also planning to establish a regional sales office.

Food & Ingredients: Ready for expansion

Food & Ingredients provides individual project support and acts as an extended sourcing, marketing and distribution platform for highly specialized food raw materials and ingredients around the world. It is active in the area of food services, flavors, food additives, cosmetic ingredients and functional health food. The business unit has extended the supply chain solution into related toll manufacturing and processing capacities. Food & Ingredients employs 490 specialized staff and is active in 18 countries with 30 local operations.

Despite setbacks caused primarily by the outbreak of bird flu in Thailand, in 2004 net sales increased by 1.4% to CHF 147 million while EBIT matched last year's result of CHF 7 million. In Japan, the largest operation, net sales and profits topped the performance of 2003. In Thailand, the bird flu significantly affected sales and accordingly, sales of vitamins and additives to Hong Kong and the South China market did not reach levels of last year. Total export volume to Asia and Europe from Vietnam, the key source for specialty fish and seafood products, reached record levels. The French operation performed very well. The US operation produced very satisfying results while Chile, the sourcing hub in South America, is steadily providing first class services to the entire business unit. Late in 2004, a highly specialized distribution company in Denmark was acquired, which will serve as a distribution hub for Scandinavia. To further enhance the global sourcing competencies, three new strategic partnerships; two in China, one in Brazil were established.

To tap new sales and sourcing opportunities, the business unit aims to develop an operation in Australia. New business development initiatives were defined. The project pipeline is full and the portfolio is well balanced. Innovative solutions will continue to be the primary driving force of growth.

Technology: Sourcing progress on a global scale

The Business Unit Technology is a leading provider of solution-based technology products and services in the area of energy and power generation; transport, construction and mining; manufacturing and industry; instrumentation; printing, processing and packaging; and hospitality. As a global sourcing enterprise with a sales and distribution network covering the entire Asia/Pacific area, DKSH Technology offers state-of-the-art products and technologies and provides integrated service solutions, application engineering and project management, as well as customized technical and after sales services. Technology employs more than 1,100 specialists in 20 countries and has 74 offices throughout Asia, Europe and the Americas.

In 2004, Technology achieved the best performance on record. While net sales rose by 4.9% to CHF 323 million, EBIT increased by 45.5% to CHF 16 million. Growth was achieved through organic development within the six business lines, as well as through new product introductions. In particular, performance was strong in the area of manufacturing & industry, instrumentation as well as printing, processing & packaging. Japan and China achieved excellent profitability and provided the lion's share of the overall Business Unit result. Thailand reported a strong year. Solid growth was achieved in Malaysia as a result of the operation's product leadership in laboratory instrumentation. Singapore performed well in the areas of machine tools, laboratory instrumentation, as well as surveying instruments. The electrical and cable portfolio remained the mainstay of the business in Australia. In the wake of the booming economy, the operation in China saw unprecedented growth. Japan's sourcing business delivered exceptional results in finding new suppliers for the metal and electronic business in Europe and Asia. The European technology business in metals showed increasing growth but was hampered by the worldwide shortage of titan and stainless steel.

Exciting opportunities for further growth exist, both through market expansion and increasing market share. The business unit will continue to invest in developing its product portfolio either through organic growth or through acquisitions.

A diversified portfolio of proprietary brands

In 2004 most DKMI brands and in particular the industrial brands continued to suffer from a difficult market environment. The household category benefited from newly launched innovative products and enjoyed a slight recovery in Switzerland and Australia. The DKMI portfolio was further optimized.

Profile

In the course of the years after World War II, Diethelm & Co. Ltd. and Edward Keller Ltd. developed a diversified portfolio of about a dozen mostly Swiss brands. The portfolio will continue to undergo changes as new investments and divestitures are made. The brands under the DKMI umbrella are among the leaders in their markets. The individual companies are vested with a high degree of business autonomy. General support is provided by DKMI in key areas such as strategy development, IT, human resources, and accounting. A network-style organization ensures that knowledge and best practices are shared among the companies. Potential synergies such as logistics, service and distribution are actively developed and exploited.

