

150 OF MARKET
YEARS EXPANSION
SERVICES



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Key figures

Interim consolidated income statement	At constant exchange rates ¹				
	January – June 2015	Change in %	January – June 2015	Change in %	January – June 2014
in CHF millions					
Net sales	4,968.9	7.6	4,877.2	5.6	4,618.4
Operating profit (EBIT)	139.5	6.2	137.8	4.9	131.4
Profit after tax	105.9	15.5	104.4	13.8	91.7
EBIT margin (in %)	2.8	-	2.8	-	2.8

Interim consolidated statement of financial position	June 30, 2015	December 31, 2014	Change in %
in CHF millions			
Total assets	3,838.3	3,991.1	(3.8)
Equity attributable to the shareholders of the Group	1,413.3	1,449.0	(2.5)
Net operating capital (NOC)	1,086.7	1,174.3	(7.5)
Net cash	336.4	292.5	15.0
Return on net operating capital (RONOC) (in %)	24.7	24.2	-
Return on equity (ROE) (in %)	15.6	13.3	-

Earnings per share	January – June 2015	January – June 2014	Change in %
in CHF			
Basic earnings per share	1.70	1.41	20.6
Diluted earnings per share	1.70	1.41	20.6

Other	June 30, 2015	December 31, 2014	Change in %
Specialists	27,837	27,550	1.0

¹ Constant exchange rates: 2015 figures converted at 2014 exchange rates (CER)

Interim consolidated income statement (unaudited)

in CHF millions ¹	January – June 2015	January – June 2014
Net sales	4,968.9	4,618.4
Other income	81.0	20.3
Goods and materials purchased and consumables used	(4,285.9)	(3,968.1)
Employee benefit expenses	(274.5)	(255.3)
Depreciation, amortization and impairments	(52.3)	(20.3)
Other operating expenses	(299.7)	(266.8)
Share of profit of associates and joint ventures	2.0	3.2
Operating profit (EBIT)	139.5	131.4
Net finance result	4.3	(5.6)
Profit before tax	143.8	125.8
Income tax expenses	(37.9)	(34.1)
Profit after tax	105.9	91.7
Attributable to:		
Shareholders of the Group	110.4	91.3
Non-controlling interest	(4.5)	0.4
Earnings per share for profit attributable to the shareholders of the Group		
Basic earnings per share	1.70	1.41
Diluted earnings per share	1.70	1.41

¹ Except for earnings per share (in CHF)

Interim consolidated statement of comprehensive income (unaudited)

in CHF millions	January – June 2015	January – June 2014
Profit after tax	105.9	91.7
Other comprehensive income		
Items that may be reclassified to profit or loss		
Net gain on available-for-sale financial assets, net of tax of CHF 0.0 million	1.2	-
Net loss on interest rate swap, net of tax of CHF 0.1 million	(0.4)	-
Net investment hedges, net of tax of CHF 0.0 million in current and prior period	1.0	(1.2)
Currency translation differences	(76.8)	8.6
Items that will not be reclassified to profit or loss		
Remeasurement (losses)/gains on defined benefit plans, net of tax of CHF 0.3 million in current and prior period	(1.0)	1.4
Total comprehensive income	29.9	100.5
Attributable to:		
Shareholders of the Group	38.9	99.6
Non-controlling interest	(9.0)	0.9

Interim consolidated statement of financial position (unaudited)

in CHF millions	June 30, 2015	December 31, 2014
Cash and cash equivalents	432.2	393.6
Trade receivables	1,670.5	1,869.8
Inventories	983.9	974.0
Prepaid expenses	40.1	35.1
Other receivables	345.1	295.0
Current income tax receivable	12.1	12.2
Current assets	3,483.9	3,579.7
Intangible assets	122.1	158.7
Other receivables	2.5	2.6
Property, plant and equipment	122.7	133.2
Financial assets	22.1	23.1
Investments in associates and joint ventures	37.2	39.7
Retirement benefit assets	6.7	9.3
Deferred tax assets	41.1	44.8
Non-current assets	354.4	411.4
Total assets	3,838.3	3,991.1
Borrowings	46.2	72.2
Trade payables	1,838.0	1,887.5
Current income tax liabilities	32.8	29.7
Other payables and accrued expenses	351.9	407.7
Current provisions	6.7	5.8
Current liabilities	2,275.6	2,402.9
Borrowings	49.6	28.9
Other non-current liabilities	24.4	23.0
Deferred tax liabilities	12.8	16.0
Non-current provisions	4.1	3.1
Retirement benefit obligations	26.6	27.3
Non-current liabilities	117.5	98.3
Total liabilities	2,393.1	2,501.2
Share capital	6.5	6.5
Reserves and retained earnings	1,406.8	1,442.5
Equity attributable to the shareholders of the Group	1,413.3	1,449.0
Non-controlling interest	31.9	40.9
Total equity	1,445.2	1,489.9
Total equity and liabilities	3,838.3	3,991.1

