

Annual Report 2018



Think Asia. Think DKSH.

DKSH at a glance

As the No. 1 provider of Market Expansion Services with a focus on Asia, we help companies to grow their business in new and existing markets.

Our Business Units

Our Business Units focus on the fields of Consumer Goods, Healthcare, Performance Materials and Technology and offer a comprehensive range of Market Expansion Services to business partners in their respective areas.

Consumer Goods

Focusing on fast moving consumer goods, food services, hotel supplies and luxury and lifestyle products, our services range from product feasibility studies and sales and marketing to capillary physical distribution.

Healthcare

With a product range covering pharmaceuticals, consumer health and over-the-counter health products, as well as medical devices, we offer services including product registration, marketing and sales and capillary physical distribution.

Performance Materials

We source, develop, market and distribute a wide range of specialty chemicals and ingredients for the specialty chemicals, food and beverage, pharmaceutical and personal care industries.

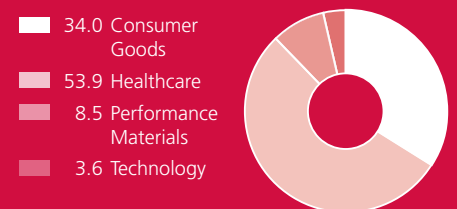
Technology

We cover a broad range of capital investment goods and analytical instruments for which we offer marketing, sales, distribution and after-sales services.

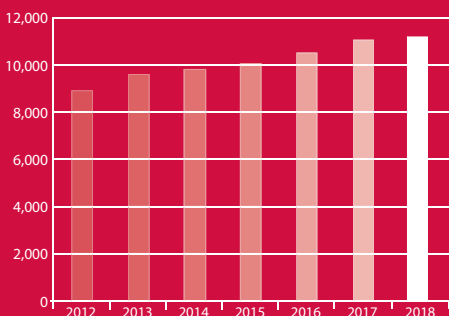
Net sales 2018 by region in %



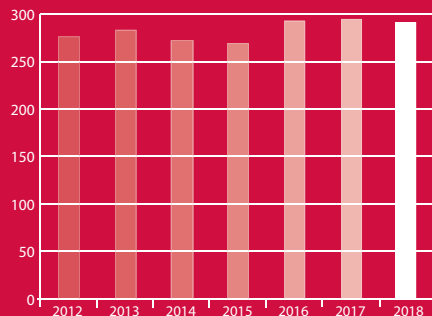
Net sales 2018 by Business Unit in %



Net sales in CHF millions (2012–2018)

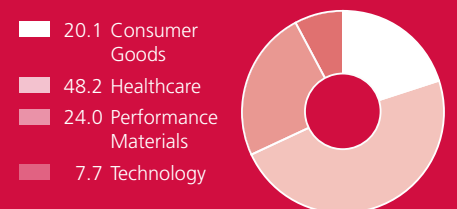


EBIT in CHF millions (2012–2018) ¹



¹ EBIT excluding income of CHF 27.6 million from sale of property in Malaysia in 2013 and one-time effects of CHF 20.7 million in 2018

EBIT 2018 by Business Unit in %²



² EBIT excl. segment "Other"

Contents

Letter to shareholders 2

DKSH share information 4

Key figures 5

Corporate governance 6

Compensation report 28

Management's discussion & analysis 37

Consolidated financial statements DKSH Group 41

Financial statements DKSH Holding Ltd. 97

Letter to shareholders



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

Dear shareholders,

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

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

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

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

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

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

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

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

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

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

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

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

In line with the progressive dividend policy – pursued for many years – the Board of Directors proposes an ordinary dividend of CHF 1.85 per share to the Ordinary General Meeting (AGM) on

March 21, 2019. The ordinary dividend would thereby be CHF 0.20 or 12.1% higher than last year. Payment date for the dividend, if approved by the AGM, is set to start on March 27, 2019 (record date: March 26, 2019; ex-dividend date: March 25, 2019).

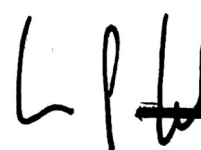
DKSH remains optimistic for Asia's long-term outlook and expects a higher operating result in 2019 – with a strong performance in the second half of the year.

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

Sincerely yours,



Dr. Joerg Wolle
Chairman



Stefan P. Butz
CEO

DKSH share information

Share price and market capitalization

in CHF	2018	2017
Share price (end of period) ¹	67.85	85.25
High ¹	92.65	86.60
Low ¹	61.95	69.75
Market capitalization in CHF millions (end of period) ¹	4,413	5,545
Ordinary dividend per share	1.85 ²	1.65

Share information

Listing	SIX Swiss Exchange
Ticker symbol	DKSH
ISIN	CH0126673539
Swiss security number	12667353
Category	Registered shares
Number of fully paid registered shares	65,042,963
Par value	CHF 0.10

Significant shareholders

	Number of shares	in %
Diethelm Keller Holding Ltd., Switzerland	29,267,730	45.0
FFP Invest SAS, France	3,820,000	5.9
George Loening, USA ³	3,737,592	5.7
Matthews Pacific Tiger Fund, USA	2,861,150	4.4
Black Creek Investment Management, Canada	2,357,850	3.6

¹ Source: SIX Swiss Exchange

² Proposed by the Board of Directors

³ Including shares with voting and non-voting rights

Key figures

Consolidated income statement

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

Consolidated statement of financial position

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

Earnings per share

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

Other

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

¹ Constant exchange rates (CER): 2018 figures converted at 2017 exchange rates

² Including one-time effects in Business Units Consumer Goods (CHF 12.6 million) and Healthcare (CHF 8.1 million)

³ Including gain on sale of Healthcare Business in China (CHF 75.2 million)

Corporate governance

In overseeing an international company operating in 35 countries, DKSH's Board of Directors has committed itself to maintaining the highest standards of integrity and transparency in its governance.

DKSH Holding Ltd. (the Company) is committed to good corporate governance standards and considers compliance with such standards indispensable for a sustainable and valuable relationship with its stakeholders and the Group's future success.

This Corporate Governance Report contains the information required by the Directive Relating to Information on Corporate Governance of the SIX Swiss Exchange valid on December 31, 2018, and follows the Directive's structure. The Corporate Governance Report and the Compensation Report also contain the legally required disclosure of compensation and participation rights at the highest corporate level. The principles and rules of Corporate Governance as practiced by the Company are laid down in the Articles of Association and further internal regulations. These are reviewed on a regular basis by the Board of Directors of the Company.

1. Structure of the Group and shareholders

1.1 Group structure

Operational Group structure

The operational structure of the Group corresponds to the segment reporting and the geographical information presented in Note 3 of the Consolidated Financial Statements (pages 56 to 58) and can be summarized as follows:

Reported segments consisting of the following Business Units:

- Consumer Goods
- Healthcare
- Performance Materials
- Technology
- Other (non-Business Unit)

Geographical information by region:

- Thailand
- Greater China
- Malaysia/Singapore
- Other

Listed companies of the Group

The Company, the ultimate holding company of the Group, has its registered office in Zurich, Switzerland, and its shares are listed on the SIX Swiss Exchange, Zurich, according to the Main Standard. On December 31, 2018, the Company's market capitalization amounted to CHF 4,413 million (65,042,963 marketable shares at CHF 67.85 per share).

On December 31, 2018, of the total of the Company's share capital on the closing date:

- the free float consisted of 31,955,233 shares = 49.1%, and
- no treasury shares held

The Company's shares are traded under the symbol "DKSH," the security number is 12667353 and ISIN is CH0126673539.

DKSH Holdings (Malaysia) Berhad, of which the Company holds a 74.3% participation, has its registered office in Petaling Jaya, Malaysia, and its shares are listed on Bursa Malaysia Securities Berhad (Main Market), Malaysia. On December 31, 2018, DKSH Holdings (Malaysia) Berhad's market capitalization amounted to MYR 362.6 million (157,658,076 ordinary shares at MYR 2.30 per share). DKSH Holdings (Malaysia) Berhad shares are traded under the stock name "DKSH," the stock code is 5908 and ISIN is MYL590800008.

PT Wicaksana Overseas International Tbk, of which the Company held a 70.1% participation on December 31, 2018 (of which 5.2% will have to be sold to the market to satisfy free float requirements), has its registered office in Jl. Ancol Barat VII Blok A5 D No. 2, North Jakarta, 14430, Indonesia, and its shares are listed on Indonesia Stock Exchange (Development Board), Indonesia. On December 31, 2018, PT Wicaksana Overseas International Tbk's market capitalization amounted to IDR 761 billion (1,268,950,977 ordinary shares at IDR 600 per share). PT Wicaksana Overseas Interna-

tional Tbk's shares are traded under the stock name "WICO," the stock code is WICO and ISIN is ID1000066301.

Significant Group companies

The principal subsidiaries of the Group are disclosed in Note 33 to the Consolidated Financial Statements (pages 91 to 92), including particulars as to the country, name of the company, registered office, share capital and the Group's shareholding in percent. Such list includes the most important subsidiaries of the Group based on (i) net sales, (ii) total assets, (iii) headcount and (iv) share capital.

1.2 Significant shareholders

Under the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), anyone holding shares in a company listed on the SIX Swiss Exchange is required to notify the company and the SIX Swiss Exchange if their holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights entered into the commercial register. Notifications must also include financial instruments, regardless of whether cash or physically settled, constituting a purchase or a sale position. Upon receipt of such notifications, the company is required to inform the public.

According to the notifications filed with the Company and SIX Swiss Exchange between and or before January 1 and December 31, 2018, the Company has as of December 31, 2018, the following principal shareholders:

Shareholders	% of voting rights*
Diethelm Keller Holding Ltd., Mühlebachstrasse 20, 8008 Zurich, Switzerland (domicile: Zurich) ¹	45.0
FFP Invest SAS, 66 Avenue Charles de Gaulle, 92200 Neuilly Sur Seine, France ²	5.9
George Loening, New York, USA ³	5.7
Matthews Pacific Tiger Fund, 4 Embarcadero Center, Suite 550, San Francisco, 94111 USA	4.4
Black Creek Investment Management Inc. 123 Front Street, Suite 1200, M5J 2M2, Toronto, Ontario, Canada	3.6

* According to Swiss law, shareholdings must be calculated based on the number of shares reflected in the Company's excerpt of the commercial register at the time the notification is made.

¹ By virtue of a shareholders' agreement dated December 6, 2011 (as amended) (relating to the registered shares in DKH Holding AG), 23 members of the families of Andreas W. Keller, Adrian T. Keller, the late Jean-Pierre Blancpain and Jean-Daniel de Schaller constitute the Family Pool. Decisions of the Family Pool, in particular decisions on the voting of the DKH Holding AG shares, are delegated to a certain Family Council, consisting of Andreas W. Keller, CH-8126 Zumikon, Adrian T. Keller, CH-8702 Zollikon, Jean-Daniel de Schaller, CH-8126 Zumikon, and the substitutes for the late Jean-Pierre Blancpain: Françoise Blancpain, CH-8003 Zürich, and Michèle Blancpain, TH-10110 Bangkok. The Family Pool's indirect shareholding in the Company is controlled through the Family Pool's direct shareholding in DKH Holding AG (in which the Family Pool directly owns 9,218 registered shares, corresponding to 88.95% of the share capital and voting rights) and its indirect shareholding in Diethelm Keller Holding AG (which is controlled by DKH Holding AG, owning 12,000 registered shares, corresponding to 100% of the share capital and voting rights, in Diethelm Keller Holding AG), which is the direct owner of the shares in the Company.

² FFP Invest SAS is fully owned and controlled by FFP, 66 Avenue Charles de Gaulle, 92200 Neuilly Sur Seine, France (domicile: Paris) ("FFP"). The shares of FFP are listed at Euronext Paris (France) Stock Exchange. 79.23% of the shares of FFP are held by Etablissements Peugeot Frères ("EPF"), 66 Avenue Charles de Gaulle, 92200 Neuilly Sur Seine (France).

³ Direct shareholders: Cooper Square Holdings, LLC, 380 Lafayette Street, 10003 New York, USA, Baxter Street Holdings, LLC, 380 Lafayette Street, 10003 New York, USA, Baxter Street Holdings II, LLC, 380 Lafayette Street, 10003 New York, USA, and Vandam Street Holdings, LLC, 380 Lafayette Street, 10003 New York, USA.

Since no relevant changes materialized in the meantime, such overview is also accurate as of the date of this Annual Report according to the information available to the Company.

In addition, information on disclosures by significant shareholders as to the Company under the Swiss Stock Exchange Act until December 31, 2018, can be found on the website of the Swiss Exchange (SIX) under www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

1.3 Cross-shareholdings

As of December 31, 2018, the Company does not have any cross-shareholdings of a reciprocal 5% of capital or voting rights with any other company.

2. Capital structure

2.1 Share capital

As of December 31, 2018, the ordinary share capital of the Company amounts to CHF 6,504,296.30 and is divided into 65,042,963 registered shares with a nominal value of CHF 0.10 each.

2.2 Authorized share capital and conditional capital

Authorized share capital

As of December 31, 2018, the Company does not have any authorized share capital.

Conditional share capital

As of December 31, 2018, the Company's share capital may be increased in the amount of up to CHF 28,253.70 (which would lead to a share capital in the maximum amount of CHF 6,532,550) by issuing up to 282,537 fully paid registered

shares with a nominal value of CHF 0.10 each (which would equate to 0.43% of the existing share capital). Such shares may be used for the purpose of employee participation. The Board of Directors determines the issue price as well as the date of the dividend entitlement and resolves on the allocation of the shares pursuant to the relevant participation plan. Shareholders have no pre-emptive rights.

2.3 Change in capital over the past three years

The following table provides an overview as to the changes in capital during the years 2016 through 2018.

	2016	2017	2018
Number of shares, January 1	65,042,963	65,042,963	65,042,963
Share capital in CHF, January 1	6,504,296.30	6,504,296.30	6,504,296.30
Number of shares, change during year	0	0	0
Share capital in CHF, change during year	0	0	0
Number of shares, December 31	65,042,963	65,042,963	65,042,963
Share capital in CHF, December 31	6,504,296.30	6,504,296.30	6,504,296.30

In addition, information about changes in the capital during the years 2017 through 2018 is presented in Note 25 to the Consolidated Financial Statements (page 77).

2.4 Shares and participation certificates

As of December 31, 2018, the Company has issued 65,042,963 fully paid in registered shares with a nominal value of CHF 0.10 each. With the exception of the treasury shares held by the Company (if any), each share carries one vote (subject to the relevant shareholder being registered in the share register as a shareholder with voting rights) and each share carries a dividend entitlement. As of December 31, 2018, the Company held no treasury shares.

As of December 31, 2018, the Company has not issued any non-voting equity securities such as participation certificates (*Partizipationsscheine*).

2.5 Profit sharing certificates (*Genussscheine*)

As of December 31, 2018, the Company has not issued any profit sharing certificates (*Genussscheine*).

2.6 Limitations on transferability and nominee registrations

Each share recorded and registered under a shareholder's name in the share register of the Company entitles its holder to one vote. There are no preferential rights for individual shareholders. There are no voting right restrictions and, consequently, no exceptions were made in 2018.

The shares of the Company are issued as uncertificated securities and registered as intermediated securities. They are included in the SIX SIS clearing system. Transfers of intermediated shares, including the granting of security interests, are subject to the Swiss Intermediated Securities Act (*Bucheffektengesetz*). The transfer of uncertificated shares is effected by a corresponding entry in the books of a bank or depository institution following an assignment by the selling shareholder and notification of such

assignment to the Company by the bank or depository institution. The transferee must file a share registration form in order to be registered in the Company's share register as a shareholder with voting rights. Failing such registration, the transferee may not vote at, or participate in any General Meeting but may still receive dividends and other rights with financial value. The uncertificated shares may be transferred only with the assistance of the bank that administers the book entries of such shares for the account of the transferring shareholder.

Further, shares may be pledged only to the bank that administers the book entries of such shares for the account of the pledging shareholder; in such case, the Company needs to be notified.

According to the Articles of Association, a person having acquired shares will be recorded upon request in the Company's share register as a shareholder with voting rights. The Company may refuse to record a person in the share register as a shareholder with voting rights, if such person does not expressly state that he/she has acquired the shares in his/her own name and for his/her own account.

Upon request, fiduciaries/nominees may be entered as shareholders in the share register with voting rights for shares up to a maximum of 3% of the share capital. Shares held by a fiduciary/nominee that exceed this limit may be registered in the share register with voting rights, if such fiduciary/nominee discloses to the Company the name, address, nationality or registered office and shareholdings of any person or legal entity for whose account it is holding 0.5% or more of the share capital.

Fiduciaries/nominees that are affiliated with other fiduciaries/nominees by means of ownership structure or voting rights or that have a common management or are otherwise affiliated, are deemed one fiduciary/nominee as regards the application of such entry limitations. The Board of Directors may, at its discretion and after questioning a shareholder or nominee who is entered in the share register, remove their entry with retroactive effect as of the date of their entry if this was made on the basis of incorrect information. The affected shareholder or fiduciary/nominee has to be

notified of the cancellation immediately. Legal entities, partnerships or groups of joint owners or other groups that are related to one another through capital ownership or voting rights or have a common management or are otherwise interrelated are treated as one single shareholder.

In 2018, no such request was made and thus no exception was made.

2.7 Convertible bonds and options

As of December 31, 2018, the Company has not issued any bonds that are convertible into shares or any warrants or options to acquire shares in the Company.

3. Board of Directors, Senior Executive Team and other Committees

3.1 Board of Directors

The following table provides an overview of the Company's Board of Directors (the "Board of Directors") as of December 31, 2018:

Name	Function	Committee Membership	Director since	Term expires
Dr. Joerg Wolle	Chairman		2002	2019
Adrian T. Keller	Member	• Nomination and Compensation Committee (Chairman)	2002	2019
Dr. Frank Ch. Gulich	Member	• Nomination and Compensation Committee	2009	2019
David Kamenetzky	Member		2014	2019
Andreas W. Keller	Member		2002	2019
Prof. Dr. Annette G. Köhler	Member	• Audit Committee	2018	2019
Robert Peugeot	Member	• Nomination and Compensation Committee	2008	2019
Dr. Theo Siegert	Member	• Strategy Committee (Chairman) ¹ • Audit Committee	2006	2019
Dr. Hans Christoph Tanner	Member	• Audit Committee (Chairman)	2011	2019
Eunice Zehnder-Lai	Member	• Nomination and Compensation Committee	2018	2019

¹ The Strategy Committee has been discontinued as of March 2018 (see page 16 for further information)

The following are summarized biographies of the members of the Board of Directors:

Dr. Joerg Wolle, Chairman

(1957, Swiss and German)



Dr. Joerg Wolle has been a member of the Board of Directors from 2002, before being appointed Chairman in March 2017. Dr. Joerg Wolle was President & CEO of DKSH from June 2002 to March 2017, following the merger of Diethelm Keller Services Asia and SiberHegner Holding Ltd. to form DKSH. Previously, he was President & CEO of SiberHegner Holding Ltd. from early 2000. Before that, he worked in various positions within the SiberHegner group from 1991 onward, when he joined SiberHegner in Hong Kong as Sales Director. From 1988 until 1990 he was Manager International Projects for SKF group. Dr. Wolle obtained his PhD in Engineering in 1987 from the University of Technology in Chemnitz, Germany. He graduated from the Senior Executive Program at Stanford Business School, USA. Dr. Wolle is Chairman of the Board of Directors of Kuehne + Nagel International AG and of KlingelIn-berg AG. He is also a member of the Board of Directors of Diethelm Keller Holding Ltd. and of Kuehne Holding AG. From 2006 until 2009, he served on the Board of Directors of UBS AG, Switzerland. Dr. Wolle does not stand for re-election at the AGM 2019.