Optimizing the portfolio

In 2004, DKMI further optimized its portfolio. Medinova Ltd., which develops and manufactures pharmaceutical specialties, was transferred to DKSH for a better strategic fit, while VonHoff, a Swiss distributor of eyewear frames, sunglasses and ophthalmic instruments, was sold. The focus of the remaining DKMI companies continued to be on building brand image, introducing innovations and exploiting synergies. Most of the household brands strengthened their position in respective markets.

The same applies to the industrial companies not linked to the construction industry. DKMI companies active in construction suffered from unfavorable conditions in this particular segment. The increase of pressure on pricing continued to affect margins in all segments. The overall performance of the Group was also affected by the extra costs incurred due to the restructuring of Zyliss and Diethelm Keller Engineering.

Outlook: Strategic realignment to strengthen market position and to exploit synergies

In 2005 DKMI embarked on a strategic realignment. This change is aimed at creating higher customer and market focus, assuring short decision making processes and enhancing efficiency. For 2005 an improvement of the overall performance of DKMI, supported by a positive economic climate, is expected.

DKMI: Key figures
(Financial figures in CHF million)

	2004	2003	+/– %
Revenues	343	374	–8
Employees at year end	1,154	1,284	–10

Management Committee

Josef von Arx, Chief Executive Officer
Joe Piaz, Chief Financial Officer

Locations

Headquarters: Zürich
Subsidiaries: 5 companies in Switzerland, 4 companies in Asia, and 1 company each in Australia and USA

Board of Directors

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

DKMI's portfolio of proprietary brands

Koenig was confronted with pressure on pricing and margins, as well as a continued recessive market situation. Despite these adverse conditions, the company launched with great success new Nespresso coffee machines under the house brand and gained considerable market share in this key segment. Koenig also won market share for leading brands such as Tefal, Moulinex, Krups, Rowenta, and Weber Grills. In the field of consumer electronics, the general slump was compensated by very successful launches of innovative audio products from Denon, in addition to the launch of LCD and Plasma TVs under the Hyundai brand.

A higher turnover along with continued strict cost management resulted in an increase of profitability and other key ratios.

Koenig expects a difficult 2005, due to consumer sentiment and weak economic indicators, but strives to implement innovative marketing programs to prevail against its competitors and to make up for the general slump.

Turmix develops, sources, markets and distributes electrical household appliances. The company's strategic business fields are Coffee, Kitchen and Air & Steam. The business field Coffee distributes Nespresso machines as well as ~~its~~ traditional coffee machines. The Kitchen field encompasses the original Turmix products, but new products will be considered in future. Air purifiers and humidifiers are a small niche market with Turmix holding an important market share. Steam irons are a trading business.

2004 annual sales targets were achieved despite a stagnating Swiss household appliance market. In the Austrian market, sales were doubled and helped to achieve the targeted results.

In 2005 Turmix will expand its product range, focus on brand management, and increase distribution and sales in all strategic business fields. The new joint operation of Turmix and Koenig to exploit synergies in the areas of logistics and after-sales service started in March 2005.

Zyliss is a kitchen utensils company with a clear focus on innovation in design and engineering, allowing for convenience, comfort and pleasure in food preparation. Creative and action oriented marketing and distribution solutions were instrumental in successfully launching new products in this highly competitive segment.

In key markets in Europe, USA and Australia, Zyliss was able to strengthen its brand share. Over the past two years, since the first introduction of the new design language, Zyliss has been repositioned as a younger and modern brand in the middle-upper segment. The shift from total in-house production to a high-quality outsourcing of all new products has resulted in considerable cost reductions, more flexibility in responding to market demands and faster market delivery.

Aggressive sales and marketing management in key markets induce a uniform brand message in order to further strengthen Zyliss' global presence.

Wetrok develops and manufactures institutional and industrial cleaning equipment and products. The company has a strong presence in key European and several overseas markets.