Interim consolidated statement of changes in equity (unaudited)

in CHF millions	Share capital	Currency translation	Other reserves	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interest	Total equity
As of January 1, 2015 audited	6.5	(124.9)	234.2	1,333.2	1,449.0	40.9	1,489.9
Profit after tax	-	-	-	110.4	110.4	(4.5)	105.9
Other comprehensive income	-	(71.3)	-	(0.2)	(71.5)	(4.5)	(76.0)
Total comprehensive income	-	(71.3)	-	110.2	38.9	(9.0)	29.9
Share-based payment transactions	-	-	-	0.2	0.2	-	0.2
Dividend	-	-	-	(74.8)	(74.8)	-	(74.8)
As of June 30, 2015	6.5	(196.2)	234.2	1,368.8	1,413.3	31.9	1,445.2

in CHF millions

As of January 1, 2014 audited	6.4	(178.1)	234.2	1,214.7	1,277.2	37.9	1,315.1
Profit after tax	-	-	-	91.3	91.3	0.4	91.7
Other comprehensive income	-	6.9	-	1.4	8.3	0.5	8.8
Total comprehensive income	-	6.9	-	92.7	99.6	0.9	100.5
Capital increase for incentive plans	0.1	-	-	(0.1)	-	-	-
Share-based payment transactions	-	-	-	2.0	2.0	-	2.0
Buyout of non-controlling interest	-	-	-	-	-	(0.3)	(0.3)
Dividend	-	-	-	(70.8)	(70.8)	-	(70.8)
As of June 30, 2014	6.5	(171.2)	234.2	1,238.5	1,308.0	38.5	1,346.5

Interim consolidated cash flow statement (unaudited)

in CHF millions	January – June 2015	January – June 2014
Profit before tax	143.8	125.8
Non-cash adjustments		
Depreciation, amortization and impairments on		
Property, plant and equipment	17.2	15.3
Intangible assets	35.1	5.0
Share-based payment transaction expense	0.2	2.0
Gain on sale of tangible assets, intangible assets and financial assets	(70.6)	-
Net finance result	(4.3)	5.6
Share of profit of associates and joint ventures	(2.0)	(3.2)
Dividend received from associates and joint ventures	4.0	-
Change in provisions and other non-current liabilities	1.7	5.9
Change in other non-current assets	0.9	(2.0)
Working capital adjustments		
Decrease in trade and other receivables and prepayments	39.3	7.7
Increase in inventories	(90.5)	(107.2)
Increase in trade and other payables	68.8	101.1
Interest received	1.0	0.5
Interest paid	(2.6)	(2.6)
Taxes paid	(35.1)	(37.3)
Net cash flows from operations	106.9	116.6
Proceeds from sale of property, plant and equipment	1.3	0.7
Purchase of property, plant and equipment	(17.6)	(11.1)
Proceeds from sale of intangible assets	38.2	-
Purchase of intangible assets	(2.7)	(5.1)
Proceeds from sale and repayment of financial assets	2.3	2.6
Acquisition of subsidiary net of cash	(8.7)	(37.4)
Net cash flows from/(used in) investing activities	12.8	(50.3)

in CHF millions	January – June 2015	January – June 2014
Proceeds from current and non-current borrowings	48.8	4.8
Repayment of current and non-current borrowings	(41.5)	(28.5)
Proceeds from issuance of shares	-	0.1
Dividend paid	(74.8)	(70.8)
Net proceeds from net investment hedges	-	1.1
Net cash flows used in financing activities	(67.5)	(93.3)
Cash and cash equivalents, as of January 1	393.6	324.5
Effect of exchange rate changes	(13.6)	1.3
Net increase/(decrease) in cash and cash equivalents	52.2	(27.0)
Cash and cash equivalents, as of June 30	432.2	298.8

Notes to the interim consolidated financial statements

1. General information

DKSH ("the Group") is a Market Expansion Services Group with a focus on Asia. DKSH helps other companies and brands to grow their business in new or existing markets.