Adrian T. Keller, Honorary Chairman

(1951, Swiss)



Adrian T. Keller has been a member of the Board of Directors of DKSH since 2002, and was its Chairman from 2004 until March 2017. In March 2017, he was designated Honorary Chairman. He is also chair of the Nomination and Compensation Committee. Since 2000, he has been Vice Chairman of Diethelm Keller Holding Ltd., the anchor shareholder of DKSH. Since 1991, he has been Board member and from 1995 on, Vice Chairman of Eduard Keller Holding, which in 2000 became Diethelm Keller Holding Ltd., Zurich. From 1990 to 1995, he was Partner at Global Reach, New York, a private equity and investment firm. Between 1983 and 1990, he was Partner at Hoguet, Keller, Wittmann & Co., New York, a NASD registered investment advisor and securities brokerage firm. In addition to holding various family business related Board seats, Adrian Keller serves on the Board of Directors of Bergos Berenberg Bank AG and is Chairman of Baur & Cie, a private real estate company. On a pro bono basis, he is member of the Board of the Tonhalle Gesellschaft, Zurich, serves on the Advisory Board of the University of St. Gallen and is a member of the Executive Board of the Swiss American Foundation. He is a Trustee of the Asia Society (Global) and Chairman of the Asia Society Switzerland Foundation. He studied economics at the University of St. Gallen in Switzerland and graduated with an MBA (lic. oec. HSG) cum laude in 1976.

Dr. Frank Ch. Gulich

(1963, Swiss)



Dr. Frank Ch. Gulich has been a member of the Board of Directors since 2009 and is currently a member of the Nomination and Compensation Committee. From 2003 until May 2014 he was CEO of the holdings of the Stephan Schmidheiny family and as of then Chairman. Between 2000 and 2002, he was CEO of the Mueller-Moehl Group and member of the Board of Ascom AG, COS AG and SiberHegner, a predecessor company of DKSH. Dr. Gulich worked for the Stephan Schmidheiny family in various positions from 1993 onward. Between 1988 and 1991, he was a management consultant at Management Partners GmbH in Stuttgart, Germany. Dr. Gulich is currently a co-protector of VIVA Trust and member of the Board of Directors of the Ernst Göhner Stiftung Beteiligungen AG. He holds a doctorate in law (Dr. iur.) from the University of Zurich, Switzerland, and obtained an MBA at INSEAD business school in Fontainebleau, France.

David Kamenetzky

(1969, Swiss and German)



David Kamenetzky has been a member of the Board of Directors since 2014. He is a Member of the Group Executive Committee of Anheuser-Busch InBev, responsible for the management of the Strategy, Legal, Compliance, Government and Regulatory Affairs and Communications functions. David Kamenetzky is also a Director of Zume, Inc., the Palo Alto-based technology company. He was previously a member of the global management team of Mars, Incorporated. From 2000 to 2006, he worked for Goldman Sachs & Co in London and Frankfurt. David Kamenetzky holds a degree in Finance, Accounting and Controlling (lic. oec. HSG) from the University of St. Gallen, Switzerland, and a Master of Science in Foreign Relations from Georgetown University, USA.

Andreas W. Keller

(1945, Swiss)



Andreas W. Keller has been a member of the Board of Directors since 2002. Since 2000, he is Chairman of the Board of Directors and the Executive Committee of Diethelm Keller Holding Ltd., Zurich, the anchor shareholder of DKSH. Prior to the merger of Diethelm & Co. and Edward Keller Ltd. in 2000, he presided over the Boards of Directors of both these companies. From 1985 to 1993, he was member of the Management Board of Eduard Keller Holding. Before returning to Switzerland in 1985, he served as CEO and Chairman of Diethelm Keller (USA) Ltd. in New York after having worked at Diethelm & Co., Thailand, from 1976 to 1980. Andreas W. Keller studied law at the University of Zurich (lic. iur.), Switzerland, and graduated from the Program for Management Development (PMD) at Harvard Business School, USA.

Prof. Dr. Annette G. Köhler

(1967, German)



Prof. Dr. Annette G. Köhler has been a member of the DKSH Board of Directors since March 2018 and is currently a member of the Audit Committee. She is also a member of the Supervisory Board and Audit Committee of HVB UniCredit Bank AG (since May 2014), DMG Mori AG (since May 2017) and Villeroy & Boch AG (since March 2018). From 2012 to 2017, she was a member of the International Auditing and Assurance Standards Board (IAASB), New York. Prof. Dr. Annette G. Köhler holds a chair in accounting and auditing at the University of Duisburg-Essen since 2005. Previously, she has taught accounting and auditing in several universities and has also worked as a research assistant and management consultant. Annette G. Köhler holds a Master of Arts in Economics from Wayne State University in Detroit and a Diploma in Economics and Business Administration from University of Augsburg. She also holds a PhD from University of Cologne and a Habilitation from University of Ulm.

Robert Peugeot
(1950, French)



Robert Peugeot has been a member of the Board of Directors since 2008 and is currently a member of the Nomination and Compensation Committee. Since 2002, Robert Peugeot has been Chairman and CEO of FFP SA. He has held various senior positions at PSA Peugeot Citroën since 1975. From 1998 to 2007, he served as Vice-President for innovation and quality and was a member of the Executive Committee of PSA Peugeot Citroën. He is permanent representative for FFP SA on the Supervisory Board of Peugeot SA. He is also member of the Board of Directors of Hermès International SA, Faurecia SA, Tikehau Capital Advisors, Etablissements Peugeot Frères SA, Sofina SA, Financière Guiraud SAS, FFP Invest SAS, Safran and Soparexo and permanent representative for Maillot I on the Board of Directors of SICAV ARMENE. Robert Peugeot's role at DKSH is part of his role as CEO of FFP SA. He studied at École Centrale de Paris engineering school and at INSEAD Business School in Fontainebleau, France.

Dr. Theo Siegert
(1947, German)



Dr. Theo Siegert has been a member of the Board of Directors since 2006 and is currently a member of the Audit Committee. From 2012 to 2018, he was Chair of the Strategy Committee. Dr. Siegert joined de Haen Carstanjen & Soehne, Germany, as Managing Partner in 2006. Before that, he held various positions at Franz Haniel & Cie. GmbH from 1975 to 2005, where he became Chairman of the Board of Directors in 2005. He was a member of the Supervisory Board of E.ON SE and served as Chairman of its Audit Committee until May 2018. Furthermore, he is a member of the Supervisory Board of Henkel AG & Co KGaA and serves as Chairman of its Audit Committee. In addition, he is a member of the Supervisory Board of Merck KGaA, a member of the Board of Partners and the Chairman of the Finance Committee of E. Merck OHG. He holds a PhD in economics from the University of Munich, Germany, where he was an honorary professor.

Dr. Hans Christoph Tanner
(1951, Swiss)



Dr. Hans Christoph Tanner has been a member of the Board of Directors since 2011 and currently chairs the Audit Committee. He is currently Head of Transactions and Member of the Board of Cosmo Pharmaceuticals NV, Dublin (SIX:COPN) and CFO of Cassiopea SpA, Lainate (SIX:SKIN). Since March 2017, he is member of the Wyss Zurich Evaluation Board. Furthermore, since May 2017, Dr. Tanner is member of the supervisory board of Paion AG, Aachen. From 2006 until May 2016, he was the CFO of Cosmo Pharmaceuticals SA, Luxembourg. From 1998 to 2002, he was with A&A Investment Management, and co-founder and member of the Board of 20 Min Holding and 20 Minuten Schweiz AG. Prior to this, he worked for UBS AG for 21 years, initially as a corporate banker in Zurich, Madrid and Los Angeles and then headed UBS AG's corporate finance and capital markets activities in Zurich from 1992 to 1998. He is a member of the Board of Directors of CureVac AG, Tuebingen, Joimax GmbH, Karlsruhe, Qvanteq AG, Zurich, and FARa Holz AG. He holds a degree in economics (lic. oec. HSG) and a doctorate in economics from the University of St. Gallen, Switzerland.

Eunice Zehnder-Lai
(1967, Swiss and Hong Kong)



Eunice Zehnder-Lai has been a member of the DKSH Board of Directors since March 2018 and is currently a member of the Nomination & Compensation Committee. She is also a member of the Board of Directors of Geberit Group (since 2017) and Asia Society Switzerland (since 2016). Until November 2018, Eunice Zehnder-Lai was CEO of IPM AG (Institut für Persönlichkeitsorientiertes Management). Previously, she was in the financial services industry for 20 years with LGT Capital Partners, Goldman Sachs and Merrill Lynch in New York, London, Hong Kong and Switzerland. She also worked for Procter & Gamble in marketing and brand management as well as for Booz & Co. in strategy consulting. Eunice Zehnder-Lai holds a Masters of Business Administration from Harvard Business School and a Bachelor of Arts degree from Harvard University.

Information about managerial positions and significant business connections of non-executive directors

All members of the Board of Directors are non-executive. None of the non-executive members has held a management position within the Group during the last three years, except Dr. Joerg Wolle.

Adrian T. Keller and Andreas W. Keller are members of the Family Pool and Family Council as described in section 1.2 (Significant shareholders) above and are therefore related to DKH Holding AG and Diethelm Keller Holding AG, the Company's major shareholder. The Group entered into certain related party transactions for the purchase and sale of goods and services with Diethelm Keller Holding AG. Furthermore, the Group's Fantree logo is protected and owned by Diethelm Keller Holding AG. The Group is authorized to use such logo pursuant to a license agreement made between the Group company DKSH International AG and Diethelm Keller Holding AG. Dr. Joerg Wolle is a member of the Board of Directors of Diethelm Keller Holding AG.

No other member of the Board of Directors has any significant business connection with the Company or any other Group company.

3.2 Other activities and functions

Any activities of Board members in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations, as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts that are material, are stated in each of the Directors' biographies, which can be found in section 3.1 (Board of Directors) above.

3.3 Rules in the Articles of Association on the number of external mandates-permitted external activities

At the Ordinary General Meeting 2015, the Articles of Association were amended to comply with the Ordinance against Excessive Remuneration in Public Corporations (the Ordinance) entered into force on January 1, 2014. According to article 24 of the Articles of Association, the members of the Board of Directors may hold a maximum of 15 additional mandates in the supreme governing or administrative bodies of legal entities which are required to be registered in the commercial register or in a comparable foreign register and which are not controlled by the Company or which do not control the Company whereby, no member may hold more than eight such mandates in other listed companies. Mandates in separate legal entities under common control are deemed as one mandate. In the event that the maximum number of mandates is exceeded, the respective member of the Board of Directors must restore the lawful status within six months.

3.4 Elections and terms of office

Pursuant to article 15 of the Articles of Association and in compliance with the Ordinance, all members of the Board of Directors are elected for a term of one year ending upon due completion of the next Ordinary General Meeting. There are no restrictions with respect to the number of terms of service or the age of the relevant members. The elections are carried out at a General Meeting. In accordance with good corporate governance, each member of the Board of Directors is (re-)elected individually. The year of initial election and expiry of the term of the members of the Board of Directors are shown next to their

names in the table set out in section 3.1 (Board of Directors) above.

3.5 Internal organization structure

Allocation of tasks within the Board of Directors

Pursuant to article 8 of the Articles of Association and in compliance with the Ordinance, the Chairman of the Board of Directors and the members of the Nomination and Compensation Committee are directly elected by the Ordinary General Meeting. Other than that, the Board of Directors constitutes itself in accordance with the Swiss Code of Obligations and the Articles of Association. The Board of Directors has established an Audit Committee, a Nomination and Compensation Committee and a Strategy Committee (collectively, the Board Committees). The Ordinary General Meeting elects the Chairman (the Chairman) and the Board of Directors selects the members of the Board Committees (other than the members of the Nomination and the Compensation Committee, who are elected by the Ordinary General Meeting in compliance with the Ordinance). The Board of Directors also appoints its Secretary (currently, Dr. Laurent Sigismondi, General Counsel of DKSH), who does not need to be a member of the Board of Directors. The Chairman presides over the Board of Directors.

Quorum and decision-making of the Board of Directors are determined by the Articles of Association. Any internal regulations and policies are reviewed on a regular basis to ensure their continued compliance with the Articles of Association, applicable laws and good corporate governance. The Articles of Association can be found on the Company's website at: <http://www.dksh.com/articlesofassociation>

Board Committees

The Board of Directors has established an Audit Committee, a Nomination and Compensation Committee and a Strategy Committee.

Audit Committee

The Audit Committee consists of two or more members of the Board of Directors who must be non-executive and independent. Its current members are Dr. Hans Christoph Tanner (Chairman), Dr. Theo Siegert and Prof. Dr. Annette G. Köhler. The Audit Committee has the following powers and duties in relation to the statutory auditors and Group auditors:

- (i) reviewing and assessing the effectiveness of the statutory auditors and the Group auditors, in particular their independence from the Company. In connection therewith, it reviews in particular additional assignments given by the Company or its subsidiaries. The Audit Committee may issue binding regulations or directives in connection with such additional assignments;
- (ii) reviewing and assessing the scope and plan of the audit, the examination process and the results of the audit and examining whether the recommendations issued by the auditors have been implemented by the Senior Executive Team;
- (iii) reviewing the auditors' reports and discussing their contents with the auditors; and
- (iv) approving the terms and conditions of the engagement of the auditors.

Furthermore, it has the following powers and duties in relation to the internal control system (internal audit, risk management and compliance):

- (i) monitoring, reviewing and assessing the effectiveness of the internal audit function,

its professional qualifications, resources and independence and its cooperation with external audit;

- (ii) approving the annual internal audit plan and the annual internal audit report, including the responses of the management thereto;
- (iii) assessing the risk management and the procedures related thereto; and
- (iv) assessing the state of compliance with laws, regulations and internal rules and policies of the Group and the procedures related thereto.

In addition, the Audit Committee reviews, in cooperation with the auditors, the CEO and the CFO, whether the accounting principles and the financial control mechanism of the Company and its subsidiaries are appropriate in view of the size and complexity of the Group. Furthermore, the Audit Committee has the following powers and duties in relation to the preparation of the financial statements:

- (i) reviewing the annual and interim statutory and consolidated financial statements;
- (ii) discussing these financial statements with the CFO and, separately, with the Group external auditor for the annual financial statements; and
- (iii) making proposals to the Board of Directors with respect to the annual and interim statutory and consolidated financial statements (the responsibility for approving the annual and interim financial statements at the level of the Board of Directors remains with the Board of Directors).

The Audit Committee usually holds four meetings annually. The Chairman of the Board of Directors may take part in the meetings as an advisor. Unless otherwise determined by the Audit Committee, the CFO takes part in all meetings, while the

Head of Internal Audit is invited as an advisor, whenever needed. In 2018, the lead audit partner attended two meetings of the Audit Committee. The Audit Committee's Chairman reports to the other members of the Board of Directors about the topics discussed in detail and decisions made and/or to be submitted to the entire Board of Directors for approval. For an overview of the number of Audit Committee meetings, the average duration and the average attendance, please refer to the section "Work methods of the Board of Directors and its Board Committees" below.

Nomination and Compensation Committee

The Nomination and Compensation Committee consists of at least three members of the Board of Directors, of which the majority are non-executive and independent. Since the Ordinary General Meeting 2014, the members of the Nomination and Compensation Committee are directly elected by the shareholders for a one-year term. Re-election is possible. In case of vacancies, the Board of Directors shall appoint the substitutes. The Board of Directors designates one member of the Nomination and Compensation Committee as its Chairman each year at the first Board of Director's meeting after the Ordinary General Meeting. Accordingly, its current members are Adrian T. Keller (Chairman), Dr. Frank Ch. Gulich, Robert Peugeot and Eunice Zehnder-Lai.

In relation to its nomination responsibility, the Nomination and Compensation Committee regularly reviews and makes proposals as to the composition of the Board of Directors and of the Executive Board, including, but not limited to, making proposals as to vacancies in the Board

of Directors and the Executive Board and as to appointment and dismissals of members of the Executive Board.

As to compensation, the Nomination and Compensation Committee has the following duties and responsibilities:

- (i) preparing proposals for submission to the Board of Directors on the compensation policy, including the principles for performance-related compensation and the allocation of securities, conversion or option rights, entitlements or other financial instruments for the Board of Directors and the Senior Executive Team;
- (ii) preparing proposals for submission to the Board of Directors on the maximum aggregate compensation for the Board of Directors and the Senior Executive Team;
- (iii) preparing proposals for submission to the Board of Directors on the specific design of the participation plans;
- (iv) preparing proposals for submission to the Board of Directors on the specific design of the employment contracts of the members of the Senior Executive Team and conditions for termination;
- (v) preparing proposals for submission to the Board of Directors on the individual compensation of the members of the Senior Executive Team within the scope of the Articles of Association and subject to approval by the General Meeting, including, but not limited to, the allocation and definition of compensation-relevant performance objectives and further conditions as well as the verification of the fulfilment of conditions or agreed objectives;
- (vi) preparing the draft of the annual Compensation Report for submission to the Board of Directors.

In line with the principles described in the Articles of Association, the Nomination

and Compensation Committee may be entrusted by the Board of Directors with additional tasks.

In order to perform its duties, the Nomination and Compensation Committee may also retain the support of independent third parties and remunerate them.

On invitation of the Chairman, the Nomination and Compensation Committee convenes as often as business requires, but typically two to six times a year. The Board of Directors is informed by the Chairman of the Nomination and Compensation Committee about all items discussed, in particular, about all decisions made within powers and duties as described above. For an overview of the number of Nomination and Compensation Committee meetings, the average duration and the average attendance, please refer to the section "Work methods of the Board of Directors and its Board Committees" below.

Strategy Committee/ Strategy Day

At the Board Meeting on March 22, 2018, the Board of Directors decided to replace the Strategy Committee with an annual strategy session that involves the full Board. This is due to the paramount importance of Group strategy on the Board agenda.

On December 12, 2018, the first Strategy Day took place and had the following objectives:

- (i) to review the Group strategy;
- (ii) to provide independent and objective review and advice to the CEO (as appropriate) with respect to the development and implementation of the Group strategy; and
- (iii) to assist in connection with the management of transactions or other special

projects of importance to the Company or the Group.

Work methods of the Board of Directors and its Board Committees

According to the Organizational Regulations, the Board of Directors must meet regularly and as often as business requires.