In 2004, Wetrok fought against strong competition in its home market and faced price battles in other key markets, which all suffered from increased consolidation, surplus capacities and increased purchase prices. Despite this adverse market situation, Wetrok defended its share in the main markets. The negative trend in the German subsidiary was stopped. In the UK, Wetrok reinforced its business relationship with major chain retail stores. In addition, Wetrok further expanded its distribution in the Far East and Middle East. The company is currently analyzing its strategic options in order to meet today's changed market conditions and to generate a sustainable return on investment for its shareholders. Along with the SAP implementation in the fall of 2004, Wetrok launched a substantial amount of new high quality products, which can generate substantial savings for our customers in logistics and procurement.

In March 2005, Wetrok celebrated its 50th anniversary and, therefore, invited its customers to visit its newly renovated building in Kloten.

EDAK manufactures and distributes aluminum products such as coat racks, ladders, ashtrays, waste baskets and shock-resistant cargo containers.

Particularly in the second half of 2004, the company made good progress both in terms of sales and profitability. This positive development was helped by an increased emphasis on Betra, which offers tailor-made aluminum containers for transport of shock sensitive equipment. Furthermore, the portfolio was trimmed by the sale of Bauex in January 2004. Exports continued to be burdened by the weak US dollar.

In 2005, EDAK will continue to streamline its portfolio and increase its focus on the higher added value segments of tailor-made aluminum products. In addition, the company plans to strengthen its position in the US market.

Medinova was transferred from DKMI to DKSH on January 1, 2004. It additionally assumed the responsibility for the distribution of a Japanese pharmaceutical manufacturers' product line.

VonHoff was sold on June 15, 2004.

Diethelm Keller Engineering Pte Ltd. is a renowned manufacturer of high-quality metal products for the construction industry in Singapore and the region.

The downturn in the local construction industry continued in 2004 and so did the already existing pressure on profit margins. In this difficult environment, the company expanded its product range and customer base to reduce its dependency on the local building industry. New overseas markets were developed. The contracting business for architectural facades incurred a loss given the delay of large contracts.

The company is now heavily engaged in tendering for new public and private sector projects. Based on the backlog up to late 2004, the current year must be viewed with some reservation.

Diethelm Furniture Ltd. is a reliable supplier for quality office furniture and for workspace solutions in Singapore, Malaysia and other countries in Southeast Asia.

With its newly restructured and ongoing outsourcing programs, the Singapore operation was able to increase its market share and secure several key orders. Now with more focus on the Malaysian operation, growth and profitability remain the key priorities. To further reinforce its market presence and competitiveness, the company has broadened its range of products and improved its services.

Diethelm Furniture Ltd. will continue to enhance its efficiency, introduce new products and solutions while expanding its market share.

Diethelm Keller Aviation Ltd. (DKA) is the world's second largest supplier of aircraft in-flight equipment with FAA/CAA certification such as meal carts. 140 airlines value the quality, reliability and safety of these products.

2004 was a year of many accomplishments for the Singapore based operation. The results set a new benchmark for sales and profitability. DKA's worldwide sales leaped over 40%, posting strong growth in all regions. The company has a good geographic spread, deriving 40% of its business from Europe, 20% from America and the rest from the fast growing Asian markets such as India and China. In the global market for galley inflight equipment, DKA increased its market share to 35%.

The company is well poised to capitalize on the market opportunities. It will increase efforts on innovation and penetrate into new markets to keep its competitive edge.

Gloster is a prime supplier of high quality outdoor furniture made of plantation teak. The company has a strong international sales organization and operates its own production facility in Surabaya. DKMI holds 50% of the capital of Gloster.

In 2004 Gloster managed to grow its business successfully and expand its position in virtually all markets. To reinforce its leadership and boost the upper market segment, the company broadened its range of products and launched a series of innovations enjoying a very high acceptance in the marketplace.

