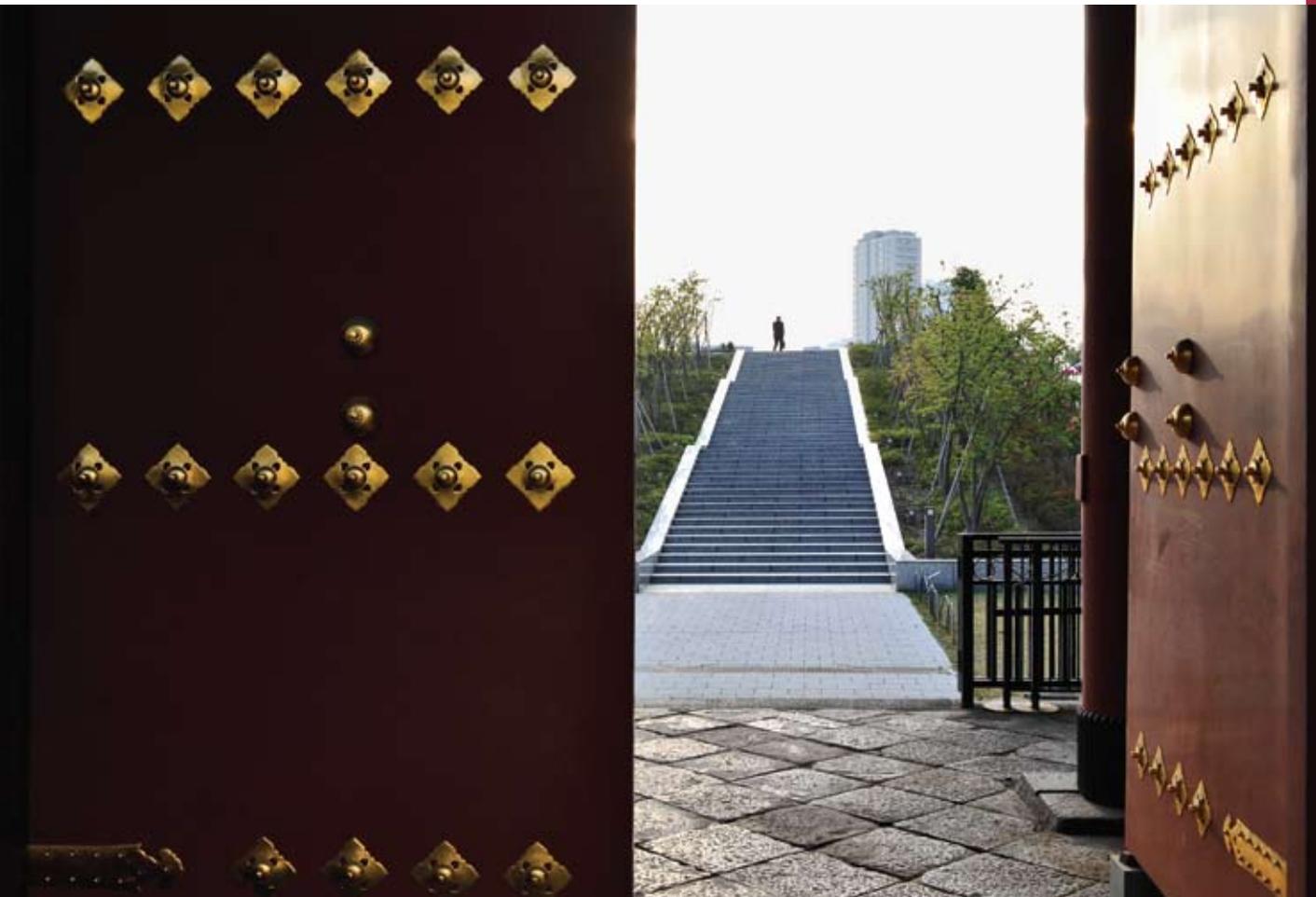


DKSH opens the doorway to Asia with Market Expansion Services



Rewriting the rules

Well-established Swiss company DKSH has taken chemical distribution a step further by offering Market Expansion Services to chemical producers and users looking to grow their business, especially in Asia

CHEMICAL PRODUCERS and users looking to sell into or source from Asia often find the process challenging. They have to grapple with geographic, cultural and business differences, not only between Europe and the US and Asia, but also within Asia itself.