The Group 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 the Group's fields of expertise: Consumer Goods, Healthcare, Performance Materials and Technology.

DKSH Holding Ltd. is the parent company of DKSH Group. Since March 20, 2012 DKSH Holding Ltd.'s shares are listed on the SIX Swiss Exchange. The address of its registered office is Wiesenstrasse 8, 8008 Zurich, Switzerland.

These interim consolidated financial statements include the consolidated financial statements of the Group and its subsidiaries as of June 30, 2015. They were approved by the Board of Directors on July 10, 2015.

2. Basis of preparation and accounting policies

Basis of preparation

The interim consolidated financial statements for the six months ended June 30, 2015 are prepared in accordance with IAS 34 and should be read in conjunction with the accompanying notes.

The interim consolidated statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS.

Accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2014. No new interpretations and amended standards effective as of January 1, 2015 were applicable for the Group.

3. Segment information

Identification of reportable segments

For management purposes, the Group is organized into Business Units based on their products and services and has four reportable segments as described in the Group's annual financial statements 2014.

No operating segments have been aggregated to form the above-mentioned reportable operating segments.

An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its Business Units separately for the purpose of making decisions about resource allocation and performance assessment.

Management assesses the performance of the operating segments based on EBIT. This measure excludes gains/losses on financial instruments and interest income and expenditure that are not allocated to segments, as this type of activity is driven by the central treasury function.

Operating segments

January – June 2015							
in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Others	Eliminations	Group Total
Net sales third parties	2,015.0	2,408.7	386.6	159.7	-	(1.1)	4,968.9
Net sales intersegment	(1.1)	0.2	-	-	1.2	(0.3)	-
Net sales	2,013.9	2,408.9	386.6	159.7	1.2	(1.4)	4,968.9
EBIT¹	(16.5)	143.4	25.0	11.2	(23.6)	-	139.5
Net finance result							4.3
Profit before tax							143.8

January – June 2014							
in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Others	Eliminations	Group Total
Net sales third parties	1,931.1	2,143.5	381.7	160.8	0.1	1.2	4,618.4
Net sales intersegment	1.2	0.3	-	-	-	(1.5)	-
Net sales	1,932.3	2,143.8	381.7	160.8	0.1	(0.3)	4,618.4
EBIT	58.7	68.1	28.0	4.5	(27.9)		131.4
Net finance result							(5.6)
Profit before tax							125.8

¹ Including loss of CHF 59.4 million in Consumer Goods from restructuring of luxury business and gain of CHF 60.4 million in Healthcare on transfer of two China pharma brands. The loss from restructuring principally includes write-downs of inventories to net realizable value of CHF 18.8 million and losses from the impairment of intangible assets and property, plant and equipment of CHF 30.9 million and CHF 1.3 million, respectively.

4. Acquisitions

New acquisitions

During the first six months of 2015, the Group acquired shares in the following company:

Company	Country of incorporation	Legal ownership	Effective date	Consolidation method	Employees
Andreas Jennow A/S	Denmark	100%	June 30, 2015	Full	15

Effective June 30, 2015, the Group purchased 100% of the shares of Andreas Jennow A/S, a privately held company based in Denmark. Andreas Jennow A/S is a specialty chemicals distributor with activities in Denmark, Sweden, Finland, Norway, Iceland, Estonia, Latvia and Lithuania.

Since the business was acquired on June 30, 2015, there was no actual contribution to net sales and profit for the period. Assuming the business had been acquired as of January 1, 2015, the contribution for the net sales would have been CHF 12.3 million with a corresponding profit after tax of CHF 0.7 million as of June 30, 2015.