Board meetings are convened by the Chairman of the Board of Directors or, if the Chairman is unable to do so, by another member designated for such purposes by the Board of Directors. The notice of meetings should be given at least ten days in advance in order to allow the members of the Board of Directors the required preparation time. The Chairman must also convene a Board meeting, generally within fourteen days, if requested to do so by any of its members in writing, by stating the reasons and the items to be placed on the agenda. In addition to the standing Board Committees, the Board of Directors may entrust some or several of its members, as individuals or as members of a committee, with the duty to prepare and carry out its resolutions or to supervise certain matters. Such members must also keep the Board of Directors duly informed on such entrusted matters.

The Chairman is, inter alia, in charge of organizing and preparing the Board meetings (including the preparation of the agenda), chairing the Board meetings, ensuring the flow of information within the Board of Directors and the Group and coordinating with the CEO the communication with the public.

Meetings of the Board of Directors may also be held by telephone conference or in another suitable way.

In principle, the Board of Directors may pass resolutions when the majority of its members are present (including participation by teleconference or in another suitable way). The following elections, transactions and issues must be adopted by the Board of Directors by a majority of at least two-thirds of the votes cast: (i) determination of business policies, long-term planning and strategy, (ii) approval of annual planning, financial policies and the internal control system (ICS), (iii) submission of consolidated financial statements and dividend proposals to the shareholders' meeting, (iv) enactment and amendment of the Organizational Regulations and (v) election and removal of the CEO. All other decisions of the Board of Directors may be adopted by a majority of the votes cast. In case of a tie vote, the Chairman of the relevant meeting has the casting vote. Resolutions on an item may be adopted in writing unless a member of the Board of Directors requests an oral deliberation.

Generally, the Board Committees may pass resolutions when the majority (at least two) of its members are present. Resolutions of the Board Committees are adopted by a majority of the votes cast. In case of a tie, the Chairman of the relevant Board Committee has the casting vote.

Minutes are kept of the discussions and resolutions taken at each of the meetings of the Board of Directors and its Board Committees.

The following chart provides an overview of the attendance of Board meetings and Board Committee meetings of each member of the Board of Directors and the Senior Executive Team, and the average meeting time in 2018:

Attendance per Board meeting through 2018

	February 2, 2018 14:00–18:00	March 22, 2018 12:15–13:30	July 11, 2018 14:00–15:00 Conference call	September 14, 2018 13:30–18:00 (Tokyo) ¹	October 31, 2018 16:00–17:10 Conference call	November 11, 2018 12:30–13:55 Conference call	December 13, 2018 13:30–17:25
Dr. Joerg Wolle (Chairman)	•	•	•	•	•	•	•
Rainer-Marc Frey	•						
Dr. Frank Ch. Gulich	•	•	•	•	•	•	•
David Kamenetzky	per telephone	•	•	partially per telephone	•	•	•
Adrian T. Keller	•	•	•	•	•	•	•
Andreas W. Keller	•	•	•	•	•	•	•
Prof. Dr. Annette G. Köhler		•	•	•	•	•	•
Robert Peugeot	•	•	•	partially per telephone	•	•	•
Dr. Theo Siegert	•	•	•	•	•	•	•
Dr. Hans Christoph Tanner	•	•		•	•	•	•
Eunice Zehnder-Lai		•	•	•	•	•	•

¹ On September 13, 2018, the Board of Directors visited operations and markets in Tokyo (09:00–17:00).

Attendance Senior Executive Team Members

Bernhard Schmitt	14:45–17:55		14:10–15:00	14:15–18:00			14:45–16:30
Stefan P. Butz	14:45–17:55		14:10–15:00	14:15–18:00	•	•	14:45–16:30
Bijay Singh	16:55–17:55			17:15–17:45			
Martina Ludescher				14:45–15:45			
Stephen Ferraby				17:15–17:45	•	•	

Attendance per Audit Committee meeting through 2018

	February 2, 2018 10:00–12:10	July 11, 2018 13:00–14:00 Conference call	September 14, 2018 09:00–11:00 (Tokyo)	December 12, 2018 14:00–18:30
Dr. Hans Christoph Tanner (Chair)	•		•	•
Rainer-Marc Frey	•			
Dr. Theo Siegert	•	•	•	•
Prof. Dr. Annette G. Köhler			•	•
Adrian T. Keller (as guest)			10:00–11:00	
Dr. Joerg Wolle (as guest)	•	•	•	15:30–17:30
Christian Krämer (Lead Auditor)	•			•

Attendance Senior Executive Team Members

Bernhard Schmitt	•	•	•	•
Stefan P. Butz				17:30–18:30

Attendance Strategy Committee meeting March 2018/Strategy Day December 2018

	March 21, 2018 15:00–18:20	December 12, 2018 09:45–12:30
Dr. Theo Siegert (Chair for March 2018 Meeting)	•	•
Rainer-Marc Frey	•	
Adrian T. Keller	•	•
Andreas W. Keller (as guest)	•	•
Dr. Joerg Wolle	•	•
Dr. Frank Ch. Gulich		•
David Kamenetzky		•
Prof. Dr. Annette G. Köhler		•
Robert Peugeot		•
Dr. Hans Christoph Tanner		•
Eunice Zehnder-Lai		•

Attendance Senior Executive Team Members

Stefan P. Butz	•	•
Hanno Elbraechter	15:30–16:35	
Stephen Ferraby (per telephone)	15:05–15:30	•
Martina Ludescher	17:05–17:55	

Attendance per Nomination and Compensation Committee meeting through 2018

	February 2, 2018 12:30–14:00	September 14, 2018 11:00–12:30 (Tokyo)	December 12, 2018 16:15–17:30
Adrian T. Keller (Chair)	•	•	•
Dr. Frank Ch. Gulich	•	•	•
Robert Peugeot	•		•
Eunice Zehnder-Lai		•	•
Dr. Joerg Wolle (as guest)	•	•	16:30–17:30

Attendance Senior Executive Team Members

Stefan P. Butz	•	•	16:30–17:30
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3.6 Board of Directors and Senior Executive Team: areas of responsibilities

The Board of Directors exercises supreme and ultimate management, supervision and control over the conduct of the Company's and the Group's business. It represents the Company and resolves all matters that are not reserved or delegated to another body of the Company. In accordance with the Articles of Association and based on the Organizational Regulations of the Company, the Board of Directors has delegated the conduct of the Company's business to the Senior Executive Team under the leadership of the CEO.

The Board of Directors has the following non-assignable and inalienable duties:

- (i) overall management of the Company and issuance of required directives;
- (ii) definition of the organizational structure;
- (iii) establishment of principles for accounting, financial controlling and financial planning;
- (iv) appointment and removal of the persons entrusted with executive management and representation of the Company, and determination of signatory authorities;
- (v) oversight of the persons entrusted with executive management, specifically with regard to compliance with the law, the Ar-

ticles of Association, regulations and directives;

- (vi) preparation of the Annual Report;
- (vii) preparation of the Compensation Report and the resolution on the maximum aggregate compensation for annual approval by the General Meeting separately for the Board of Directors and Senior Executive Team;
- (viii) preparation of the General Meeting and the implementation of its resolutions;
- (ix) notification of the courts in the event of overindebtedness;
- (x) resolutions on the determination of capital increases and respective amendments to the Articles of Association.

The Senior Executive Team, under the leadership of the CEO, is entrusted with all other powers and duties (except the powers attributed to the General Meeting by law and the Articles of Association), including the preparation and implementation of the resolutions of the Board of Directors and the management of the Company and the Group.

The CEO leads the Senior Executive Team and has, *inter alia*, the following powers and duties with the right to delegate the performance and implementation of such CEO duties further:

- (i) the establishment of a management organization that enables the Group to effectively operate its business in accordance with the strategy approved by the Board of Directors;
- (ii) the management and control of the day-to-day business of the Group;
- (iii) the issuance of internal rules and regulations for the management – including rules for the organization of the Senior Executive Team and the preparation, calling and presiding of the meetings of the Senior Executive Team – and the operations of the Group, to the extent that this is not the responsibility of the Board of Directors;
- (iv) the provision of all information and documents necessary to the Board of Directors;
- (v) the implementation of the resolutions passed by the Board of Directors or the Board Committees;
- (vi) the proposal to the Board of Directors of transactions for its approval or resolution;
- (vii) the proposal to the Nomination and Compensation Committee of the appointment and dismissal of members of the Executive Board (which includes the CFO, the Chief Commercial Officer (up to December 31, 2018) and the Head of Corporate Affairs & Strategic Investments);

(viii) the appointment and removal of the top managers other than members of the Executive Board;

(ix) the implementation of the limits of authority and determination/implementation of amendments thereto, to the extent that such amendments relate to functions directly or indirectly subordinated to the CEO and any material amendments to be subsequently approved by the Board of Directors.

3.7 Information and control instruments vis-à-vis the Senior Executive Team

The Board of Directors recognizes the importance of being fully informed on material matters that may have an impact on the Company and/or the Group. It supervises the Senior Executive Team and controls and monitors the Senior Executive Team's and the Group's performance through reporting and controlling processes and the Board Committees.

The Board of Directors receives a monthly financial report generated by the Company's management information system. The report comprises consolidated financial information and includes an income statement, balance sheet and cash flow statement, including management performance comments by Business Units and communication of key issues. Members of the Senior Executive Team may attend meetings of the Board of Directors, if required, and the CFO and the Head Corporate Affairs & Strategic Investments attend meetings of the Audit Committee.

The Audit Committee defines and evaluates the most important risks of the Group in a process based on a detailed risk catalog. As a general principle, risks are assessed, monitored and mitigated in a decentralized manner where risks origi-

nate, i.e. directly in the business or in the various functional streams, such as Finance, Supply Chain, IT, People & Organization (P&O), Legal and Compliance. A centralized risk management function actively supports the Audit Committee by focusing on key strategic risks for the Group and its Business Units. These risks are periodically reviewed jointly with the Executive Board or Business Unit management and reported to the Audit Committee. Additionally, risk management processes are installed in all major country organizations, with a perspective on the local platforms that enable and support the various businesses in a country. Based on the evaluation, a detailed catalog of measures for the most important risks is presented to the Audit Committee in its last meeting during each year, which evaluates the risk matrix resolving a catalog of measures. The most important risks, along with possible measures to prevent and minimize potential damage, are presented to the Board of Directors for consideration and decision-making.

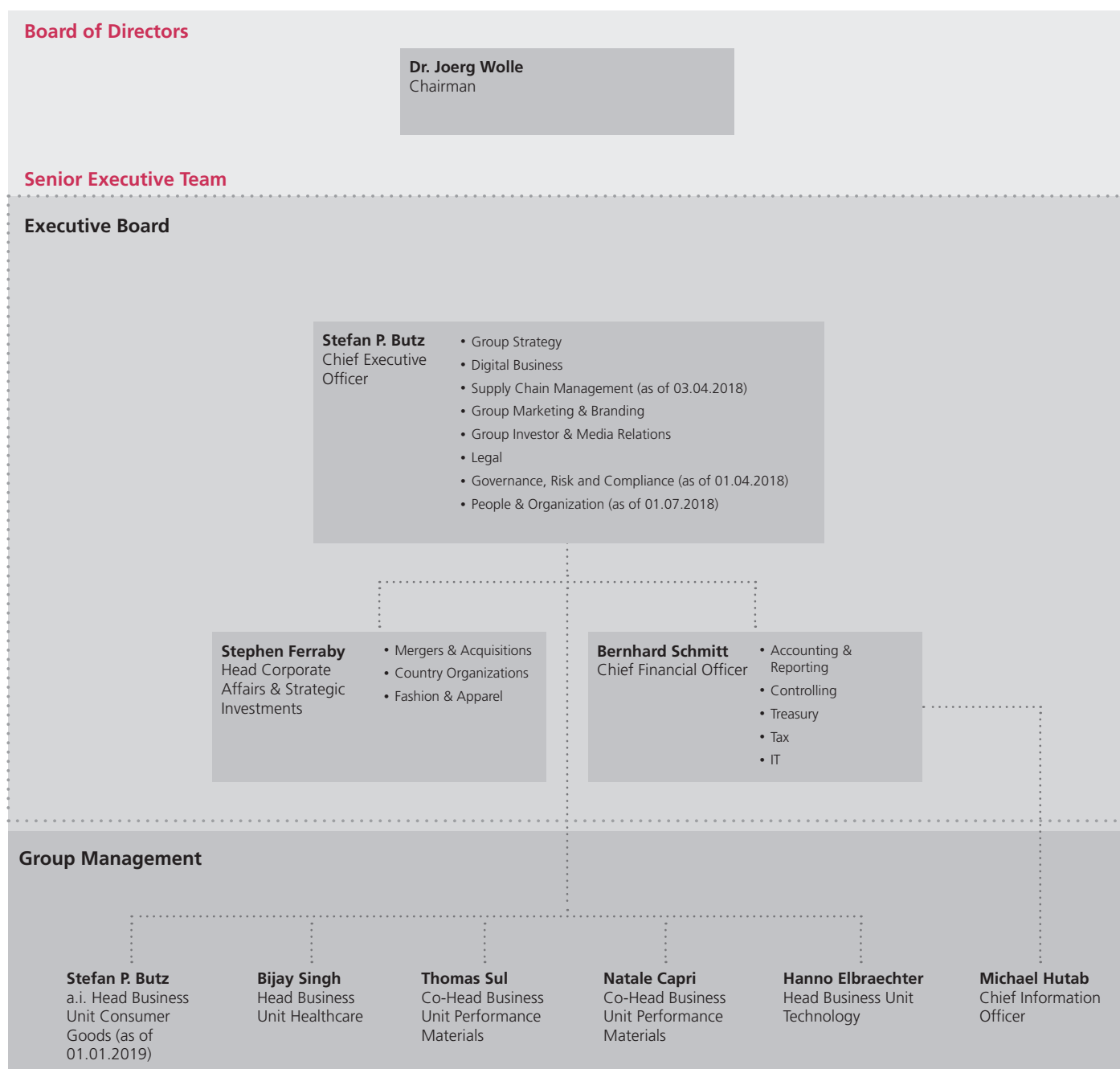
Internal Audit, the external auditors and the governance, risk and compliance function support the Board of Directors in exercising its supervisory and control functions. The internal audit function reports directly to the Chairman of the Board of Directors and the Audit Committee and comprises auditors who travel on a pan-Asian and European basis, completing audit assignments assigned by the Audit Committee. Internal audit presents update reports in each Audit Committee meeting. The compliance function reports to the Head Corporate Affairs & Strategic Investments and comprises compliance professionals who develop compliance policies, monitor reports regarding compliance matters and conduct investigations into compliance matters.

4. Senior Executive Team

The Senior Executive Team (*Geschäftsleitung*) is composed of two tiers: the Executive Board (which includes the CEO, the CFO, the Chief Commercial Officer (up to December 31, 2018) and the Head of Cor-

porate Affairs & Strategic Investments) and Group Management (which includes the other members of the Senior Executive Team). The main difference between the members of the Executive Board and of the Group Management lies in their design-

ation modus: Members of the Executive Board are directly designated by the Board of Directors, while members of Group Management are designated by the CEO.



4.1 Members of the Senior Executive Team

The following are summarized biographies of the members of the Senior Executive Team:

Stefan P. Butz, CEO
(1968, German)



Stefan Butz joined DKSH as member of the Group's Executive Board in January 2017, before becoming CEO in March 2017. From 2013, Stefan Butz was the Chief Executive Industry & COO Europe/China with the Intertek Group Plc in London, UK. The company ranks among the leading global enterprises in the worldwide quality assurance industry. He joined Intertek in 2008 as Group Executive Vice President and was initially responsible for setting up its Industry and Assurance division, as well as for Strategy, Mergers & Acquisitions and Marketing. Before that he worked at TÜV Süd, one of the world's largest testing, certification and inspection companies, as Head Corporate Development from 2000, and then as CEO & President of the North American operations headquartered in Boston from 2002. Stefan Butz began his career as a Management Consultant and worked at Accenture Strategy in Munich for many years. He holds a Master's degree in Business Administration (Dipl.-Kfm.) from the University of Bayreuth. Stefan Butz has also completed executive programs at Harvard and Wharton, among others.

Bernhard Schmitt, CFO
(1959, German)



Bernhard Schmitt has been the Group Chief Financial Officer since 2011, responsible for Global Accounting & Financial Reporting, Treasury, Controlling and Tax. He also took over responsibility for the Group-wide IT function starting 2016. He has been a member of the Executive Board since 2009, when he became responsible for Supply Chain, Business Processes and Country Operations. Mr. Schmitt joined DKSH in 2004 as Vice President Central Services in Thailand. Before joining DKSH, he held various positions at Wacker-Chemie, including Head of Controlling since 2004; CFO of Wacker Siltronic AG from 2002 until 2004; and Head of Accounting, Controlling and Financing for Wacker Siltronic AG from 1996 until 2002. He holds a Master's degree in Business Administration (Dipl.-Kfm.) from the University of Mannheim, Germany.

Stephen Ferraby
(1964, Australian)



Stephen Ferraby was appointed Head Corporate Affairs & Strategic Investments in July 2015, responsible for Mergers & Acquisitions, Country Organizations as well as Fashion & Apparel, Food & Beverage retailing and Luxury and Lifestyle in Asia. He is Chairman of DKSH Malaysia, which is listed on the Malaysian stock exchange. Mr. Ferraby joined DKSH in 2010 as CFO for DKSH Thailand and was later appointed Head Country Management Team for DKSH Thailand and Regional Vice President Finance for eleven countries in Asia. Prior to joining DKSH, Stephen Ferraby held the position of CFO Asia Pacific at CEVA Logistics and before that was CFO and CEO at a private equity sponsored company. Previously, he spent eleven years at Exel PLC, six years in the UK and five years in Singapore and was appointed CFO Asia Pacific in 2001. From 1985 to 1995, he served in the fields of audit, advisory and corporate finance at Ernst & Young in Australia and the United Kingdom. Stephen Ferraby holds a Bachelor's degree in Commerce (First Class) from the University of Birmingham, United Kingdom.

Bijay Singh
(1964, Canadian)



Bijay Singh joined DKSH as Vice President, Global Business Development for Business Unit Healthcare in July 2015. He was designated Global Head Business Unit Healthcare as of July 2017. Bijay Singh has twenty-five years of experience in the Healthcare industry. From 2004 to 2015, he held various senior positions at Novartis, a leading global Swiss healthcare company. Prior to 2004, Bijay Singh worked for eleven years in various positions for Eli Lilly in Asia and the United States as well as for two global audit companies. He has lived and worked in four continents and has amassed over 15 years work experience in the healthcare field across Asia. Bijay Singh holds a Bachelor of Business Administration (Hons) from Simon Fraser University, Canada and a Master's degree in Business Administration from Stanford University, California.

Thomas Sul
(1965, Dutch)



Thomas Sul has been Member of Group Management of DKSH and Co-Head of Business Unit Performance Materials since November 2013. He joined DKSH in Germany in 1996 as a Sales Manager in Specialty Chemicals. To this day, he acts as Managing Director of DKSH Germany. From 2003 to 2007 he was a Global Business Line Manager in Specialty Chemicals and thereafter Vice President Europe. Before that, he worked for Beiersdorf AG as a Market and Product Manager for several years. Thomas Sul holds a Master's degree in Business Administration (Dipl.-Kfm.) from the University of Kiel, Germany.