Delta is a U.S. marketer and manufacturer of acrylic paints and related supplies for the arts & crafts market.

During the past two years, the demand in the sector of leisure and hobby continued to shift away from Delta's core product range. This trend resulted in a decline of acrylic paint and stencil sales during 2004. Additionally, key customers implemented inventory reduction programs resulting in further revenue decreases for 2004. New products contributed 13% of sales. In an effort to rejuvenate the 'Delta' brand, a comprehensive branding strategy was developed.

A gradual rollout of the new branding started in 2005. Other key initiatives are to focus business activities at current sales volumes and pursue alternative market opportunities.

United Housewares is a major supplier of kitchen appliances in Australia. In addition to a number of third-party brands, the company successfully distributes several brands from the portfolio of the Diethelm Keller Group, for instance Zyliss, Cuisena or Euroline.

In 2004, the company continued to benefit from Australia's economic upswing, as well as some newly launched innovations and thus increased revenues and earnings. In addition, synergies with DKSH have been exploited in the area of logistics, which further contributed to the increase in profitability. On January 1, 2005 the business of United Housewares was transferred to DKSH for a better strategic fit.

A travel industry leader in Southeast Asia

The global economic recovery in 2004 provided the regional tourism industry with an opportunity to recoup the losses incurred during 2003 due to SARS. Pent-up demand for travel resulted in a strong rise in international tourist arrivals through November. However, the tsunami on December 26 with its tragic loss of life and wide-spread destruction brought about a sad end to what was otherwise a successful year.

Profile

Diethelm Travel Asia (DTA) has over 40 years of experience in providing quality travel services in the Greater Mekong subregion. Today, DTA is respected as a highly professional organization, evolving to become one of the leading travel operators in the region with agencies in seven destinations, serving tourists from more than 80 countries. DTA's combination of Asian understanding and Western expertise has enabled the company to maintain a high level of transparency that is reflected in all aspects of its operations and dealings with clients and suppliers. Through a dedicated team of professional, multilingual staff, DTA will continue to develop its travel skills and service levels.

Asia's tsunami hits southern Thailand

On December 26, 2004, a powerful seaquake caused a tsunami wave that struck many coastal regions of the Indian Ocean rim and the Andaman Sea. The tragic loss of life and widespread destruction inflicted in just a few minutes are difficult to comprehend. With Southern Asia being home to the vast majority of DTA's employees and to the company, DTA has extraordinarily strong commitments to the region.

Progress on many fronts

In 2004, a strategic review led to several actions designed to reduce the cost base and improve margins. A number of business units were relocated, underperforming businesses were sold, closed or merged and headcount was reduced.

DTA's regional offices performed well in 2004, in particular Cambodia, Malaysia, Myanmar and Vietnam. Diethelm Travel Cambodia experienced significant increases in business coming through Diethelm Travel Thailand and Diethelm Travel Vietnam. Diethelm Travel Laos continued to perform well despite tough price competition in the market. During the Asian Tourism Forum 2004 held in Vientiane, Diethelm Travel Laos was recognized by the Laotian government as the country's top travel service provider for 2004.

Diethelm Travel Myanmar completed its merger with Insight Myanmar and is the largest inbound tour operator in the country.

The repercussions of the tsunami will not be as damaging to Thailand's tourism industry as the SARS outbreak in 2003. The newly launched 'Diethelm Leisure Travel' serves the needs of the large expatriate community, as well as the local Thai market. In 2004, Diethelm Travel Vietnam was listed as one of Vietnam's top agencies by the Vietnam Administration of Tourism. Diethelm Travel Yunnan (PRC) is being restructured.

2004 was an excellent year for DTA's business travel operations. Cambodia, Laos, Malaysia and Thailand all performed well. In September, the business travel sections in Cambodia and Laos became partners of Business Travel International (BTI) and trade as BTI Cambodia and BTI Laos. BTI is a leading travel management organization operating in over 100 countries. The relationship with BTI will greatly enhance the product range in the corporate travel area. 2004 was also a good year for Diethelm Events, which can expect renewed interest in Thailand.