But now companies have an ally to enlist for the battle, in the form of DKSH, which is rewriting the rules of the industry.

DKSH is a CHF8.4bn Swiss company with long-established and extensive connections in the region. The more than 140-year old company describes itself as the world's leading Market Expansion Services provider. It has recently reinvented the chemical distribution business and enhanced its offering to the chemicals and materials sector.

DKSH operates a dedicated Business Unit focused on performance materials and, after having realigned its operations three years ago, is now growing aggressively, explains Eric Baden, Executive Vice President Business Unit Performance Materials. Based in Shanghai, China, Baden is well experienced in the chemicals business, having headed up Evonik's (then Degussa's) Chinese operations.

DKSH is more than just a chemical trader or distributor: it offers Market Expansion Services. Baden conjures up two images when describing what DKSH brings to companies, be they producers of or customers for chemicals. The first is that of a two-way bridge, emphasizing the fact that DKSH links businesses across the globe, sourcing raw materials and providing market access. The benefits for our partners, explains Baden, are "business results in the shape of reduced complexity, meaningful insights, speed to market and cost competitiveness."

DKSH always strives to develop



Eric Baden sees accelerated growth

relationships that add value beyond a product or service. Says Baden: "We can significantly improve the cost structures of specialty chemicals makers by operating their business in Asia, thus eliminating overheads and generating cash flow."

The second is a triangle, at the corners of which sit DKSH's three core competencies: "Our customers want to work with a highly responsive partner who commands a deep application expertise for performance materials and who can offer a complete, tailor-made portfolio of products and services", says Baden. "Offering this combination makes us unique."

Thanks to the Business Unit Performance Materials' strong focus on the different industries and its customer's R&D teams, DKSH has the depth of application expertise to develop innovative business ideas and roll-out solutions around the globe. DKSH operates no fewer than 16 application and formulation laboratories in Europe, Asia and the Americas and has extensive logistics infra-

structure and a centralized IT platform in Malaysia to manage its global supply chain operations.

UNDERSTANDING THE MARKETS

Baden explains that markets today are much more global as electronic marketplaces and IT tools have lowered the barriers to doing business. To compete, companies need to focus on what they do best, which for chemical companies is generally innovation and manufacturing.

"Operating in foreign markets is not their core expertise and especially small and medium-sized enterprises find it difficult to get their products to market. This is all the more so in Asia, where they have to navigate the minefields of how to do business in these countries but at the same time remain true to Western standards."

This is where DKSH's local knowledge and extended regional footprint, built up over more than 140 years, come into play. By understanding local markets, it can help chemical and materials producers find new outlets for their products, and equally it can help them find new sources of raw materials. But, while it relies on producers to supply it with a wide range of materials, the true focus at DKSH is on the customer, not the supplier, explains Baden.

It is by identifying and working with local customers, often providing extensive technical service and formulation skills, that DKSH is able to build new markets for producers (several case studies are detailed in the following pages).

A STRONG PARTNER

With its business model DKSH pursues a philosophy that for some suppliers might appear radical at first sight, but which, and this is shown by the success it has had over the last two years, encounters acceptance. Says Baden: "We think of ourselves as a

partner and we uncompromisingly focus on the customer and its specific needs. By this thoroughgoingness we can offer solutions, which mere distributors cannot. This breeds customer loyalty and success for the suppliers. Today a rapidly increasing number of suppliers appreciate this.”