Dr. Natale Capri
(1970, Italian)



Dr. Natale Capri has been Member of Group Management of DKSH and Co-Head of Business Unit Performance Materials since November 2013. Dr. Capri joined the Milan office of DKSH back in 1998 as a Sales Manager for Italy, where from 2001 to 2005 he was responsible for European and American Imaging and Electronic Chemicals and thereafter Global Vice President Business Line Specialty Chemicals. Additionally, he held the role of the Head of DKSH India from 2007 to 2011. Still today, he acts as Managing Director of DKSH Italy. Prior to DKSH, he worked for the Italian chemical Group Lamberti for several years. Dr. Capri holds a Doctor degree in Organic Chemistry from the Milan University and an MBA from SDA Bocconi School of Management, Milan.

Hanno Elbraechter
(1980, German)



Hanno Elbraechter has been Member of Group Management of DKSH and Head of Business Unit Technology since September 2014. In this function, Mr. Elbraechter oversees about 1,200 specialists in 17 countries across Asia. He is also a member of Board of Directors at Datacolor AG (SIX: DCN). Before joining DKSH, he spent more than ten years at Deckel Maho Gildemeister (DMG). In his last position, he was CEO Asia of DMG. Hanno Elbraechter graduated from Ecole de Management (ESC) de Bordeaux, France, and University of Applied Sciences Muenster, Germany.

Michael Hutab
(1975, Swiss)



Michael Hutab has been the Chief Information Officer of DKSH since May 2016 and is based in Kuala Lumpur, Malaysia. He is responsible for the Group-wide IT strategy and its implementation and for driving forward continuous improvement of business processes through innovative IT solutions. Michael Hutab manages DKSH's Corporate Shared Service Center, which comprises the global IT-Hub, Business Process Operations and the regional People & Organization office, with around 330 employees in total. Before joining DKSH, Michael Hutab was Chief Information Officer of Datwyler Holding Inc. He also held several IT and general management positions at OC Oerlikon and Rio Tinto Alcan. Michael Hutab has a Master of Science degree in Business Administration (Management Information Systems and Information Technology) from the Graduate School of Business Administration Zurich, Switzerland, and the University of Wales, UK, and holds an Advanced Diploma of Higher Education in Business Information Management.

Martina Ludescher (1977, Swiss), stepped down from her responsibilities as Chief Commercial Officer and Member of the Executive Board responsible for the Business Unit Consumer Goods (including Business Segments Fast Moving Consumer Goods, Luxury & Lifestyle and Gourmet Fine Foods) as of December 31, 2018.

Christopher Pollard (1971, British) was Member of Group Management of DKSH and Head of Supply Chain Management until April 3, 2018.

4.2 Other activities and functions

Any activities of members of the Senior Executive Team in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, that are material, are stated in each of the managers' biographies, which can be found in section 4.1 (Members of the Senior Executive Team).

4.3 External mandates

Pursuant to article 30 of the Articles of Association, the members of the Senior Executive Team may hold a maximum of seven additional mandates in the supreme governing or administrative bodies of legal entities, which are required to be registered in the commercial register or in a comparable foreign register and which are not controlled by the Company or which do not control the Company, whereby no member may hold more than three such mandates in other listed companies. Mandates in different legal entities, which are under common control, are deemed as one mandate. In the event that the maximum number of mandates is exceeded, the respective member of the Senior Executive Team must restore the lawful status within six months.

4.4 Management contracts

The Company has not entered into any management contract with any third party.

5. Compensation

For details regarding the compensation and shareholdings of the members of the Board of Directors and of the Senior Executive Team, please refer to the Compensation Report on page 28 of this Annual Report.

6. Shareholders' participation rights

6.1 Voting right restrictions and representation

The voting right may be exercised only if the shareholder (as owner, usufructuary or nominee) is recorded on a specific day (record date) as a voting shareholder in the share register of the Company. Any shareholder with voting rights may be represented by their legal representative, the independent proxy, or, if authorized in writing, by a third party who does not have to be a shareholder. The Company recognizes only one representative per share. The Board of Directors determines the requirements concerning powers of attorney and instructions in accordance with the legal provisions and can issue regulations to this effect. There are no preferential rights for individual shareholders and no voting restrictions. Treasury shares held by the Company do not entitle the holder to vote.

There are no voting right restrictions. Therefore, there are no procedures or conditions for cancelling restrictions and no rules on making exceptions to them. Consequently, no such exceptions were made in 2018, provided, however, that for the discharge of the members of the Board of Directors and of the Senior Executive Team, shareholders who take part in the

Company's management in any manner do not have voting rights.

There are no statutory group clauses other than in relation to the rules applicable to nominees. For limitations on transferability and nominee registrations, see section 2.6 "Limitations on transferability and nominee registrations" hereabove.

Independent Shareholder Representative

The General Meeting elects the Independent Shareholder Representative. Natural or legal persons or partnerships may be elected. The term of office of the Independent Shareholder Representative ends with the closure of the next Ordinary General Meeting. Re-election is possible.

If the Company does not have an Independent Shareholder Representative, or if the Independent Shareholder Representative is not able to perform his/her duties, the Board of Directors may appoint one for the next or current General Meeting. Unless a shareholder expressly issues an instruction to the contrary, the proxies and voting instructions retain their validity for the new Independent Shareholder Representative.

The Independent Shareholder Representative may be represented at the General Meeting by auxiliary persons. He/she remains entirely responsible for performing his/her duties. The Independent Shareholder Representative is obliged to exercise the voting rights assigned to him/her by the shareholders in accordance with their instructions. If he/she does not receive any instructions, he/she abstains from voting.

The Board of Directors determines the procedure and the conditions for the assignment of proxies and instructions to Inde-

pendent Shareholder Representatives in relation to a General Meeting.

The Board of Directors shall ensure that the shareholders have the opportunity to issue to the Independent Shareholder Representative:

- (i) voting instructions on any motion concerning agenda items included in the invitation;
- (ii) general voting instructions on agenda items that have not been pre-announced and new agenda items pursuant to Art. 700, para 3, of the Swiss Code of Obligations;
- (iii) proxies and instructions also electronically.

Proxies and instructions may only be given to the Independent Shareholder Representative for the forthcoming General Meeting. The Board of Directors is authorized to waive the requirement for a qualified electronic signature either fully or partially. The general or implied instruction of a shareholder to the Independent Shareholder Representative to vote in favor of the motions of the Board of Directors is permitted. This also applies to motions, which have not been pre-announced in the invitation of the General Meeting.

6.2 Statutory quorums

The General Meeting may pass resolutions regardless of the number of shareholders present or shares represented by proxy. Except where otherwise mandated by law, all resolutions of the General Meeting are passed by an absolute majority of the votes cast, whereby abstentions, blank and invalid votes are not deemed to be cast.

6.3 Convocation of the General Meeting of shareholders

General Meetings of shareholders are convened by the Board of Directors by way of a notice in the Swiss Commercial Gazette and by way of letters to the shareholders listed in the share register at least 20 calendar days before the relevant meeting. The convocation of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the share capital.

6.4 Inclusion of items on the agenda

Shareholders who represent shares of a nominal value of CHF 1.0 million or more may demand that matters be put on the agenda. This request must be submitted to the Board of Directors in writing, along with the respective motions, at least 45 calendar days before the relevant General Meeting.

6.5 Registrations in the share register

In the invitation to the General Meeting, the Board of Directors states the applicable record date by which shareholders must be registered in the share register to be eligible to participate in and vote at the meeting. In recent years, the Company has set the record date between eleven to sixteen working days before the General Meeting.

7. Change of control and defense measures

7.1 Duty to make an offer

In accordance with article 6 of the Articles of Association, a purchaser of shares in the Company must submit a public takeover offer, pursuant to Art. 32 of the Federal Stock Exchange and Securities Trading Act ("SESTA"), if it exceeds the threshold of 49% of the voting rights in the Company (opting up).

7.2 Clauses on changes of control

There are no change of control clauses (which would be triggered in the event of a direct or indirect change of control in the Company) in favor of the members of the Board of Directors, the Senior Executive Team or any other senior manager or officer.

The contracts of employment with the members of the Senior Executive Team may have a fixed or indefinite term. The maximum duration for fixed-term contracts and the maximum notice period for contracts of an indefinite term shall be twelve months (Art. 27 of the Articles of Association).

In case of an ordinary termination, all such members of the Senior Executive Team would be entitled to the fixed salary throughout the remainder of the applicable termination period. Furthermore, all such members of the Senior Executive Team may be entitled to annual variable pay, timely pro-rated if applicable, in accordance with the principles as explained in the Compensation Report.

8. Statutory auditors

8.1 Duration of mandate and term of office of the lead auditor

The re-election of Ernst & Young AG, Zurich (EY), as the external statutory auditor of the Company as well as the Group auditor for the business year 2018 was confirmed at the Ordinary General Meeting in 2018 with the declaration of acceptance dated March 31, 2018. The appointment of the auditor is for one year and is renewed annually. EY has been auditors of the Company for eight years. In 2018, as part of the rotation principle, EY has changed its Lead Partner and Mr. Christian Krämer was responsible for the audit.

8.2 Auditing fees

The fees charged for auditing services for the year 2018 amounted to CHF 2.2 million.

8.3 Additional fees

In addition to the auditing fees mentioned above, the statutory auditors charged an amount of CHF 0.2 million in 2018. This included tax services and other audit-related services in various countries.

8.4 Informational instruments pertaining to an external audit

The Audit Committee evaluates the performance, fees and independence of the auditors each year according to the following criteria:

- (i) quality of the Management Letter;
- (ii) global coverage and coordination of the audit instructions;
- (iii) meeting the deadlines required to allow the annual results media release to be held on the scheduled date;
- (iv) benchmark analysis of the audit fees; and
- (v) independence as defined by relevant rules of the Swiss Audit Oversight Act (AOA).

The Audit Committee discusses and reviews the scope of the audits and the feedback resulting therefrom. Based on this information, it determines changes and improvements as necessary. For further information on the responsibilities of the Audit Committee with respect to the external auditors, refer to section 3.5 (Internal organization).

Audit-related and material non-audit-related services (e.g. tax services and other consulting services) that are provided by the auditors must be approved in advance by the Audit Committee.

Additional Fees EY – 2018	CHF
Tax-advisory services: Additional tax support in China, Denmark, Latvia, Malaysia, Singapore, Sweden, Switzerland and Vietnam	103,600
Other audit-related services: Additional work on statutory audits in Denmark, Korea, Singapore, Switzerland and Taiwan	125,300
Total	228,900

In the reporting year, the auditors had various contacts with members of the Senior Executive Team and particularly the Chief Financial Officer, whom the auditors met several times in the course of the reporting year. The purpose of such meetings was to report on selected topics, such as preparation of meetings with the Audit Committee and status updates on half-year review and full-year closing.

In the reporting year, the auditors attended two meetings with the Audit Committee and several other informal meetings so as to provide status updates on audit matters and the collaboration with the Internal Audit function of the Company to report on the review of the half-year results and the audit of the year-end closing, to assess their own independence and, if required, obtain approvals from the Audit Committee in regard to non-audit-related assignments.

9. Information policy

The Group is committed to ensuring a consistent and transparent information policy that meets the comprehensive needs of the media, analysts, investors and other stakeholders. The Company's objective is to provide financial and business information about the Company's and the Group's historical record, current performance and future prospects that fulfill the best practice standards in reporting. The Company's official publication medium is the Swiss Of-

ficial Gazette of Commerce (Schweizerisches Handelsamtsblatt).

The Group publishes financial results on a semi-annual basis. The annual results are generally released in February and the half-year results in July.

The Group has established a website at www.dksh.com to ensure a rapid and equitable distribution of information. The Group's website has a section fully dedicated to Investor Relations: www.dksh.com/investors

Media releases, presentations, webcasts, and financial reports are available online under this section. For distribution of ad-hoc notices, DKSH maintains push and pull services, in accordance with applicable laws and regulations, accessible on the Company's website at www.dksh.com/investors-news

Representatives of the Group also regularly meet with the financial community at media conferences, roadshows as well as one-on-one meetings. A calendar of upcoming events, such as the publication of the annual and half-year results, media conferences and analyst calls, and the General Meeting of shareholders is available online under the Investor Relations section www.dksh.com/financial-calendar

Management transactions made in 2018 by qualifying members of the Senior Executive Team or other senior managers, which are required to be disclosed by the Group and published by the SIX Swiss Exchange, may be found at www.six-exchange-regulation.com/en/home/publications/management-transactions.html

The Group acknowledges and complies with rules regarding information and reporting specified under the SIX Swiss Exchange Regulation's Directive.

Shareholders may direct investor relations inquiries to:
 DKSH Management Ltd.
 Wiesenstrasse 8, 8034 Zurich, Switzerland
 +41 44 386 7272
investors@dksh.com

Compensation report

People are DKSH's greatest asset. Consequently, DKSH creates a leading organization by consistently attracting, developing and rewarding the best professionals and specialists within its dynamic and complex business environment.

The Compensation Report provides an overview of DKSH remuneration principles and programs as well as information about the method of determination of compensation. Further, this report includes details around the compensation of the members of the Board of Directors and of the Senior Executive Team related to the business year 2018.

This report is written in accordance with the provisions of the Swiss Ordinance against Excessive Remuneration in Public Corporations (the Ordinance), the standards related to information on Corporate Governance issued by the SIX Swiss Exchange as well as the principles of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

DKSH's compensation philosophy and principles

In order to ensure DKSH's success in a highly competitive global business environment with a focus on Asia, it is vital to attract, develop and retain internationally-oriented, successful and engaged employees. The compensation principles are designed to:

- (i) provide appropriate reward in a competitive, fast growth business environment;
- (ii) support the development of a high performance culture by paying for performance and rewarding outstanding results;
- (iii) support sustainable, profitable growth; and
- (iv) be globally applicable within a corporate framework.

The ultimate goal of effective compensation is to strengthen the Group's leading industry position for the benefit of the Company's business partners, clients and customers, while delivering the expected returns to shareholders of the Company.

The Group's compensation philosophy is to attract and retain talents in a highly complex

business environment in terms of geography, market development and culture, by providing overall compensation in line with relevant competitors, however with greater weight given to variable compensation; hence rewarding excellent results with above-market total compensation packages and placing more compensation at risk. This is in line with the compensation principle of linking compensation to performance and rewarding those who contribute most to the operating performance and earning power of the Group.

Compensation of the members of the Board of Directors

In order to ensure the independence of the Board of Directors in its supervisory function, the members of the Board of Directors, including the Chairman, are entitled to a fixed base fee for their services, paid in cash (as well as allowances and social security contributions). Each of the Chairmen of the Audit Committee, Strategy Committee and Nomination and Compensation Committee is entitled to an additional committee fee. Each member of the committees is entitled to a committee fee linked to membership in the Audit Committee, in the Strategy Committee and in the Nomination and Compensation Committee.

In addition, the members of the Board are reimbursed for all reasonable cash expenses that are incurred by them in the discharge of their duties, including reasonable expenses for travelling to and from Board meetings, committee meetings and meetings of the shareholders of the Company. Payments are made in Swiss francs.

Compensation components for members of the Senior Executive Team

The compensation for members of the Senior Executive Team consists of a fixed element (annual fixed salary and employee benefits) and a variable element (annual

variable pay and a long-term incentive). Depending on their role, members of the Senior Executive Team are currently eligible for the following compensation elements:

- (i) annual fixed salary;
- (ii) annual variable pay;
- (iii) long-term incentive; and
- (iv) other employee benefits.

Annual fixed salary

The annual fixed salary for each member of the Senior Executive Team is determined once a year and is the result of a decision by the Board of Directors upon prior recommendation of the Nomination and Compensation Committee and after prior consultation with the CEO. For this purpose, the market level for the respective position, individual qualifications and experience and the prevailing local labor market conditions (e.g. for a member of the Senior Executive Team based in Zurich, Swiss labor market conditions, for those based in Asia, pan-Asian and local labor conditions) are taken into account, together with the overall performance assessment of each member of the Senior Executive Team.

Annual variable pay (AVP)

For the members of the Senior Executive Team, the annual variable pay is directly linked to the achievement of actual financial results and qualitative objectives. Financial KPI (Key Performance Indicators) are set, inter alia, at Group level for EBIT (Earnings Before Interest and Taxes), RONOC (Return On Net Operating Capital, twelve months average) and PAT (Profit After Tax). The annual variable pay is derived from these KPIs, following a pre-defined formula that is regularly reviewed by the Nomination and Compensation Committee and determined and approved by the Board of Directors. The KPI weightings that define the variable compensation for members of the Senior Executive Team are set for each member of the Senior Execu-

For the year 2018, the members of the Board of Directors received the following compensation:

in CHF thousands	Function	Director fees (Cash)	Compensation for committees (Cash)	Allowances/Social security contribution ¹	Total ²
Dr. Joerg Wolle	Chairman	750	8	11	769
Adrian T. Keller	Member	150	57	11	218
Rainer-Marc Frey	Member (up to 31.03.2018)	37	20	5	62
Dr. Frank Ch. Gulich	Member	150	30	11	191
David Kamenetzky	Member	150	-	11	161
Andreas W. Keller	Member	150	-	11	161
Prof. Dr. Annette G. Köhler	Member (from 01.04.2018)	113	37	4	154
Robert Peugeot	Member	150	30	5	185
Dr. Theo Siegert	Member	150	62	5	217
Dr. Hans Christoph Tanner	Member	150	75	11	236
Eunice Zehnder-Lai	Member (from 01.04.2018)	113	23	10	146
Total		2,063	342	95	2,500

¹ In compliance with the Ordinance, mandatory employer social security contributions of CHF 45.9 thousand, which provide a right to the maximum future insured government benefit, are included. The total mandatory amount paid by the Company or its affiliates to Swiss governmental social security systems is CHF 134.3 thousand.

² All amounts are gross amounts (i.e., before deduction of social security and income tax due by the members).

For the year 2017, the members of the Board of Directors received the following compensation:

in CHF thousands	Function	Director fees (Cash)	Compensation for committees (Cash)	Allowances/Social security contribution ¹	Total ²
Dr. Joerg Wolle	Chairman (as from 31.03.2017, Member before such date)	600	30	5	635
Adrian T. Keller	Member (Chairman up to 31.03.2017)	300	68	11	379
Rainer-Marc Frey	Member	150	80	11	241
Dr. Frank Ch. Gulich	Member	150	30	11	191
David Kamenetzky	Member	150	-	11	161
Andreas W. Keller	Member	150	12	11	173
Robert Peugeot	Member	150	30	5	185
Dr. Theo Siegert	Member	150	100	5	255
Dr. Hans Christoph Tanner	Member	150	75	11	236
Total		1,950	425	81	2,456

¹ In compliance with the Ordinance, mandatory employer social security contributions of CHF 35.8 thousand, which provide a right to the maximum future insured government benefit, are included. The total mandatory amount paid by the Company or its affiliates to Swiss governmental social security systems is CHF 128.2 thousand.