The fair values of the identifiable assets and liabilities as at the date of acquisition are:

in CHF millions	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	0.1
Trade receivables	5.5
Inventories	2.8
Other current assets	0.5
Property, plant and equipment	0.1
Other non-current assets	0.1
Liabilities	
Trade payables	(3.0)
Current borrowings	(1.5)
Other current liabilities	(0.8)
Net assets acquired	3.8
Goodwill on acquisitions	9.4
Purchase consideration	13.2
Deferred purchase consideration	(4.4)
Purchase consideration paid in cash	8.8
Cash and cash equivalents acquired	0.1
Net cash outflow	(8.7)

The fair value of trade receivables amounts to CHF 5.5 million and is equivalent to the gross contractual amount of trade receivables.

The goodwill of CHF 9.4 million relates to non-contractual supplier and customer relationships, synergies and footprint improvements. None of the goodwill is expected to be deductible for income tax purposes.

The deferred purchase price depends on the further development of the acquired businesses, timing and exercise of options. The amount currently recognized reflects the present value of the most likely outcome of the amount to be paid.

The allocation of the purchase price was based upon a preliminary valuation, and the estimates and assumptions used are subject to change within the one-year purchase price allocation period.

Prior year acquisitions

During the first six months of 2014, the Group acquired shares in the following companies:

Company	Country of incorporation	Legal ownership	Effective date	Consolidation method	Employees
The Glory Medicine Ltd.	Macao	100%	February 13, 2014	Full	35
Zeus Química S.A. / Zeus Química LDA	Spain / Portugal	100%	June 13, 2014	Full	44

Effective February 13, 2014, the Group purchased 100% of the shares of The Glory Medicine Ltd., a privately held company based in Macao. The Glory Medicine Ltd. is a distributor and service provider for healthcare products.

Effective June 13, 2014, the Group purchased 100% of the shares of Zeus Química S.A. and Zeus Química LDA, privately held companies based in Spain and Portugal, respectively. The Zeus Química business represents a specialty chemicals distributor.

From the dates of acquisition, acquired businesses contributed net sales amounting to CHF 16.0 million and a combined profit of CHF 0.5 million. Assuming the businesses had been acquired as of January 1, 2014, the contribution for the net sales would have been CHF 44.2 million with a corresponding combined profit after tax of CHF 2.4 million as of June 30, 2014.

The fair values of the identifiable assets and liabilities as at the dates of acquisition are:

in CHF millions	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	3.4
Trade receivables	18.6
Inventories	8.4
Other current assets	1.4
Intangible assets	0.4
Property, plant and equipment	2.8
Deferred tax assets	6.2
Other non-current assets	0.1
Liabilities	
Trade payables	(7.1)
Current borrowings	(4.8)
Other current liabilities	(4.9)
Non-current borrowings	(2.7)
Deferred tax liabilities	(0.3)
Other non-current liabilities	(0.2)
Net assets acquired	21.3
Goodwill on acquisitions	20.3
Purchase consideration	41.6
Deferred purchase consideration	(0.8)
Purchase consideration paid in cash	40.8
Cash and cash equivalents acquired	3.4
Net cash outflow	(37.4)

The fair value of trade receivables amounts to CHF 18.6 million. The gross contractual amount of trade receivables is CHF 18.7 million, of which CHF 0.1 million is expected to be uncollectible.

The goodwill of CHF 20.3 million relates to non-contractual supplier and customer relationships, synergies and footprint improvements. None of the goodwill is expected to be deductible for income tax purposes.

The deferred purchase price depends on the further development of the acquired businesses, timing and exercise of options. The amount currently recognized reflects the present value of the most likely outcome of the amount to be paid.

The allocation of the purchase price was based upon a preliminary valuation, and the estimates and assumptions used are subject to change within the one-year purchase price allocation period.

5. Equity

During the first six months of 2015, there were no changes in share capital (2014: increase of 712,134 shares).

There were no treasury shares transactions in the first six months of 2015 and 2014.

An ordinary dividend of CHF 1.15 per registered share was paid during the 2015 interim period. Total dividend payments amounted to CHF 74.8 million. In 2014, a dividend of CHF 1.10 (CHF 0.95 ordinary dividend per common registered share and CHF 0.15 extraordinary dividend per common registered share) was paid, resulting in total dividend payments of CHF 70.8 million.

6. Events after the reporting period

There were no material subsequent events that would require adjustments of the interim consolidated financial statements or additional disclosure.

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