SEAMLESS CROSS-BORDER OPERATIONS

The concept of working in partnership and focusing on the customer is part of DKSH's DNA, explains Baden. The company has been active in Asia for many decades in chemicals and materials and has always emphasized its focus on understanding the marketplace. But even as recently as 10 years ago it operated on a country-by-country basis.

With the reorganization of the Business Unit Performance Materials and a realignment of the way it does business, DKSH now operates on a regional basis in Asia. “We now do things across national markets, with a focus on industry segments and clusters, and have a true applications focus. Having honed our competencies over the past three years, we are now reaping the benefits of this unique approach,” says Baden.

The unit employs some 1,300 people across the globe, most of which have prior working experience in the industry sector they are now serving, whether on the supplier or customer side of the industry. “They understand the products, their applications and the markets, which we see as a very strong differentiator for us, as it takes experience to understand what customers require.” Once again, it is an approach where DKSH can be said to be rewriting the industry rules.

DKSH is in a position to analyze trends in industry clusters and can assess the needs and offerings in the marketplace. This gives it a road map and the vision for future development. “By proactively taking account of the products available, company strategies and market developments, we can actually create solutions for the needs of tomorrow”, he notes.

BRIGHT FUTURE

In terms of the future for Performance Materials itself, Baden says he feels the time is ripe for a significant acceleration of growth rate. He would like to expand the share of business DKSH does with customers, building on the applications



ABOUT DKSH

DKSH, based in Zurich, Switzerland, helps companies to grow their business in new and existing markets, with focus on Asia. In 2008, it had Total Sales of CHF8.4bn and employed 22,000 specialized staff in 35 countries and 440 business locations in Asia-Pacific, and in 20 locations in Europe and the Americas. Group earnings before interest and tax (EBIT) were CHF148m, up 14% from the 2007 figure.

DKSH operates across four Business Units: Consumer Goods (53% of sales), Healthcare (31%), Performance Materials (9%), and Technology (7%). The majority of its sales are made in Thailand (41%), Malaysia (16%), and Greater China (13%). Overall, Asia generated more than 94% of sales volume.

The company has been in business for more than 140 years and offers a comprehensive package of services that includes organising and running the entire value chain for any product, from sourcing, marketing and sales to distribution and after-sales service. It provides industry expertise and Market Expansion Services to clients and customers.

DKSH is a privately held family business, majority owned by the Diethelm Keller Group, an internationally active Swiss holding company. In 2008 it received a major share capital increase from three new shareholders, namely FFP Group, the holding company of the French Peugeot industrialist family, Swiss investor Rainer-Marc Frey, and Anova Group. As a result it is “now able to pursue an accelerated growth strategy.”

expertise it has put in place.

Baden sees opportunities to bring DKSH's Asia competence into service of American companies who currently represent a rather small share of their supplier portfolio, although there are a lot of products coming out of the region that could succeed in Asia. In other words American companies stand to benefit greatly from working with DKSH in Asia. This trend has already registered within the industry and DKSH has clinched large deals with American blue chip suppliers.

He also sees an opportunity over the next few years to grow by leading the inevitable consolidation in chemical distribution in Asia, where DKSH has a

leading position already. It has recently made several acquisitions, including the specialty chemical distributor Dasico A/S in Denmark and the chemicals trading activity of Voltas Ltd., a member of the TATA group in India.

The pipeline for further acquisitions is filled with several high-quality target companies. “We are ready now to go after bigger M&A targets”, he declares. ■

» Eric Baden, MBA by education, is Executive Vice President Business Unit Performance Materials at DKSH. He has worked for over 20 years in the specialty chemicals industry and is based in Shanghai, China.

All systems go!

By restructuring and refocusing its Business Unit Performance Materials to focus on industry rather than national lines, DKSH has created a platform for accelerated growth around the globe

THE STORY of Business Unit Performance Materials (PM) really takes off from 2005, when DKSH's Business Units Food & Ingredients and Specialty & Life Science Chemicals were merged into a single unit. In 2006, the company concentrated on driving synergies in the combined operations and then in 2007 embarked on a thorough reorganization of the unit, defining and fostering the key success factors.