² All amounts are gross amounts (i.e., before deduction of social security and income tax due by the members).

For the year 2018, the members of the Senior Executive Team received the following compensation:

in CHF thousands	Stefan P. Butz CEO ²	Other 9 members of the Senior Executive Team ³	Total ⁴
Fixed compensation	1,000	3,383	4,383
Variable compensation – cash	1,277	3,212	4,489
Value of performance share units at grant (LTIP)	1,200	2,010	3,210
Allowances	188	817	1,005
Pension/Social security contribution ¹	161	434	595
Total	3,826	9,856	13,682

¹ In compliance with the Ordinance, mandatory employer social security contributions of CHF 11.9 thousand, which provide a right to the maximum future insured government benefit, are included. The total mandatory amount paid by the Company or its affiliates to Swiss governmental social security systems is CHF 247.1 thousand.

² Highest individual total compensation in 2018. Variable compensation in 2017 pro-rated, in 2018 for full year. Allowances 2018 includes a one-off compensation of CHF 68 thousand for lost shares at previous employer.

³ The remuneration includes remuneration for Christopher Pollard until termination of employment. The remuneration does not include contractually agreed compensation to a member of the Senior Executive Team until end of employment (30.11.2019) amounting to CHF 2.0 million.

⁴ All amounts are gross amounts (i.e., before deduction of social security and income tax due by the executives).

For the year 2017, the members of the Senior Executive Team received the following compensation:

in CHF thousands	Dr. Joerg Wolle President & CEO ²	Stefan P. Butz, CEO ³	Other 8 members of the Senior Executive Team ⁴	Total ⁵
Fixed compensation	450	1,000	2,972	4,422
Variable compensation – cash	767	857	2,591	4,215
Value of performance share units at grant (LTIP)	-	1,200	2,275 ⁶	3,475
Allowances	30	116	756	902
Pension/Social security contribution ¹	191	147	403	741
Contractually agreed compensation	4,315	-	-	4,315
Total	5,753	3,320	8,997	18,070

¹ In compliance with the Ordinance, mandatory employer social security contributions of CHF 23.9 thousand, which provide a right to the maximum future insured government benefit, are included. The total mandatory amount paid by the Company or its affiliates to Swiss governmental social security systems is CHF 577.7 thousand.

² Highest individual total compensation in 2017. The remuneration includes remuneration as President & CEO until March 31, 2017 as well as contractually agreed remuneration until December 2017.

³ The remuneration includes remuneration as member of Executive Board until March 31, 2017 as well as CEO starting from April 1, 2017.

⁴ The remuneration includes remuneration for Bruno Sidler until termination of employment.

⁵ All amounts are gross amounts (i.e., before deduction of social security and income tax due by the executives).

⁶ In connection with the assumption of additional management responsibilities, a member of the Senior Executive Team was awarded a one-time share-based award. The award will vest in two tranches at the end of 2018 and 2019, subject to achievement of EBIT performance targets at Business Unit level and ongoing employment. At the election of the member of the Senior Executive Team, the vested shares can remain blocked for a period of one year following the vesting, in which case additional shares will be awarded in case of an EBIT increase during such one-year period. See also the updated information on page 32 "Long-term incentive" in fine.

tive Team individually. The pay-out for the AVP is capped at a maximum of CHF 5.0 million for the CEO and at a maximum of CHF 1.5 million for all other members of the Senior Executive Team. In the fiscal year 2018, variable pay for individual members of the Senior Executive Team ranged from 20.6% to 50.8% of their total compensation. On average, variable pay in 2018 for all members of the Senior Executive Team was 43.3% of total compensation. This entrepreneurial approach ensures the alignment of the interests of the CEO and Senior Executive Team members to create sustainable value for the Company, its shareholders and its business partners.

Long-term incentive

The Long-term Incentive Plan (LTIP) has been introduced in 2015. Its purpose is to ensure long-term value creation for the Company by providing eligible key managers of the DKSH Group with a possibility to become shareholders of the Company, to participate in the future long-term success and prosperity of the DKSH Group and to further align long-term interest of the key managers and the DKSH Group.

Every business year, a fixed number of performance share units (PSU) shall be granted to eligible key managers by, and at the full discretion of, the Board of Directors; the number of PSU is separately defined for each individual key manager. In principle, each PSU is an entitlement to a maximum of 1.5 shares of the Company, provided certain performance targets (see below) are achieved during the three-year performance period. In case the performance does not reach certain pre-determined thresholds after three years, no shares of the Company will vest under the LTIP.

For the purposes of the LTIP, as from the performance cycle 2016-2018, the Company's long-term performance is gauged by a 65% weighting linked to the EBIT of the DKSH Group as reported in the Company's last annual report prior to the end of the three-year performance period, and a 35% weighting linked to the share price measured as the average of the 20 days' closing share price prior to the end of the three-year performance period (jointly the Vesting Multiple). At the end of a three-year performance period, the number of PSU vesting shall be calculated by multiplying the number of granted PSU per key manager with the Vesting Multiple.

Furthermore, shares may be allocated only following the end of a three-year performance period, provided the key manager has a valid employment relationship with the Company at the time of share allocation and subject to pre-determined performance conditions. If the key manager terminates his/her employment contract during a performance period or if the employment contract is terminated by the employer for cause, the PSU shall lapse without any compensation.

In connection with the assumption of additional management responsibilities, a member of the Senior Executive Team was awarded a one-time share-based award in 2017. The award would have vested in two tranches at the end of 2018 and 2019, subject to achievement of EBIT performance targets at Business Unit level and ongoing employment. At the election of the member of the Senior Executive Team, the vested shares would have remained blocked for a period of one year following the vesting, in which case additional shares would have been awarded in case of an EBIT increase during such one-year period. However, all claims under this award were settled in 2018.

Other employee benefits

Other employee benefits are country-specific and structured in accordance with local practice and local legal requirements. The Group regularly reviews its benefit coverage locally and assesses its programs in this area with the support of selected vendors.

All Senior Executive Team members, except for two members, are covered by the pension scheme applicable to all employees with a Swiss employment contract. In addition, they are covered in a top-up pension scheme. One Senior Executive Team member is covered under an expatriate offshore pension plan and the other under a local pension plan ("Superannuation").

Participations

The following tables provide information on the ownership of registered shares in the Company by members of the Board of Directors and the Senior Executive Team as of December 31, 2018, and members of the Executive Board as of December 31, 2017, respectively (the table is identical to the one appearing on page 104 of the annual financial statement pursuant to Art. 663c^{bis} CO):

Additional fees, compensation, and loans

Apart from the benefits listed in this report, no other compensation was provided in the year under review 2018 – either directly or via consultancy companies – to the executive and non-executive members of the Board of Directors or to the members of the Senior Executive Team. In addition, as of December 31, 2018, no loans, advances or credits had been granted by the Group or by any of its subsidiary companies to the members of the Board of Directors or the Senior Executive Team, respectively.

Share ownership requirements for members of the Senior Executive Team

Each Senior Executive Team member is required to own at least a minimum multiple of her/his annual fixed salary in DKSH shares or (vested/unvested) DKSH PSUs within three years of hire, promotion or introduction of this requirement, as follows:

CEO 300% of annual fixed salary, CFO 200% of annual fixed salary, all other members of the Senior Executive Team 100% of the annual fixed salary. In the event of a substantial rise or drop in the share price, the Board of Directors may, at its discretion, amend that time period accordingly. The determination also includes

DKSH shares that are owned directly or indirectly by "persons closely linked" to a Senior Executive Team member. The NCC reviews compliance with the share ownership guideline on an annual basis.

Shareholdings by members of the Board of Directors:

Number of shares held	2018	2017
Dr. Joerg Wolle	38,000	380,000
Adrian T. Keller	58,026	58,026
Rainer-Marc Frey (up to 31.03.2018)	n.a.	2,509,666
Dr. Frank Ch. Gulich	3,066	3,066
David Kamenetzky	125	125
Andreas W. Keller	18,366	18,366
Robert Peugeot	9,666	9,666
Dr. Theo Siegert	71,966	71,966
Dr. Hans Christoph Tanner	1,166	1,166
Prof. Dr. Annette G. Köhler (from 01.04.2018)	-	n.a.
Eunice Zehnder-Lai (from 01.04.2018)	400	n.a.
Total	200,781	3,052,047

Shareholdings by members of the Senior Executive Team:

Number of shares held	Shares	Unvested PSUs ¹	2018	2017
Stefan P. Butz	10,125	31,366	41,491	16,107
Bernhard Schmitt	22,440	17,376	39,816	84,385
Martina Ludescher	20,985	19,939	40,924	44,153
Stephen Ferraby	1,343	8,427	9,770	8,094
Bijay Singh	112	4,355	4,467	1,900
Thomas Sul	747	5,555	6,302	4,724
Natale Capri	1,347	6,601	7,948	5,240
Hanno Elbraechter	1,757	-	1,757	1,306
Michael Hutab (from 01.01.2018)	-	1,986	1,986	n.a.
Christopher Pollard (up to 03.04.2018)	n.a.	n.a.	n.a.	3,922
Total	58,856	95,605	154,461	169,831

¹ Granted unvested PSUs see description of LTIP on page 32.

Compensation Governance

Authority for decisions related to compensation are governed by the Articles of Association and the Organizational Regulations of DKSH Holding Ltd.

As determined in the Articles of Association and in the Organizational Regulations of DKSH AG, the Nomination & Compensation Committee supports the Board of Directors in the fulfillment of its duties and responsibilities in relation to compensation, including:

(i) preparing proposals for submission to the Board of Directors on the compensation policy, including the principles for performance-related compensation and the

allocation of securities, conversion or option rights, entitlements or other financial instruments for the Board of Directors and the Senior Executive Team;

(ii) preparing proposals for submission to the Board of Directors on the maximum aggregate compensation for the Board of Directors and the Senior Executive Team pursuant to § 19 and § 28 of the Articles of Association;

(iii) preparing proposals for submission to the Board of Directors on the specific design of the participation plans pursuant to § 28 of the Articles of Association;

(iv) preparing proposals for submission to the Board of Directors on the specific design of the employment contracts of the

members of the Senior Executive Team and conditions for termination;

(v) preparing proposals for submission to the Board of Directors on the individual compensation of the members of the Senior Executive Team within the scope of these Articles of Association and subject to approval by the General Meeting, including, but not limited to, the allocation and definition of compensation-relevant performance objectives and further conditions as well as the verification of the fulfilment of conditions or agreed objectives;

(vi) preparing the draft of the annual Compensation Report for submission to the Board of Directors.

Tasks	CEO	NCC	BoD	AGM
Individual election of the members of the NCC			proposes	approves
Compensation policy and principles, in line with the provisions of the Articles of Association		proposes	approves	
Maximum aggregate amount of compensation for the Board of Directors and for the Senior Executive Team		proposes	proposes	approves
Individual compensation of members of the Board of Directors		proposes	approves	
Individual compensation of the CEO		proposes	approves	
Individual compensation of the other members of the Senior Executive Team	proposes	reviews	approves	
Compensation report		proposes	approves	

Performance management

The actual compensation effectively paid out in a given year to the Senior Executive Team members depends on the Company and on the individual performance. Individual performance is assessed through an annual performance management process: Company and individual performance objectives are approved at the beginning of the business year and achievements against those objectives are assessed after year-end. The performance appraisal is the basis for determination of the actual compensation.

Rules in the Articles of Association on compensation

As required by the Ordinance, the Articles of Association of DKSH Holding Ltd. have been revised in 2015 and approved by the shareholders at the last Ordinary General Meeting. The Articles of Association include the following provisions on compensation:

(i) performance-related compensation: the short-term performance-related compensation plans shall be based on performance criteria, which include the performance of the DKSH Group and/or its sub-divisions

and/or individual objectives. Achievement of objectives shall be generally measured in the one-year period to which the short-term plan applies. The Board of Directors, assisted by the Nomination and Compensation Committee, determines the performance criteria, the objectives and the degree of objective achievement. The long-term, performance-related compensation plans shall be based on performance criteria, which relate to DKSH Group's strategic objectives (e.g. financial objectives, innovation, shareholder return and/or other benchmarks). The achieve-

ment of objectives shall be generally measured in three-year periods. The amount of the long-term compensation pay-out is limited. The long-term performance-related compensation may be paid in cash or in the form of share-based compensation (such as restricted or unrestricted shares, entitlements or subscription rights on shares) or comparable instruments, other benefits or in specie. The Board of Directors, assisted by the Nomination and Compensation Committee, determines the conditions for the design, the definitive entitlement (vesting), the blocking period, the vesting and the forfeiture of the compensation granted. These conditions may provide for the extension, accelerated vesting or other requirements concerning the allocation, acquisition or forfeiture of rights as a result of certain pre-defined events, such as the termination of the employment or of the mandate. The Board of Directors determines the evaluation criteria for the individual compensation on the basis of the principles applying to the preparation of the Compensation Report.

(ii) duration of employment contracts, loans, credit-facilities and post-employment benefits: The Company (or companies controlled by it) may enter into contracts with members of the Board of Directors as to their compensation for a fixed term of one year. Similarly, the contracts of employment with the members of the Senior Executive Team may have a fixed or indefinite term, while the maximum duration for such fixed-term contracts and the maximum notice period for contracts of an in-

definite term shall be twelve months. The Company (or its subsidiaries) may, to the extent permissible by law, compensate members of the Board of Directors and of the Senior Executive Team for any disadvantages resulting from legal proceedings or settlements relating to their activities on behalf of the Company or subsidiaries, advance corresponding payments and take out relevant insurance policies. Such payments are not deemed to be compensation, loans or credit. In addition, the Company (and its subsidiaries) may offer members of the Senior Executive Team retirement benefits (such as pensions, the purchase of health insurance policies and so forth) outside of the occupational pension scheme and pay these out after their departure. Such retirement benefits outside of the occupational pension scheme may not exceed CHF 850,000 a year. The employment contracts of the Senior Executive Team members may provide for post-contractual non-competition undertakings up to a maximum of twelve months, whereby the compensation for non-competition may not exceed the timely prorated fixed annual compensation prior to termination.

(iii) vote on pay: concerning the approval of compensation amounts by the General Meeting, the total amount of compensation for the Board of Directors shall be approved annually by the General Meeting in a binding vote for their following term of office, while the maximum amount of compensation of the Senior Executive Team shall be approved in the same man-

ner for the following financial year. If the General Meeting rejects the proposal of the Board of Directors for the maximum aggregate compensation of the Board of Directors and/or of the Senior Executive Team, the Board of Directors shall decide on how to proceed. In particular, the Board of Directors may convene an Extraordinary General Meeting for the purpose of submitting a new compensation proposal or determine compensation for the current financial year on an interim basis subject to subsequent approval by the next Ordinary General Meeting. The Board of Directors may continue to pay out compensation to the individual members of the Board of Directors or of the Senior Executive Team subject to claw-back rights, as may be required by mandatory law. There shall be an additional amount of 30% of the maximum aggregate compensation already approved for the Senior Executive Team for the relevant compensation period, available for all members of the Senior Executive Team being appointed after the General Meeting, which already resolved the maximum aggregate compensation for the Senior Executive Team. This additional amount applies separately for each compensation period for which approval has been granted by the General Meeting. The General Meeting is not required to approve the actual additional amount used. The additional amount may also be used as compensation for disadvantages relating to the change of position (in cash or in the form of share-based compensation) and in the event of promotions within the Senior Executive Team.



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To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, February 6, 2019

Report of the statutory auditor on the compensation report

We have audited the compensation report (pages 30, 31 and 33) of DKSH Holding Ltd. for the year ended December 31, 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance).



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.



Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the compensation report for the year ended December 31, 2018, of DKSH Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Christian Krämer
Licensed audit expert
(Auditor in charge)

Johannes Bachmann
Licensed audit expert

Management's discussion & analysis

The management review of the Group outlines an in-depth analysis of the financial year 2018 and provides an outlook for DKSH's further growth.

Summary

DKSH, the leading Market Expansion Services provider with a focus on Asia, grew sales once again in 2018.

Consolidated net sales increased by 3.1% to CHF 11.3 billion. Exchange rates had a positive impact of 2.0% and acquisitions contributed 0.5%. Divestments and a changed service offering with some clients in China in Business Unit Healthcare impacted net sales by 3.0%. Consequently, organic growth was 3.6%.

Operating profit (EBIT) declined to CHF 263.6 million. Excluding one-time effects in Consumer Goods and Healthcare, EBIT was CHF 284.3 million. Profit after tax increased by 22.0% to CHF 260.3 million due to the gain on sale of the Healthcare business in China.

The Free Cash Flow of CHF 140.6 million was slightly above last year's level.

Return on equity (ROE) reached a solid 14.9% (13.1% in 2017) and a return on net operating capital (RONOC) of 21.3% was achieved (25.0% in 2017).

At year-end 2018, DKSH employed 32,996 specialists, representing an increase of

some 1,023 employees or 3.2% compared to 2017.

During 2018, DKSH made further adjustments to reflect the company's increased strategic focus.

On the operational side, DKSH strengthened its key account management, expanded its route-to-market approach, further developed the business in Indonesia and accelerated initiatives for growth in e-commerce.

Following a portfolio review, DKSH sold both the Healthcare business in China and the watch case manufacturer Queloz.

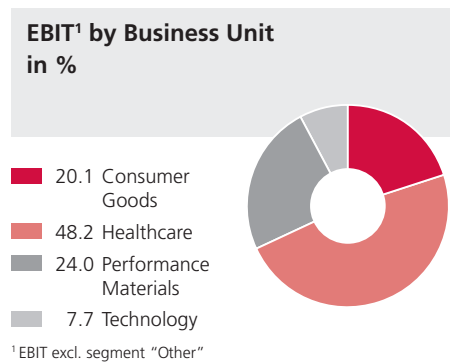
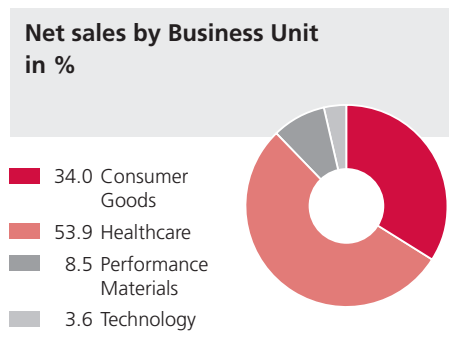
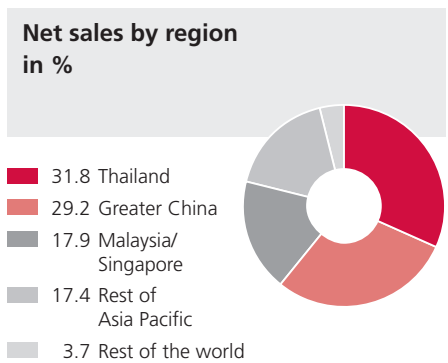
The company also announced two acquisitions in growing and highly profitable business segments. DKSH positioned itself for further growth in New Zealand with the acquisition of the beverage business of Davies Foods in June. Additionally, DKSH signed an agreement to acquire Auric Pacific's distribution business in Singapore and Malaysia.