DTA: Key figures
(Financial figures in CHF million)

	2004	2003	+/– %
Revenues	105	91	+15
Employees at year end	687	708	–3

Management Committee

John Watson, Chief Executive Officer
David Gostling, Chief Financial Officer
Richard Brouwer, Vice President Marketing

Locations

Headquarters: Bangkok, Thailand
Offices: Cambodia, Laos, Malaysia, Myanmar, Thailand, Vietnam, Yunnan (PRC)

Board of Directors

Adrian T. Keller, Chairman
Dr. Jean-Pierre Blancpain, Vice Chairman
Stuart Davy (as of June 2005)

Outlook

While certain resort destinations in southern Thailand will take time to recover, it is expected that growing regional economies and Asia's increasing popularity as a holiday destination will provide an offsetting effect.

Vietnam's travel industry is expected to show continued growth. Cambodia, Laos, Malaysia and Myanmar are set to enjoy strong increases in tourist arrivals. Additional resources will be invested for the DTA operation in China, which will become profitable in 2005.

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

The student and youth sector is the fastest growing segment in the retail travel industry. Young people purchase 20% of all journeys in the world and this figure is expected to grow rapidly, as international travel increasingly becomes a requirement for their future success. STA Travel is the acknowledged world leader in its niche and the only company with a global presence.

Profile

STA Travel was established in Australia and the UK in 1979. Today, STA Travel is the largest specialist in the student and youth sector with a global distribution network spanning 85 countries via a mix of channels including walk-in branches, call centers, franchises, licensed partners and a growing Internet business.

STA Travel's success rests on three pillars:

– a high profile with the target market;
– STA Travel employees who provide unique peer-to-peer advice to customers;
– a broad and distinctive product range that matches the price/performance expectations of the customers.

By developing innovative products and offering the optimum pick-and-mix of channels, STA Travel intends to further reinforce its global leadership in this segment.

2004: Continuous growth, sustained profitability

The travel industry is currently facing sweeping changes caused by the irreversible consequences of globalization and deregulation, the long-term effects of the Internet and the cost reduction in electronic communications. A consequence has been the rise of low-cost airlines resulting in a dramatic drop for STA Travel in short haul sales, offset by a good increase in mid and long haul sales. Additionally, the industry is sensitive to global political instability, terrorism and other disruptive factors (such as the impact of SARS in 2003 and the Asian tsunami in December 2004). STA Travel is meeting all challenges by focusing on delivering unique services tailored to the specific needs of its young customers; a cost effective global presence, product flexibility, security at the destination and the highly competent advice provided by employees with hands-on travel experience.

Outlook: Investments in technical infrastructure

To assure continued competitiveness in price and performance, the company is aligning to the needs of the global customer. Key priorities are to enhance the Internet offer, to invest in tools to deepen customer relationships and to grow the range of unique products sourced and supplied from and to every market in the world. Greater effectiveness and quality is also to be delivered by concentrating functions in centers of excellence in South Africa and India.

STA Travel: Key figures*

(Financial figures in CHF million)

	2004	2003	+/– %
Transaction value	1,539	1,526	+1
Revenues	241	238	+1
Employees at year end	2,421	2,599	–7

Management Committee

Richard Porter, Chief Executive Officer
Mark Adams, Chief Financial Officer
Peter Liney, Chief Operating Officer
Lee Shave, Commercial Director

Locations

Headquarters: Singapore and London
400 travel agencies in 17 countries, as well as franchising and licensing partners in another 68 countries

Board of Directors

Andreas W. Keller, Chairman
Jean-Daniel de Schaller, Vice Chairman
Mark Adams
Joe Piaz
Richard Porter
Choo Teck Wong

* Last year STA 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 1.5 billion. However, pursuant to International Financial Reporting Standards (IFRS), only the commission earned on these transactions are recognized as revenues.

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