It was given its current name in 2008, and now operates across five main Business Lines – Brush & Apparel Industry, Food & Beverage Industry, Personal Care & Cosmetics Industry, Pharmaceutical Industry and Specialty Chemicals Industry. It is active in over a dozen Industry Clusters that are distinguished by the specific application competence required to provide value adding solutions to them (see table).

In Personal Care & Cosmetics, for instance, it offers a complete portfolio that comprises basic and specialty ingredients like hair dyes, surfactants, waxes and organic ingredients. In the electronics area, it supplies materials for making photoresists, UV-curing resins and printed electronics, as well as high-purity chemicals for liquid crystal displays, photo voltaics and other high-growth segments.

The PM business achieved total sales of CHF721m in 2008 and earnings before interest and tax (EBIT) of CHF42m. These compare to levels of just CHF544m and CHF28m, respectively, in 2006. In Group terms, PM is highly significant in terms of profitability. While it employs only 6% of DKSH staff and accounts for only 9% of total sales, it brings in 28% of Group EBIT.

The strong growth has been generated by focusing on a number of priorities: local entrepreneurship, industry expertise,

global integration, as well as speed and reliability. The result has been a fundamental shift from disconnected country strategies to distinct globally coordinated Business Line strategies. This shift has resulted in a seamless Market Expansion Service platform that sources from over 4,000 suppliers in 70 markets and sells to over 20,000 customers around the globe.

To do this, it employs around 1,300 specialized staff and has operations in 25 countries, with 31 business locations in the Asia Pacific region and a further 14 in Europe and the Americas. It also operates 15 sourcing offices worldwide and 16 application and formulation laboratories.

The business's global reach and expertise also extends to issues of regulation, and DKSH believes it is well placed to help its suppliers and customers with the new EU chemicals policy REACH. It understands the implications of the regulation, and is already offering regulatory services for its business partners.

PM can help companies comply with REACH, acting as an importer on behalf of non-EU companies and supporting them with consulting services. It manages and organizes the necessary data, can help with registration and preparation of full REACH dossiers for products, operating through five legal entities in the EU.

M&A EXPANSION

Since its creation, the PM business has grown organically but also by acquisition. In 2008, DKSH bolstered the Business Unit through three major deals, with a view to extending its competencies, product range, and geographic footprint.

The first acquisition was that of Desco Rohstoffe Holding, Switzerland, which established PM both as a leading supplier of bristles for brushes, used in the paint

brush and polishing equipment industry, and as a provider of top quality silk for luxury apparel and accessories, such as scarves and ties.

The second acquisition was made in India, where DKSH expanded its presence with the purchase of the chemicals trading division of Voltas Ltd., part of the TATA group. The transfer to DKSH India strengthened the position of PM significantly in the country at a time when its European and US clients were looking to this buoyant, emerging market for growth in a declining global economy.