Within the industry, DKSH's capillary distribution network and infrastructure are both key success factors to deliver growth for its clients. Therefore, DKSH continued to

invest in its infrastructure in 2018. In Myanmar, DKSH strengthened its presence by opening a new distribution center in Mandalay, which is Good Distribution Practice (GDP) compliant and has advanced cold chain capabilities, for Consumer Goods and Healthcare. In Vietnam, as a response to an increased demand from business partners and the rapidly growing economy, DKSH opened a new distribution center for Performance Materials.

As a result of infrastructure upgrades in Cambodia, DKSH was the first service provider to become certified ISO 9001:2015 and ISO 13485:2016 for its local operations. The certification recognizes DKSH's comprehensive quality management system.

In Hong Kong, DKSH opened its new state-of-the-art distribution center, which uses automation equipment including mobile storage systems and automated guided vehicles. For this milestone, DKSH received awards from the local government as well as the CILT Enterprise Award. Digital aspects not only are important in the supply chain and distribution centers, but also drive the e-commerce business. DKSH continued to invest in its e-commerce capabilities and onboarded several new clients and brands.



All these activities confirmed DKSH's strategy to focus on its core competencies and act as a consolidator in the growing, yet fragmented, Market Expansion Services industry.

Consolidated statement of financial position

Total assets grew by 5.4% to CHF 4,895.4 million in 2018. Cash and cash equivalents increased by 38.6% to CHF 614.3 million and the Group's net cash position increased by CHF 129.6 million to CHF 473.8 million.

Compared to year-end 2017, total equity increased by 8.3% to CHF 1,768.6 million, translating into an equity ratio of 36.1% (35.2% at year-end 2017).

Cash Flow

Free Cash Flow was CHF 140.6 million. Net cash from operations reached CHF 179.9 million. From investing activities, the company had a net inflow of CHF 79.5 million. This was mainly driven by a net cash inflow of CHF 107.2 million from the divestment of the Healthcare business in China and the watchcase manufacturer Queloz. Cash outflow from financing activities was CHF 81.3 million, including CHF 107.3 million for dividend payments. Cash and cash equivalents at the end of December 2018 were CHF 614.3 million, an increase of CHF 171.2 million compared to year-end 2017.

Business Units

Consumer Goods

For the first time in years, net sales rose by 5.9% to CHF 3.9 billion. In Thailand, DKSH also reported a slight net sales increase.

EBIT of CHF 62.9 million was with 40.6% considerably below the prior year. Last year's result included a gain on sale from two distribution centers of CHF 6.8 million. Investments in key account management, route-to-market, Indonesia and e-commerce were reinforced after starting in the first half of 2018.

As a result of the weaker operating performance, DKSH has started to restructure the business. Initial restructuring expenses impacted the result in 2018 by CHF 12.6 million and will also lower the result in the first half of 2019. However, DKSH expects an improved Consumer Goods result this year overall.

Healthcare

Business Unit Healthcare reported an increase in net sales of 0.8% to CHF 6.1 billion. In China, DKSH adjusted its service offering with a few clients and sold the business in November. Excluding these effects, organic net sales growth was 4.0%. DKSH grew sales in all major markets except for China.

EBIT increased by 2.7% to CHF 150.5 million. Measures to refocus the business in South Korea and Macau resulted in one-time charges. From November onwards, DKSH deconsolidated its Healthcare business and the corresponding profits in China. Excluding these one-time effects of CHF 8.1 million, EBIT would have increased significantly by 8.3%. The deconsolidation of the Healthcare business in China will reduce sales and profits of the Business Unit in 2019.

Performance Materials

In Business Unit Performance Materials, DKSH expanded existing contracts with international clients and gained new business. With CHF 960.4 million, net sales exceeded last year's level by 7.4%. DKSH recorded growth in all major markets. EBIT of CHF 75.1 million grew by 2.6%.

Technology

Business Unit Technology reported 2.0% higher net sales of CHF 412.1 million. EBIT grew by 3.9% to CHF 24.0 million. DKSH especially increased results in Japan, Thailand, Vietnam and Indonesia.

Other

Other expenses declined by 5.4%, amounting to CHF 48.9 million in 2018. These expenses are not allocated to Business Units and primarily include corporate service expenses.

Group	At CER ¹			
	2018	2017	Change in %	Change in %
in CHF millions				
Net sales	11,344.6	11,006.4	3.1	1.1
Operating profit (EBIT) ^{2 3}	263.6	297.0	(11.2)	(12.9)

Consumer Goods	At CER ¹			
	2018	2017	Change in %	Change in %
in CHF millions				
Net sales	3,859.1	3,643.1	5.9	3.9
Operating profit (EBIT) ²	62.9	105.9	(40.6)	(42.4)

Healthcare	At CER ¹			
	2018	2017	Change in %	Change in %
in CHF millions				
Net sales	6,113.0	6,065.8	0.8	(1.5)
Operating profit (EBIT) ³	150.5	146.5	2.7	1.0

Performance Materials	At CER ¹			
	2018	2017	Change in %	Change in %
in CHF millions				
Net sales	960.4	894.1	7.4	6.5
EBIT	75.1	73.2	2.6	1.8

Technology	At CER ¹			
	2018	2017	Change in %	Change in %
in CHF millions				
Net sales	412.1	404.2	2.0	1.9
EBIT	24.0	23.1	3.9	3.9

¹ Constant exchange rates (CER): 2018 figures converted at 2017 exchange rates

² Including one-time effects of CHF 12.6 million

³ Including one-time effects of CHF 8.1 million

Regional performance

At constant exchange rates, net sales in DKSH's largest country, Thailand, increased by a low-single-digit as compared to the previous year. Net sales in the Greater China region declined at a high-single-digit rate, mostly driven by the change in the service portfolio and the deconsolidation of the Healthcare business in China from November onwards. Net sales in the Malaysia/Singapore region rose in the mid-single-digits. Growth in the rest of Asia Pacific was on average double-digit.

Outlook

DKSH expects a higher operating result in 2019 – with a strong performance in the second half of the year.

Consolidated financial statements DKSH Group

Consolidated income statement	42
Consolidated statement of comprehensive income	43
Consolidated statement of financial position	44
Consolidated statement of changes in equity	45
Consolidated cash flow statement	46
Notes to the consolidated financial statements	48

Consolidated income statement

in CHF millions ¹	Notes	2018	2017
Net sales	4	11,344.6	11,006.4
Other income	5	29.2	38.9
Goods and materials purchased and consumables used		(9,800.9)	(9,479.4)
Employee benefit expenses	6	(668.9)	(638.8)
Depreciation, amortization and impairments	14/16	(44.6)	(37.9)
Other operating expenses	7	(598.9)	(596.1)
Share of profit/(loss) of associates and joint ventures	17/18	3.1	3.9
Operating profit (EBIT)		263.6	297.0
Financial income	8	2.5	2.3
Financial expenses	8	(9.8)	(15.7)
Gain on sale of subsidiaries and associates	17/28	75.2	6.9
Profit before tax		331.5	290.5
Income tax expenses	9	(71.2)	(77.2)
Profit after tax		260.3	213.3
Attributable to			
Shareholders of the Group		254.8	207.0
Non-controlling interest		5.5	6.3
Earnings per share for profit attributable to the shareholders of the Group			
Basic earnings per share	26	3.92	3.18
Diluted earnings per share	26	3.92	3.18

¹ Except for earnings per share (in CHF).

Consolidated statement of comprehensive income

in CHF millions	Notes	2018	2017
Profit after tax		260.3	213.3
Other comprehensive income			
Net investment hedges, net of tax of CHF 0.0 million in current and prior period		(2.6)	(1.1)
Currency translation differences		(10.1)	19.8
Items that may be reclassified to profit or loss		(12.7)	18.7
Remeasurement gains/(losses) on defined benefit plans, net of tax of CHF 0.1 million in current period and CHF 0.3 million in prior period		(0.5)	1.4
Net gains/(losses) on equity instruments, net of tax of CHF 0.1 million in current and prior period		(0.3)	0.3
Items that will not be reclassified to profit or loss		(0.8)	1.7
Other comprehensive income		(13.5)	20.4
Total comprehensive income		246.8	233.7
Attributable to			
Shareholders of the Group		242.5	226.8
Non-controlling interest		4.3	6.9

Consolidated statement of financial position

in CHF millions at December 31	Notes	2018	2017
Cash and cash equivalents	10	614.3	443.1
Trade receivables	11	2,219.1	2,206.4
Inventories	13	1,177.7	1,108.5
Prepaid expenses		48.8	60.8
Other receivables	15	403.5	384.2
Current income tax receivables		17.2	15.1
Current assets		4,480.6	4,218.1
Intangible assets	14	130.5	142.2
Other receivables	15	2.2	3.4
Property, plant and equipment	16	137.2	137.9
Financial assets	12	58.5	55.4
Investments in associates and joint ventures	17/18	42.2	40.6
Retirement benefit assets	24	7.5	8.0
Deferred tax assets	19	36.7	39.4
Non-current assets		414.8	426.9
Total assets		4,895.4	4,645.0
Borrowings	20	57.3	76.4
Trade payables		2,436.1	2,370.5
Current income tax liabilities		24.9	26.0
Other payables and accrued expenses	21	476.4	467.8
Current provisions	22	3.4	2.1
Current liabilities		2,998.1	2,942.8
Borrowings	20	83.2	22.5
Deferred tax liabilities	19	13.2	12.7
Non-current provisions	22	5.3	4.6
Retirement benefit obligations	24	27.0	28.7
Non-current liabilities		128.7	68.8
Total liabilities		3,126.8	3,011.0
Share capital		6.5	6.5
Reserves and retained earnings		1,703.9	1,569.9
Equity attributable to the shareholders of the Group		1,710.4	1,576.4
Non-controlling interest		58.2	57.3
Total equity		1,768.6	1,633.7
Total equity and liabilities		4,895.4	4,645.0

Consolidated statement of changes in equity

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, 2017	6.5	(181.7)	234.2	1,582.8	1,641.8	35.9	1,677.7
Profit after tax	-	-	-	207.0	207.0	6.3	213.3
Other comprehensive income	-	18.1	-	1.7	19.8	0.6	20.4
Total comprehensive income	-	18.1	-	208.7	226.8	6.9	233.7
Change in ownership	-	-	-	-	-	(3.9)	(3.9)
Share-based payment transactions	-	-	-	0.5	0.5	-	0.5
Capital increase in subsidiary	-	-	-	-	-	0.7	0.7
Dividend	-	-	-	(292.7)	(292.7)	(2.9)	(295.6)
Acquisition of subsidiaries	-	-	-	-	-	20.6	20.6
As of December 31, 2017	6.5	(163.6)	234.2	1,499.3	1,576.4	57.3	1,633.7
Profit after tax	-	-	-	254.8	254.8	5.5	260.3
Other comprehensive income	-	(11.5)	-	(0.8)	(12.3)	(1.2)	(13.5)
Total comprehensive income	-	(11.5)	-	254.0	242.5	4.3	246.8
Change in ownership	-	-	-	(2.2)	(2.2)	(1.7)	(3.9)
Share-based payment transactions	-	-	-	1.0	1.0	-	1.0
Dividend	-	-	-	(107.3)	(107.3)	(1.7)	(109.0)
As of December 31, 2018	6.5	(175.1)	234.2	1,644.8	1,710.4	58.2	1,768.6

Consolidated cash flow statement

in CHF millions	Notes	2018	2017
Profit before tax		331.5	290.5
Non-cash adjustments			
Depreciation, amortization and impairments on			
Property, plant and equipment	16	32.3	30.8
Intangible assets	14	12.3	7.1
Share-based payment transaction expense	27	2.0	2.3
Gain on sale of tangible assets, intangible assets	5/7	(0.9)	(12.7)
Financial income	8	(2.5)	(2.3)
Financial expense	8	9.8	15.7
Share of profit of associates and joint ventures	17/18	(3.1)	(3.9)
Gain on sale of shareholdings	17/28	(75.2)	(6.9)
Change in provisions and other non-current liabilities		0.7	(4.0)
Change in other non-current assets		0.7	(1.2)
Working capital adjustments			
Increase in trade and other receivables and prepayments		(91.3)	(194.8)
Increase in inventories		(110.2)	(46.3)
Increase in trade and other payables		150.1	179.2
Interest received		2.4	2.5
Interest paid		(7.2)	(5.8)
Taxes paid		(73.4)	(85.4)
Dividend received from associates and joint ventures		1.9	1.6
Net cash flows from operating activities		179.9	166.4
Proceeds from sale of property, plant and equipment		7.4	26.9
Purchase of property, plant and equipment		(35.3)	(25.8)
Proceeds from sale of intangible assets		-	0.2
Purchase of intangible assets		(4.0)	(1.1)
Proceeds from repayment of loan		9.1	3.2
Purchase of financial assets/issue of loan		(3.7)	(8.3)
Acquisition of subsidiaries net of cash	28	(1.2)	(29.3)
Disposal of subsidiaries net of cash	28	107.2	-
Net cash flows from/used in investing activities		79.5	(34.2)

in CHF millions	Notes	2018	2017
Proceeds from current and non-current borrowings	20	525.2	159.7
Repayment of current and non-current borrowings	20	(482.6)	(165.2)
Capital increase non-controlling interest		0.9	0.7
Dividend paid	25	(107.3)	(292.7)
Dividend paid to non-controlling interest		(1.7)	(2.9)
Net payments for net investment hedges		(1.2)	(3.3)
Acquisition of non-controlling interest	28	(9.0)	-
Deferred payment for acquisitions		(4.6)	-
Purchase of treasury shares		(1.0)	-
Net cash flows used in financing activities		(81.3)	(303.7)
Cash and cash equivalents, as of January 1		443.1	611.3
Effect of exchange rate changes		(6.9)	3.3
Net increase/(decrease) in cash and cash equivalents		178.1	(171.5)
Cash and cash equivalents, as of December 31		614.3	443.1

Notes to the 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 with 32,996 specialized staff.

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.

The consolidated financial statements of the Group as of December 31, 2018, were approved by the Board of Directors on February 6, 2019, and are subject to approval by the annual meeting of shareholders on March 21, 2019.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared on an accrual basis and under the historical cost convention, as modified by the revaluation of certain financial assets, and financial liabilities (including derivative instruments) at fair value. All amounts are in millions of Swiss francs unless otherwise stated.

(a) Consolidation

Subsidiaries, being those companies in which the Group, directly or indirectly, has power to exercise control over the relevant activities, have been consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions, balances and unrealized surpluses and deficits on transactions between Group companies are eliminated on consolidation.

The difference of the cost of an acquisition of non-controlling interest over the carrying amounts of net assets acquired is recognized directly in equity.

A listing of the Group's principal subsidiaries is set out in Note 33. The financial effect of the acquisitions and disposals is shown in Note 28.

Business combinations and related goodwill

The cost of an acquisition is measured as the fair value of the consideration given, including contingent consideration liabilities and the fair value of any previous equity interest. Acquisition-related costs are expensed as incurred.

The excess of the cost of an acquisition over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired is capitalized. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in other income in the income statement. Goodwill arising on acquisitions does not include any intangible assets acquired when these are separately identifiable and can be reliably measured.

Goodwill is considered to have an indefinite life and is not amortized but tested for impairment at least annually and upon the occurrence of an indication of impairment. The impairment testing process is described in section (h) of these policies.

(b) Investments in associates and joint ventures

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its associates and joint ventures are accounted for by using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted by recognizing changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate or joint venture. Any changes in Other Comprehensive Income (OCI) of those investees is recorded in OCI. In addition, when there has been a change directly recognized in the equity of the associate or joint venture, the Group recognizes its share of these changes, if applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The Group's share of profit or loss of an associate or a joint venture is reported in operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines whether it is necessary to recognize an impairment on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as "Share of profit/(loss) of associates and joint ventures" in the income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

(c) Financial assets

Financial assets at fair value through profit or loss include financial assets for short-term purposes, derivative financial instruments and other equity securities not irrevocably designated as at fair value through OCI on initial recognition. Such instruments are initially recognized at fair value on the date on which they are acquired and are subsequently measured at fair value. Unrealized and realized gains and losses relating to securities held for short-term purpose, derivative assets and other equity securities held for strategic purpose are recognized in the consolidated income statement. Derivative assets are included in other receivables, and derivative liabilities are included in other payables and accrued expenses in the statement of financial position as they are generally expected to be realized within twelve months of the financial reporting date.

Equity securities are designated at date of acquisition on an instrument-by-instrument basis as financial assets at fair value through other comprehensive income with no subsequent recycling through profit and loss. Unrealized gains and losses for these instruments are recorded in the statement of comprehensive income.

If these equity securities are not designated at date of acquisition as financial assets at fair value through other comprehensive income, they are classified as at fair value through profit and loss.

Financial assets measured at amortized cost are financial assets held to collect contractual cash flows comprising principal and interest payments. This represents the most significant measurement category for the Group and it comprises cash and cash equivalents, trade receivables and other financial receivables and loans. These assets are initially recognized at fair value plus transaction cost with the exception of trade receivables that are measured at the transaction price. After initial recognition these financial assets are measured at amortized cost using the effective interest rate method and are subject to impairment using the expected credit loss model. The Group applies the simplified approach, which allows expected lifetime losses to be recognized for trade receivables using a provision matrix. The provision matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. These provisions represent the difference between the trade receivables gross carrying amount and the estimated net collectible amounts. Trade receivables are written off against the provision account when there is an official announcement of liquidation or bankruptcy confirming that the receivable will not be collected.

(d) Derivatives and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations.

Such instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative assets are included in other receivables, and derivative liabilities are included in other payables and accrued expense in the statement of financial position. Any gains or losses arising from changes in fair value on derivatives during the year are taken to the income statement. Additionally, the Group designates some forward contracts as hedges of net investments in foreign operations. Gains and losses from these contracts are recorded directly in other comprehensive income and will be recycled to the income statement on disposal of the underlying investment.

The Group does not enter into any derivatives without underlying exposure.

(e) Foreign currency translation

The Group's financial statements are presented in Swiss francs (CHF), which is also the parent's functional currency. Income statements of foreign entities are translated into CHF at the average exchange rates for the year, while the statements of financial position are translated at the year-end exchange rates as of December 31. Exchange differences arising from the translation of the net investment in foreign subsidiaries and associated undertakings, and of borrowings that hedge such investments, are included in other comprehensive income. On disposal of a foreign entity, the accumulated exchange differences are recognized in the income statement as part of the gain or loss on sale.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and the circumstances relevant to that entity ("the functional currency"). The functional currency of an entity is reviewed regularly.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary items are carried at historical cost using the spot rate at acquisition.

(f) Intangible assets

Expenditure to acquire distribution contracts, patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, not exceeding 20 years.

Software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (three to five years).

(g) Property, plant and equipment

Property, plant and equipment is initially recorded at cost. The Group applies the straight-line depreciation method.