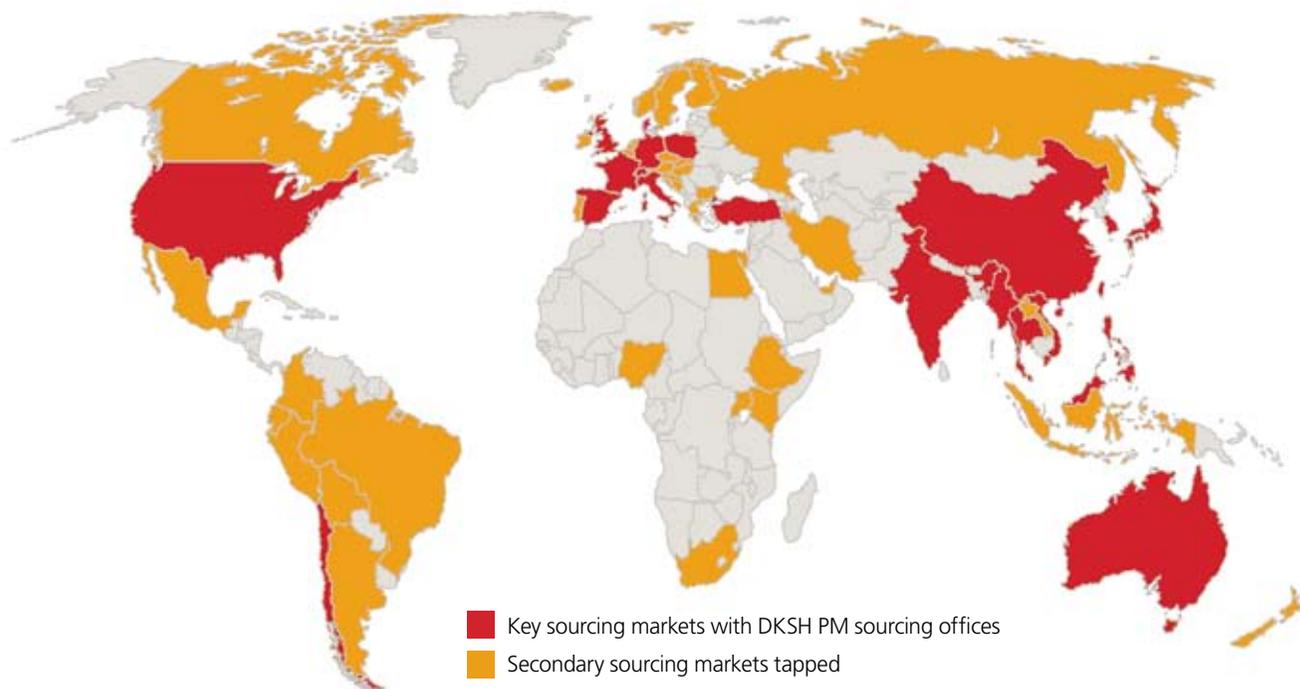
Through seven offices in major Indian industrial centers, DKSH is now able to serve about 500 customers in the coatings, construction, cosmetics, food and beverage, pharmaceutical, plastics, and specialty chemicals industries with tailor-made solutions for their specific applications.

The latest step in the PM business expansion took it to Scandinavia, where it successfully concluded the acquisition of Dasico A/S, a specialty chemicals distributor based in Birkerød, Denmark.

Dasico has served the Scandinavian markets for decades and now enables DKSH to access Denmark, Finland, Iceland, Norway and Sweden. DKSH will now serve over 150 additional customers in the pharmaceutical, food and beverage, agrochemical, and specialty chemical industries with in-depth industry expertise.

From Reykjavik to Istanbul and from Malaga to Trondheim, customers in Western Europe now have access to a tailor-made product range that DKSH sources from over 70 markets across all continents.

These three deals will significantly fortify PM in the long term and have laid the foundation for larger deals to come.



Also in 2008, PM extended its international presence to Indonesia, a large emerging economy lacking high-quality distribution networks. The new presence in Indonesia is reported by the company to have seen very strong sales, far exceeding its expectations.

In Europe, last year also saw the opening of the Business Unit's new supply chain competence center in Hamburg, Germany, which will manage the entire distribution

operations for PM throughout Europe. The center, says the company, is instrumental in the standardization and bundling of supply chain business processes in the region, enabling it to serve customers across Europe more quickly and cost efficiently than its less integrated peers.

As a measure of the success of its improved capabilities and geographic footprint, DKSH has recently won major new business in Asia by leading suppliers

such as Celanese and Aqualon from the US and Allessa Chemie from Europe.

Eric Baden, Executive Vice President, Business Unit Performance Materials, is convinced the global approach is the right one. The year 2008 was the best ever for the Business Unit, despite the downturn in the last quarter. The business has weathered the storm well in 2009 and took the decision not to scale back in the light of falling volumes, given the previous years of investment.

STRUCTURE OF BUSINESS UNIT PERFORMANCE MATERIALS

Business Line	Industry Cluster
Brush & Apparel Industry	Brush
	Apparel
Food & Beverage Industry	Beverage & Dairy
	Confectionery & Bakery
	Food Services
	Food Supplements & Nutrition
	Processed Food
Personal Care & Cosmetics Industry	Personal Care & Cosmetics
Pharmaceutical Industry	Pharmaceuticals
Specialty Chemicals Industry	Graphics & Electronics
	Paints & Coatings
	Polymers, Fibers & Adhesives
	Other Industries

SOURCE: DKSH

RECORD YEAR

In Asia DKSH is on course to top the record year of 2008, which may serve as indicator for its competence and reach in these markets.

Yes, important customer industries like automotive, consumer electronics or construction took a nosedive around the globe as customers simultaneously reduced production output and raw material inventories, which quickly dried up PM's order pipeline.

But, thanks to fast and dependable communication around the globe and equally fast decision-making, it was able to limit the slide to the first quarter. It restructured or exited non-core businesses and EBIT before non-recurring items exceeded the targets in the second half of the year. ■

Success breeds success

DKSH's business model of providing Market Expansion Services for suppliers and customers works right across its Performance Materials' Business Lines and in a number of ways. Here we highlight four success stories, in the food, electronics, pharmaceutical and cosmetics industries. Each describes one of the many ways DKSH can help businesses grow thanks to the company's industry expertise and market presence across the globe



Chocolatiers benefit from DKSH sourcing

SOYA LECITHIN – GUARANTEED GM-FREE

For chocolate makers around the world soya lecithin is an important emulsifier. But it is becoming increasingly hard to find reliable and secure sources of the emulsifier produced from non-genetically modified (GM) crops.

The search is important for many chocolate manufacturers as there are concerns over the use of GM products in certain markets around the globe. This is especially so in Europe where the public and regulators have taken a stance against GM products, and even products with traces of GM material in them.

DKSH's answer to this shortage of conventional material, and the associated logistical problems, was to establish a strong relationship with a specialized Indian producer of soya lecithin.

Using its global network, DKSH as a provider of Market Expansion Services

can now offer stable and reliable sourcing for customers' production sites all across the globe. And it provides full after-sales support and customer service whenever they are needed, as part of its partnership approach to business.

DKSH is now selling the Indian sourced non-GM soya lecithin to several Europe-based chocolate manufacturers, for use in their plants around the world. In one instance, it is supplying a leading company with material for production in its France, Belgium, Poland, Malaysia, Singapore, China, Canada and US plants. It won the contract, it notes, because "we can guarantee supply and service to all these locations."

Today, two of the largest players in the chocolate market rely on DKSH's uninterrupted, worldwide, on-time delivery of on-spec non-GM soya lecithin.

CUSTOM PRODUCTION SOLVES SOURCING ISSUE

The pharmaceutical industry relies on a wide range of sometimes very specialized chemicals and substances, both in research and in production. Often sourcing the more esoteric substances can be a real challenge.

One business partner of DKSH was searching for a new customized substance that was not available on the market at the time. Knowing DKSH's ability to support its partners, it asked the company to help, using



Pharma products speed to market

its specialist knowledge and market insight.

The challenge was to find a suitable custom manufacturer able to meet the exact specifications of the customer. Through its network of contacts and long-standing relationships in Asia, DKSH was able quickly to identify a custom manufacturer in China with the potential to fit the bill.

DKSH's Business Line Pharmaceutical Industry then supported the customer by defining the critical parameters for the product, such as the exact specifications and packaging, etc, as well as the dangerous goods classification and other regulatory issues.

The pharma company, one of the top 10 in Europe, thus received a comprehensive package of services, including development of the substance, synthesis route finding, scale up and development of analytical protocols.