Such tangible fixed assets are depreciated to their residual values over their estimated useful life as follows:

Buildings	25 to 35 years
Machinery/tools, furniture/fixtures	5 to 10 years
IT/communication	3 to 5 years
Vehicles	5 years

Land is not depreciated as it is deemed to have an indefinite life. Leasehold improvements are depreciated over the shorter of their useful life and the remainder of the non-cancellable lease term.

Where the carrying amount of an asset, or the CGU it belongs to, is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in other operating income or other operating expense.

(h) Impairment of assets

Goodwill and indefinite-life intangible assets

Goodwill and indefinite-life intangible assets are tested for impairment at least annually and upon the occurrence of an indication of impairment. The impairment tests are performed annually at the same time each year at the cash-generating unit (CGU) level. The Group defines its CGUs based on the way that it monitors and derives economic benefits from the acquired goodwill and intangibles. The impairment tests are performed by comparing the carrying value of the assets of these CGUs with their recoverable amount. The recoverable amount is the greater of the fair value less cost of disposal and value-in-use. Generally, the Group starts with a value-in-use calculation based on the future projected free cash flows discounted at an appropriate pre-tax rate of return. These calculations use free cash flow projections for the next five years based on financial budgets and economic growth rates approved by the Senior Executive Team. The discount rate reflects the current assessment of the weighted average cost of capital and the risks specific to the CGUs (essentially country risks).

Impairment of property, plant and equipment and finite-life intangible assets

Consideration is given at each financial reporting date determining whether there is any indication of impairment of the carrying amount of the Group's property, plant and equipment and finite-life intangible assets. If any indication exists, an asset's or CGUs recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value-in-use. In assessing the value-in-use, the estimated future cash flows are discounted to their present value based on a country-specific weighted average cost of capital rate of the country where the assets are located, adjusted for risks specific to the asset.

(i) Finance and operating leases

Leases where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets under finance leases are capitalized at the estimated present value of the underlying future lease payments and depreciated over the useful life of the asset. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities.

All other leases are classified as operating leases. Rental payments are charged to the income statement on a straight-line basis over the period of the lease.

(j) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined based on the weighted average cost method. The cost of finished goods and work in progress includes raw materials, direct labor, other direct costs and related production overheads, but excludes interest expense.

Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. A provision is established for slow moving and scrap items on stock.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, current account deposit balances at banks and investments in money market accounts having an original maturity of three months or less. Bank overdrafts are included in borrowings as part of current liabilities.

(l) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings.

Borrowings are classified as current unless the liability matures only after twelve months after the reporting date, or the Group has an unconditional right to defer settlement of the liability for at least twelve months after the financial reporting date.

(m) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Group recognizes a warranty provision on all products still under warranty at the financial reporting date. This provision is calculated based on service histories. Provision is also made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the financial reporting date.

(n) Share-based payments

The Group has equity-settled, share-based compensation plans, under which it receives services from qualifying employees in exchange for equity instruments. The employee services received in exchange for the grant of the equity-settled payments are measured at the fair value of the equity instruments granted and are recognized as expenses, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards. The fair values of payments under active share-based payment plans are measured at the dates of share grant using a Monte Carlo simulation.

(o) Employee benefits

The Group operates a number of defined benefit pension plans in various countries.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (excluded in net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognized in the income statement on the earlier of:

- The date of the plan amendment or curtailment, or
- The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under "expenses for defined benefit pension plans" in employee benefit expenses:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest cost

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary resignation. Benefits falling due more than twelve months after financial reporting date are discounted to present value.

Provision is also made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the financial reporting date.

(p) Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates

positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets relating to the carryforward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available and against which the unused tax losses can be utilized.

Deferred tax liabilities for withholding taxes (WHT) are recognized for subsidiaries in situations where the income is to be paid out as dividend in the foreseeable future and for undistributed earnings of unconsolidated companies to the extent that these withholding taxes are not expected to be refundable or deductible.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

(q) Revenue recognition

The Group's sales are generated from the distribution of healthcare products and consumer goods, trading of technology and performance material products and from rendering of services. Revenue is recognized when a contractual promise to a customer has been fulfilled by transferring control over the promised goods or services, principally at the time of shipment to or receipt of the products by the customer, or over time when the services are performed. The Group's contractual promises generally represent one performance obligation. However, if a contract includes more than one performance obligation, the consideration is allocated based on the stand-alone selling prices of the individual performance obligations. The amount of revenue recognized is based on the expected consideration in exchange for the goods and services, taking into account contractually defined terms (e.g. trade discounts, cash discounts and volume rebates) and excluding taxes or duty.

The Group's technology segment may sell, to a limited extent, equipment and related installation services. The two deliverables are considered separate performance obligations since the installation services do not significantly modify or customize the equipment. Revenue is recognized based on the satisfaction of each of the performance obligations in the contract.

In the Business Units Consumer Goods and Healthcare the Group enters into contracts with its suppliers for the distribution of products. Under these contracts, the Group might also provide procurement, marketing, sales, warehousing, logistics and collection services. The Group assesses on a contract-by-contract basis whether it is acting as a principal or agent. In some cases, the Group might not be considered the party primarily responsible for fulfilling the promise to the customer to provide the products, and/or might not have inventory risk before specified equipment has been transferred to the customer and/or might not have discretion in establishing the price for the specified equipment. In limited cases where the Group is acting as an agent, only the margin on sale, the fees or commissions earned are recorded in net sales.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Executive Team, which makes strategic and key operating decisions. No segments have been aggregated to a reporting segment.

(s) Changes in accounting policy and disclosures

New and amended IFRS as of January 1, 2018

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations and annual improvements that need to be applied for annual periods beginning January 1, 2018:

IFRS 9 "Financial Instruments": The Group implemented IFRS 9 "Financial Instruments," which replaces IAS 39, as of January 1, 2018. As permitted by the transitional provisions the Group has not restated comparative information.

IFRS 9 introduces new rules for classification and measurement, in particular for financial assets, for impairment of financial assets and for hedge accounting. The Group's financial assets principally consist of trade and other receivables, cash and some other financial assets that continue to be measured at amortized cost as they are held to collect contractual cash flows solely relating to principal and interest. Financial assets and liabilities at fair value through profit and loss include derivatives and those investments in equity securities that the Group has not irrevocably elected to classify as at fair value through OCI (FVOCI).

Investments in equity securities with a carrying amount of CHF 34.4 million previously classified as available-for-sale financial assets continue to be measured at fair value and have been reclassified as follows to the new categories at January 1, 2018:

- CHF 3.6 million to equity instruments at fair value through OCI (FVOCI), with no recycling of gains or losses to profit or loss on derecognition. This relates mainly to investments in listed companies that the Group intends to hold for the foreseeable future.
- CHF 30.8 million, representing the investment in aCommerce, to financial assets at fair value through profit or loss.

The new standard requires impairments on receivables and loans not held at fair value through profit and loss to be based on a forward-looking expected credit loss (ECL) model. ECLs are the difference between the contractual cash flows due in accordance with the terms of the contract and the cash flows the Group expects to receive.

The Group applies the simplified approach, which allows expected lifetime losses to be recognized for trade receivables using a provision matrix. The provision matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The application of the ECL model has had no material impact on the loss allowance and therefore no adjustment to retained earnings at January 1, 2018, was required.

The adoption of the IFRS 9 hedge accounting guidance prospectively from January 1, 2018, has no significant impact on the Group's financial statements.

IFRS 15 "Revenue from Contracts with Customers": the Group implemented IFRS 15 as of January 1, 2018, with the modified retrospective application. IFRS 15 supersedes all current revenue recognition requirements under IFRS and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when control over goods or services is passed to the customer either at a point in time or over time at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The adoption of IFRS 15 did not significantly change the timing or amount of revenue recognized by the Group.

New standards and interpretations and amendments to existing standards that are not yet effective and that the Group has not adopted early and are potentially relevant for the Group are disclosed below.

IFRS 16 "Leases": IFRS 16 was issued on January 13, 2016. The standard replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model for the lessee. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend the Group's lease portfolio at that date. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of distribution center and office facilities in the range of CHF 300 - 350 million. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group applies IFRS 16 initially on January 1, 2019 using the modified retrospective approach with no restatement of comparative information. The lease liabilities will be measured based on the present value of the remaining lease payments, adjusted by the amount of any prepaid or accrued lease payments. The right-of-use asset will be measured based on the present value of the remaining lease payments.

IFRIC 23 "Uncertainty over Income Tax Treatments": Effective for annual periods beginning on or after January 1, 2019. In June 2017, the IASB issued IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Group is currently assessing the impact of this new interpretation. The Group does not expect any impact from the application.

(t) Critical accounting estimates and assumptions

The presentation of the consolidated financial statements in accordance with IFRS requires the use of estimates. Certain areas that are

particularly subject to evaluation and in which management's assumptions and estimates are of critical importance for the consolidated financial statements are mentioned below:

(i) Impairment testing of goodwill

The Group tests goodwill annually for impairment (Note 14), in accordance with the accounting policy for impairment of assets (h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the establishment of assumptions. The most critical assumptions for this calculation are the estimated cash flows during the forecast period and the discount rate applied.

(ii) Income taxes

The Group is obliged to pay income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. Liabilities are recognized for anticipated tax audit issues based on assumptions of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made (Note 9).

(iii) Retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations (Note 24).

(iv) Investment in unquoted entity

The fair value of a specific unquoted investment is either derived from a recent closed funding round or from a revenue multiple valuation model. The valuation based on revenue multiples requires significant management judgement, as explained in more detail in Note 31.

(u) Exchange rates applied

The financial statements of foreign subsidiaries are drawn up in local currency and translated into Swiss francs for consolidation purposes. The following exchange rates were applied:

Currency	Statement of financial position	Statement of financial position	Income statement	Income statement
	year-end rates	year-end rates	average rates	average rates
	2018	2017	2018	2017
1 AUD	0.695	0.762	0.762	0.755
1 CNY	0.143	0.150	0.148	0.146
1 EUR	1.129	1.168	1.156	1.112
1 GBP	1.246	1.318	1.306	1.268
1 HKD	0.126	0.125	0.125	0.126
100 JPY	0.892	0.867	0.886	0.878
100 KRW	0.088	0.092	0.089	0.087
100 MMK	0.064	0.072	0.068	0.072
1 MYR	0.237	0.241	0.243	0.229
1 PHP	0.019	0.020	0.019	0.020
1 SGD	0.720	0.730	0.725	0.713
1 THB	0.030	0.030	0.030	0.029
1 TWD	0.032	0.033	0.032	0.032
1 USD	0.985	0.958	0.978	0.984
1000 VND	0.040	0.040	0.040	0.040

3. Segment information

2018 by Business Unit						
in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Other / Elimination	Group Total
Sale of goods	3,716.8	5,923.1	955.9	370.6	-	10,966.4
Other services	142.3	189.9	4.5	41.5	-	378.2
Net sales	3,859.1	6,113.0	960.4	412.1	-	11,344.6
EBIT	62.9	150.5	75.1	24.0	(48.9)	263.6
Additions of property, plant and equipment	13.1	21.5	2.0	2.5	6.7	45.8
Additions of intangible assets	1.0	0.6	0.7	0.1	1.7	4.1
Depreciation and amortization	11.9	21.4	2.0	2.7	6.6	44.6
of which impairment	-	4.9	-	-	-	4.9
Investments in associates and joint ventures	28.2	-	0.1	4.6	9.3	42.2
Share of profit of associates and joint ventures	(0.5)	-	-	3.3	0.3	3.1
Total employees	19,759	8,804	1,076	1,218	2,139	32,996

2018 by region

in CHF millions	Thailand	Greater China	Malaysia/Singapore	Other	Group Total
Net sales third parties ¹	3,605.0	3,312.5	2,036.2	2,390.9	11,344.6
Non-current assets ²	29.6	31.0	18.2	233.3	312.1

2018 country information

in CHF millions	Net sales third parties ¹	Non-current assets ²
Switzerland (domicile)	114.4	84.0
Malaysia	1,470.3	6.8
Hong Kong	1,394.6	15.4

¹ Net sales of an individual region or country are allocated based on the entities located in the respective country.

² Non-current assets exclude financial assets, deferred tax assets and retirement benefit assets.

2017 by Business Unit

in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Other / Elimination	Group Total
Sale of goods	3,493.4	5,884.7	889.4	361.4	(0.8)	10,628.1
Other services	149.7	181.1	4.7	42.8	-	378.3
Net sales	3,643.1	6,065.8	894.1	404.2	(0.8)	11,006.4
EBIT	105.9	146.5	73.2	23.1	(51.7)	297.0
Additions of property, plant and equipment	8.2	10.6	1.5	2.8	5.1	28.2
Additions of intangible assets	0.3	0.8	0.1	-	1.2	2.4
Depreciation and amortization	12.1	14.6	1.8	2.9	6.5	37.9
Investments in associates and joint ventures	28.7	-	0.2	3.6	8.1	40.6
Share of profit/(loss) of associates and joint ventures	1.3	-	-	2.5	0.1	3.9
Total employees	18,343	9,368	1,010	1,248	2,004	31,973

2017 by region

in CHF millions	Thailand	Greater China	Malaysia/Singapore	Other	Group Total
Net sales third parties ¹	3,374.9	3,593.9	1,826.6	2,211.0	11,006.4
Non-current assets ²	31.3	27.3	15.2	250.3	324.1

2017 country information

in CHF millions	Net sales third parties ¹	Non-current assets ²
Switzerland (domicile)	119.2	89.8
Malaysia	1,277.0	6.9
Hong Kong	1,360.5	4.1

¹ Net sales of an individual region or country are allocated based on the entities located in the respective country.

² Non-current assets exclude financial assets, deferred tax assets and retirement benefit assets.

As of December 31, 2018, the Group is organized on a worldwide basis into four Business Units that reflect the operating segments according to IFRS 8:

DKSH Business Unit Consumer Goods is Asia's leading Market Expansion Services provider with a focus on fast moving consumer goods, food services, luxury goods, fashion and lifestyle products, as well as hair and skin cosmetics. The Business Unit's comprehensive Market Expansion Services extend from product feasibility studies and registration to importation, customs clearance, marketing and merchandising, sales, warehousing, physical distribution, invoicing, cash collection and after-sales services.

DKSH Business Unit Healthcare is the leading Market Expansion Services provider for healthcare companies seeking to grow their business in Asia. Custom-made offerings comprise registration, regulatory services, market entry studies, importation, customs clearance,

marketing and sales, physical distribution, invoicing and cash collection. Products available through DKSH Healthcare include ethical pharmaceuticals, consumer health and over-the-counter (OTC) products, as well as medical devices.

DKSH Business Unit Performance Materials is a leading specialty chemicals distributor and provider of Market Expansion Services for performance materials, covering Europe, North America and the whole of Asia. The Business Unit sources, markets and distributes a wide range of specialty chemicals and ingredients for pharmaceutical, personal care, food & beverage, as well as various industrial applications.

DKSH Business Unit Technology is the leading provider of Market Expansion Services covering a broad range of capital investment goods and analytical instruments. The Business Unit offers total solutions in the areas of infrastructure, industrial materials and supplies, precision and textile machinery, semiconductors, photovoltaic and electronics, agriculture, hospitality as well as specialized industrial applications.

“Other” includes Corporate Center functions, including management, finance, administration and IT. Some costs of “Other” are charged to the Business Units, and the allocation is based on specific allocation keys set up in management service agreements between the corporate entities and the subsidiaries. The unallocated costs are reflected in the operating result (EBIT) in “Other.”

There are generally very limited transactions between the Business Units and between the regions. The majority of costs relating to a given Business Unit/region are directly incurred by the segment/region to which they relate. Country central costs such as administration and IT are allocated to the Business Units.

4. Net sales

Net sales by category:

in CHF millions	2018	2017
Sale of goods	10,966.4	10,628.0
Other services	378.2	378.4
Net sales	11,344.6	11,006.4

5. Other income

in CHF millions	2018	2017
Government grants	4.4	3.0
Supplier compensation	4.2	7.9
Gain on sale of tangible and intangible assets	2.1	13.8
Rental income	2.1	1.7
Other	16.4	12.5
Total other income	29.2	38.9

In 2017, the gain on sale of tangible and intangible assets principally relates to the sale of real estate properties in Vietnam and Taiwan.

6. Employee benefit expenses

in CHF millions	2018	2017
Salaries and bonuses	503.8	482.3
Sales and other commissions	49.9	46.7
Social security costs	31.8	31.0
Temporary staff	12.5	14.3
Expenses for defined contribution pension plans	11.5	13.6
Expenses for defined benefit pension plans (Note 24)	7.5	7.0
Staff training costs	1.6	1.6
Other personnel expenses	50.3	42.3
Total employee benefit expenses	668.9	638.8
Total employees	32,996	31,973

7. Other operating expenses

in CHF millions	2018	2017
Logistics and distribution costs	194.4	184.4
Selling costs	131.8	151.4
Rent	106.0	101.9
Travel and entertainment	47.7	46.3
Information technology	18.3	16.3
Utilities	14.5	14.0
Fees and royalties	11.7	10.4
Stationery and office supplies	10.6	10.3
Maintenance and repairs	10.2	10.0
Communication	9.0	9.6
Consulting services	7.8	7.6
Insurance	5.7	5.8
Bank charges	4.4	4.3
Legal services	3.9	3.4
Professional fees	2.8	2.5
Research and development	2.0	1.5
Loss on sale of tangible and intangible assets	1.2	1.1
Other	16.9	15.3
Total other operating expenses	598.9	596.1

8. Net finance result

in CHF millions	2018	2017
Interest income on bank deposits	2.4	2.2
Income from financial assets	0.1	0.1
Financial income	2.5	2.3
Net foreign exchange transactions	(2.3)	(9.8)
Interest expenses on bank borrowings	(7.5)	(5.8)
Interest expenses on finance leases	-	(0.1)
Financial expenses	(9.8)	(15.7)
Net finance result	(7.3)	(13.4)

9. Income tax expenses

in CHF millions	2018	2017
Current income tax	71.2	74.9
Adjustments in respect of current income tax of prior years	(1.7)	(0.1)
Deferred tax	1.7	2.4
Total income tax expenses	71.2	77.2

The income tax expense of the Group differs from the amount that would arise applying the applicable income tax rate as follows:

in CHF millions	2018	2017
Profit before tax	331.5	290.5
Applicable income tax based on 20.3% (2017: 23.2%)	67.1	67.5
Tax releases relating to prior years	(1.7)	(0.1)
Impact of tax rate changes	(0.3)	0.1
Tax effects of WHT/foreign tax not recoverable	8.0	8.8
Tax effect on non-deductible expenses	3.6	2.0
Tax effect of income that is not taxable	(12.0)	(6.0)
Tax effects related to tax losses and tax credits, net	5.1	3.4
Others	1.4	1.5
Total income tax expenses	71.2	77.2

The applicable income tax rate is the weighted average of the tax rates of the respective individual tax jurisdictions. Due to the different weights of the results of the Group companies and respective local tax rates, the calculated income tax rate has changed.