As a result the DKSH customer was able to establish a new drug that is a very

strong performer on the market even today. At the other end of the deal, the Chinese company gained a significant new customer and thus had the incentive and funding to invest in new facilities, further strengthening its market ability.

This example documents how Business Unit Performance Materials combines insights and relationships to deliver results for its business partner: Market Expansion Services at its best.

PHONES LIGHT UP WITH DKSH AID

In the fast-moving world of consumer electronics and devices, speed of development and rapid time-to-market are key factors in any company's competitiveness. Delays in bringing the latest technology mobile phone to retail outlets can mean lost sales and diminished market penetration.

One customer of DKSH, a US maker of mobile phones, was seeking to develop new technology for electro-luminescent back-



DKSH collaborates on R&D

light displays for a new generation of products. Time was of the essence, due to growing consumer demand for lighter, thinner phones, and so fast coordination of samples, evaluation and response by the supplier, customers and DKSH was essential.

DKSH's Business Line Specialty Chemicals Industry offered to help the customer and swung into action, contacting its network around the world to find a suitable supplier for one of the key raw materials for making the conductive pastes essential to the manufacture of the electro-luminescent backlight display.

The customer appreciated the support and so began a three-way collaboration. In subsequent meetings at the US company's R&D center, DKSH experts and supplier representatives were able to develop a custom-grade conductive paste that met all specifications – and that no other producer was able to offer.

This, says DKSH, enabled it to win the business, benefiting itself, the customer and the supplier that it had identified. In fact, the three partners continue to develop new materials for the next generation products.

To improve manufacturing efficiency, the customer is now moving production from the US to China, and DKSH is continuing to support it at this new location, delivering material and providing technical assistance through its local experts.

A HELPING HAND OUT OF AFRICA

Companies with successful products in their own domestic market can often struggle to develop export business, especially when the products involved are tightly regulated in those overseas markets.

An example is provided by a large South African manufacturer of beauty waxes and beads, which was looking to market its high-quality products in the export arena, especially in Europe. The company had not much experience in foreign markets and had no documentation of any kind or information on the specification of its various products.

The company approached DKSH for assistance. Drawing on its Market Expansion Services expertise, the Business Line Personal Care & Cosmetics was able to develop with the South African firm comprehensive product documentation and marketing material.

It also used its knowledge of local regulations, and especially the EU's REACH policy, to ready the product for the market.

It then approached several leading cosmetics companies in the target European market and, as luck would have it, one of the majors was at that time developing

innovative new cosmetic formulations. The South African company's waxes and beads turned out to be a perfect fit for the new products.

After these products were successfully launched on to the French market, DKSH went on to interest several other cosmetic producers in its client's waxes and beads. It achieved additional business in Japan and then other European countries and now also India.

The manufacturer as a result has gained industry-wide acknowledgment and its offerings have become part of the products of several leading companies in the cosmetics sector. DKSH acts as the client's sole partner for importation and distribu-



South African products reach Asia

tion in these markets. It has also taken over the distribution of its partner's substances for one of the largest multinational cosmetics group. ■

For more information, please contact DKSH: Seraina Peter, Communications Manager, Business Unit Performance Materials.

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We help companies to grow their business in new and existing markets. We expand their access to knowledge, their sourcing base, their revenue opportunities and their market shares. Providing business partners with a comprehensive package of services to reach their individual goals is what we call Market Expansion Services



Success requires the right formula. The key ingredients are your business and ours.

DKSH is the world's leading Market Expansion Services Group: growing our partners' businesses by providing a package of comprehensive services along the entire value chain. As an independent solution provider we source, develop, market, and distribute a wide range of specialty chemicals and ingredients to business partners in the food and beverage, personal care and cosmetics, pharmaceutical, and specialty chemical industries.

We bridge Asia, Europe, and the Americas with a global network of sourcing teams, industry experts, as well as application and formulation laboratories to provide a complete range of products and services to our business partners.

Visit us at www.dksh.com/performancematerials

Think Asia. Think DKSH.