10. Cash and cash equivalents

in CHF millions	2018	2017
Cash at bank and on hand	488.1	381.0
Short-term deposits	126.2	62.1
Total cash and cash equivalents	614.3	443.1

11. Trade receivables

The aging of trade receivables is as follows:

in CHF millions	2018	2017
Not overdue	1,981.8	1,920.7
Up to 3 months overdue	183.1	248.2
Between 3 and 6 months overdue	31.4	30.2
Between 6 and 9 months overdue	21.2	7.4
Between 9 and 12 months overdue	9.2	7.2
More than 12 months overdue	10.8	12.8
Total trade receivables - gross	2,237.5	2,226.5
Provision for doubtful debts	(18.4)	(20.1)
Total trade receivables - net	2,219.1	2,206.4

Movements on the Group provision for impairment of trade receivables are as follows:

in CHF millions	2018	2017
As of January 1	20.1	23.0
Impairment of accounts receivable	5.8	3.2
Receivables written off	(2.3)	(2.7)
Unused amount reversed	(4.4)	(4.8)
Divestment	(0.6)	-
Exchange differences	(0.2)	1.4
As of December 31	18.4	20.1

The maximum exposure to credit risk at the reporting date relates to the carrying amount of total trade receivables.

12. Financial assets

in CHF millions	2018	2017
Equity instruments at fair value through profit and loss ¹	30.7	34.1
Equity instruments at fair value through other comprehensive income ²	3.5	0.3
Deposits to third parties	18.1	18.4
Loans to third parties	6.2	2.6
Total financial assets	58.5	55.4

¹ Financial assets available for sale as of December 31, 2017, reclassified to financial assets at fair value through profit and loss as of January 1, 2018.

² Financial assets available for sale as of December 31, 2017, reclassified to financial assets at fair value through other comprehensive income as of January 1, 2018.

Details of financial assets at fair value are as follows:

in CHF millions	Available- for-sale at fair value	Available- for-sale at cost	Fair value through profit and loss	Fair value through other comprehensive income	Group Total
As of January 1, 2017	3.4	0.3	-	-	3.7
Revaluation	0.3	-	-	-	0.3
Reclassification	30.8	-	-	-	30.8
Exchange differences	(0.4)	-	-	-	(0.4)
As of December 31, 2017	34.1	0.3	-	-	34.4
Reclassification upon initial application of IFRS 9	(34.1)	(0.3)	30.8	3.6	-
As of January 1, 2018	-	-	30.8	3.6	34.4
Fair value change	-	-	-	(0.4)	(0.4)
Exchange differences	-	-	(0.1)	0.3	0.2
As of December 31, 2018	-	-	30.7	3.5	34.2

The reclassification in 2017 relates to the investment in aCommerce recognized at fair value following loss of significant influence (Note 17).

13. Inventories

in CHF millions	2018	2017
Raw materials	27.0	29.7
Work in progress	7.7	11.1
Finished goods	1,185.7	1,109.3
Total inventories - gross	1,220.4	1,150.1
Provision for obsolete and slow moving stock	(42.7)	(41.6)
Total inventories	1,177.7	1,108.5

Details of change in impairment for inventories:

in CHF millions	2018	2017
As of January 1	41.6	51.1
Divestments	(1.5)	-
Increase in provision for inventories	18.0	6.2
Unused amount reversed	(8.1)	(8.9)
Utilized during the year	(7.0)	(7.4)
Exchange differences	(0.3)	0.6
As of December 31	42.7	41.6

14. Intangible assets

in CHF millions	Trademarks ¹	Other intangible assets ²	Goodwill	Total
Cost				
As of January 1, 2017	42.1	91.2	103.9	237.2
Additions	0.4	2.0	-	2.4
Acquisitions	-	0.7	17.8	18.5
Disposals	-	(7.7)	-	(7.7)
Exchange differences	0.3	2.7	3.6	6.6
As of December 31, 2017	42.8	88.9	125.3	257.0
Accumulated amortization and impairments				
As of January 1, 2017	(36.1)	(75.4)	(0.6)	(112.1)
Amortization	(0.9)	(6.2)	-	(7.1)
Disposals	-	7.3	-	7.3
Exchange differences	(0.3)	(2.6)	-	(2.9)
As of December 31, 2017	(37.3)	(76.9)	(0.6)	(114.8)
Net book value				
As of January 1, 2017	6.0	15.8	103.3	125.1
As of December 31, 2017	5.5	12.0	124.7	142.2
Cost				
As of January 1, 2018	42.8	88.9	125.3	257.0
Additions	0.1	4.0	-	4.1
Acquisitions	-	1.1	-	1.1
Divestments	-	(13.0)	-	(13.0)
Disposals	-	(2.3)	-	(2.3)
Exchange differences	-	(0.4)	(3.8)	(4.2)
As of December 31, 2018	42.9	78.3	121.5	242.7
Accumulated amortization and impairments				
As of January 1, 2018	(37.3)	(76.9)	(0.6)	(114.8)
Amortization	(0.8)	(6.6)	-	(7.4)
Impairments	-	-	(4.9)	(4.9)
Divestments	-	13.0	-	13.0
Disposals	-	2.0	-	2.0
Exchange differences	-	(0.1)	-	(0.1)
As of December 31, 2018	(38.1)	(68.6)	(5.5)	(112.2)
Net book value				
As of January 1, 2018	5.5	12.0	124.7	142.2
As of December 31, 2018	4.8	9.7	116.0	130.5

¹ Includes acquired trademark rights to distribute products in specific territories and recognized brand values from acquisition of businesses.

² Includes software and development costs as well as intangibles relating to distribution contracts recognized from acquisitions.

The Group has no intangible assets with indefinite useful lives as of December 31, 2018, and December 31, 2017, other than goodwill.

Impairment tests for goodwill

Goodwill impairment reviews have been conducted for all goodwill items. Goodwill relating to the reverse acquisition of SiberHegner Group in 2002, which resulted in the formation of DKSH, has been allocated to the Group's cash-generating units (CGUs) identified according to Business Unit as per date of acquisition. Goodwill from acquisition of local businesses during 2003-2018 has been allocated to the CGUs in the respective country which are expected to benefit from synergies of the business combination.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use free cash flow projections for the next five years based on financial budgets and economic growth rates approved by the Senior Executive Team.

The following key assumptions for value-in-use calculations were applied in 2018:

in CHF millions	Country	Segment	Goodwill amount	Discount rate	Growth rate
Cash-generating unit					
Siber Hegner	Various	Performance Materials	23.5	8.3%	1.6%
Zeus	Spain, Portugal	Performance Materials	16.8	12.0%	1.8%
Dasico & Jennow	Denmark	Performance Materials	12.0	10.4%	2.0%
Siber Hegner	Various	Technology	10.1	8.6%	1.6%
Staerkle & Nagler	Switzerland	Performance Materials	9.4	10.0%	1.0%
PT. Wicaksana O.I.Tbk	Indonesia	Consumer Goods	8.9	20.3%	3.0%
EUROP Continents S.A.R.L	Cambodia	Healthcare	6.5	19.6%	3.0%
Primatek	Indonesia	Technology	6.1	20.5%	3.0%
Brandlines	New Zealand	Consumer Goods	5.7	14.4%	2.0%
Electcables	Australia	Technology	4.8	14.7%	2.5%
eSweets	China	Consumer Goods	3.4	14.7%	3.0%
Other CGUs	Various	Various	8.8	10.4%-22.9%	2.0%-4.8%
Total			116.0		

Based on the annual goodwill impairment test, the Group recognized full impairment of goodwill relating to its CGUs Miraecare and Glory recognizing a loss of CHF 4.9 million in 2018 (no impairment loss was recognized in 2017). The updated cash flow projections relating to these CGUs reflected a decreased demand leading to the impairment. The impairment test resulted in a recoverable amount for Glory of CHF 5.3 million and Miraecare of CHF 8.4 million applying a discount rate of 12.3% (2017: 9.9%) and 13.7% (2017: 12.6%) respectively.

The outcome of impairment testing is sensitive to variations in estimates and assumptions. Variations in estimates and assumptions have the following effect on the recoverable amount calculations (all else equal):

- A 1% point increase in the discount rate would result in an impairment of CHF 1.9 million (2017: CHF 2.2 million) of which CHF 1.2 million relates to Electcables (2017: CHF 1.7 million), CHF 0.3 million to Primatek (2017: CHF 0.0 million), CHF 0.2 million to eSweets (2017: CHF 0.0 million) and CHF 0.2 million to Other CGUs (2017: CHF 0.5 million).
- Lowered revenue projections for 2019 and thereafter by 10% would result in an impairment of CHF 1.2 million (2017: CHF 0.9 million) of which CHF 0.6 million relates to Electcables (2017: CHF 0.9 million), CHF 0.4 million to Primatek (2017: CHF 0.0 million) and CHF 0.2 million to Other CGUs (2017: CHF 0.0 million).
- Reduced projections of EBIT by 5% during forecast period 2019-2023 would result in an impairment of CHF 1.5 million (2017: CHF 1.4 million) of which CHF 1.0 million relates to Electcables (2017: CHF 1.4 million), CHF 0.3 million to Primatek (2017: CHF 0.0 million) and CHF 0.2 million to Other CGUs (2017: CHF 0.0 million).

The following key assumptions for value-in-use calculations were applied in 2017:

in CHF millions	Country	Segment	Goodwill amount	Discount rate	Growth rate
Cash-generating unit					
Siber Hegner	Various	Performance Materials	23.5	8.1%	1.7%
Zeus	Spain, Portugal	Performance Materials	17.3	12.1%	1.9%
Dasico & Jennow	Denmark	Performance Materials	12.4	10.5%	2.0%
Siber Hegner	Various	Technology	10.1	8.5%	2.0%
PT. Wicaksana O.I.Tbk ¹	Indonesia	Consumer Goods	9.8	n.a	n.a
Staerkle & Nagler	Switzerland	Performance Materials	9.4	9.9%	1.0%
EUROP Continents S.A.R.L ¹	Cambodia	Healthcare	6.6	n.a	n.a
Primatek	Indonesia	Technology	6.2	18.5%	4.0%
Brandlines	New Zealand	Consumer Goods	6.1	14.6%	2.0%
Electcables	Australia	Technology	5.3	15.0%	2.5%
Glory	Macau	Healthcare	2.2	9.9%	3.0%
Other CGUs	Various	Various	15.8	10.3%-20.9%	2.0%-5.0%
Total			124.7		

¹ Acquired in 2017.

15. Other receivables

in CHF millions	2018	2017
Current		
Supplier accounts	239.0	214.7
Advances and deposits	63.2	60.8
VAT and other taxes receivables	46.1	45.9
Derivative financial instruments	3.8	3.7
Other current receivables	51.4	59.1
Total other receivables current	403.5	384.2
Non-current		
Other non-current receivables	2.2	3.4
Total other receivables non-current	2.2	3.4

16. Property, plant and equipment

in CHF millions	Land, buildings/ leasehold	Machinery/ tools	Furniture/ fixtures	IT/ comm- unication	Vehicles	Assets under construction	Total
Cost							
As of January 1, 2017	89.4	64.1	101.4	52.4	15.6	-	322.9
Additions	2.7	6.6	7.5	5.2	0.9	5.3	28.2
Reclassifications	0.9	0.6	0.6	-	-	(2.1)	-
Acquisitions	28.9	0.2	0.1	0.2	1.2	-	30.6
Disposals	(24.5)	(9.2)	(5.5)	(5.5)	(1.3)	(1.0)	(47.0)
Exchange differences	1.1	1.4	3.1	1.7	0.2	0.2	7.7
As of December 31, 2017	98.5	63.7	107.2	54.0	16.6	2.4	342.4
Accumulated depreciation and impairments							
As of January 1, 2017	(31.2)	(42.4)	(71.2)	(43.3)	(10.1)	-	(198.2)
Depreciation	(5.6)	(7.7)	(10.4)	(5.4)	(1.7)	-	(30.8)
Disposals	12.1	7.0	5.1	5.1	1.1	-	30.4
Exchange differences	(0.7)	(1.0)	(2.4)	(1.4)	(0.4)	-	(5.9)
As of December 31, 2017	(25.4)	(44.1)	(78.9)	(45.0)	(11.1)	-	(204.5)
Net book value							
As of January 1, 2017	58.2	21.7	30.2	9.1	5.5	-	124.7
As of December 31, 2017	73.1	19.6	28.3	9.0	5.5	2.4	137.9
Cost							
As of January 1, 2018	98.5	63.7	107.2	54.0	16.6	2.4	342.4
Additions	6.1	7.2	23.5	5.0	1.0	3.0	45.8
Reclassifications	2.0	-	0.9	0.1	-	(3.0)	-
Acquisitions	-	-	0.2	-	-	-	0.2
Divestments	(6.6)	(5.9)	(4.6)	(0.9)	-	-	(18.0)
Disposals	(2.2)	(9.7)	(23.2)	(7.4)	(2.5)	-	(45.0)
Exchange differences	(0.5)	(0.6)	(1.7)	(1.0)	(0.2)	-	(4.0)
As of December 31, 2018	97.3	54.7	102.3	49.8	14.9	2.4	321.4
Accumulated depreciation and impairments							
As of January 1, 2018	(25.4)	(44.1)	(78.9)	(45.0)	(11.1)	-	(204.5)
Depreciation	(5.9)	(7.0)	(12.0)	(5.4)	(2.0)	-	(32.3)
Divestments	2.5	4.9	4.2	0.8	-	-	12.4
Disposals	0.8	8.3	19.9	7.1	2.5	-	38.6
Exchange differences	(1.0)	0.4	1.4	0.7	0.1	-	1.6
As of December 31, 2018	(29.0)	(37.5)	(65.4)	(41.8)	(10.5)	-	(184.2)
Net book value							
As of January 1, 2018	73.1	19.6	28.3	9.0	5.5	2.4	137.9
As of December 31, 2018	68.3	17.2	36.9	8.0	4.4	2.4	137.2

No bank borrowings are secured with assets of property, plant and equipment as of December 31, 2018 and 2017.

17. Investments in associates

The investments in associates are as follows:

Company in %	Country of incorporation	2018	2017
Bovet Fleurier SA, Plan-les-Ouates	Switzerland	25.0	25.0
Kulara Holdings Pte Ltd., Singapore	Singapore	30.0	30.0

The Group's share of net asset and profit for the year relating to associates, included in the consolidated statement of financial position and income statement, are as follows:

in CHF millions	2018	2017
Group's share of net assets	35.3	33.7
Group's share of profit/(loss) for the year	(0.2)	1.4

In 2017, following structural changes with regards to the investment in aCommerce, the Group lost significant influence over the investee and has therefore accounted for the transaction as a deemed sale. The investment has been reclassified to financial assets available for sale as of December 31, 2017, recording a gain of CHF 6.9 million under gain on sale of subsidiaries and associates upon revaluation. As per initial application date of IFRS 9 (January 1, 2018), the investment was reclassified to financial assets at fair value through profit and loss (Note 12).

18. Interest in joint ventures

The Group's interests in joint ventures are as follows:

Company in %	Country of incorporation	2018	2017
Cummins Diethelm Ltd., Bangkok	Thailand	50.0	50.0
Cummins DKSH Vietnam LLC, Ho Chi Minh City	Vietnam	50.0	50.0
Cummins DKSH (Singapore) Pte Ltd., Singapore	Singapore	50.0	50.0
Cummins DKSH (Myanmar), Yangon	Myanmar	50.0	50.0
DKSH Klingelberg Service Ltd., Shanghai	China	50.0	50.0

The Group's share of net asset and profit for the year relating to joint ventures, included in the consolidated statement of financial position and income statement, are as follows:

in CHF millions	2018	2017
Group's share of net assets	6.9	6.9
Group's share of profit for the year	3.3	2.5

19. Deferred income tax

Deferred tax assets and liabilities are recognized in the statement of financial position as follows:

in CHF millions	2018	2017
Deferred tax assets (net)	36.7	39.4
Deferred tax liabilities (net)	(13.2)	(12.7)
Net deferred tax assets	23.5	26.7

Deferred tax assets (gross):

in CHF millions	2018	2017
As of January 1	72.4	63.2
Credited/(charged) to the income statement	(0.7)	7.1
Credited/(charged) to other comprehensive income	(0.2)	(0.1)
Divestments	(2.0)	-
Exchange differences	(0.1)	2.2
As of December 31	69.4	72.4

Deferred tax assets (gross) relating to:

in CHF millions	2018	2017
Trade receivables	37.7	32.9
Inventories	4.5	6.5
Property, plant and equipment	2.2	1.9
Intangible assets	4.4	4.7
Other assets	4.2	2.0
Employee benefits	4.2	4.2
Provisions and other liabilities	7.2	12.4
Tax loss carryforwards and tax credits	5.0	7.8
Total deferred tax assets	69.4	72.4

The Group recognized deferred tax assets (net) of CHF 4.9 million (2017: CHF 6.8 million) regarding entities recording a net loss in current and/or previous period. These net loss positions principally exist due to one-off effects. The Group expects to recover the deferred tax assets (net) in future periods.

Deferred tax liabilities (gross):

in CHF millions	2018	2017
As of January 1	45.7	34.7
Charged/(credited) to the income statement	1.0	9.5
Charged/(credited) to other comprehensive income	(0.4)	0.3
Divestments	(0.5)	0.2
Exchange differences	0.1	1.0
As of December 31	45.9	45.7

Deferred tax liabilities (gross) relating to:

in CHF millions	2018	2017
Inventories	4.0	4.6
Property, plant and equipment	2.1	1.5
Intangible assets	1.1	1.3
Employee benefits	1.9	2.0
Other assets	1.9	7.1
Provisions, other liabilities and undistributed profits	34.9	29.2
Total deferred tax liabilities	45.9	45.7

The Group has recognized deferred tax liabilities with regards to temporary differences associated with its investments in subsidiaries, associates and joint ventures of CHF 9.2 million (2017: CHF 8.9 million) due to expected distribution in the foreseeable future. The temporary differences associated with investments in the Group's subsidiaries, associates and joint ventures, for which no distribution in foreseeable future is expected and therefore no deferred tax liability has been recognized in the periods presented, aggregate to CHF 330.7 million (2017: CHF 353.6 million).

Deferred tax assets relating to tax loss carryforwards are recognized to the extent that realization of the related tax benefit with future taxable profits is probable. The Group did not recognize deferred tax assets related to accumulated losses amounting to CHF 127.5 million (2017: CHF 128.4 million) that can be carried forward against future taxable income. These tax losses will expire as follows:

in CHF millions	2018	2017
Expiring next year	-	10.2
Expiring in 2 years	2.4	-
Expiring in 3 years	2.9	1.6
Expiring in 4 years	12.9	4.2
Expiring in 5 years	33.8	9.9
Expiring later than 5 years	75.5	102.5
Total unrecognized tax losses	127.5	128.4

20. Borrowings

in CHF millions	2018	2017
Current		
Bank overdraft	10.6	1.7
Bank borrowings	37.8	73.1
Bankers acceptance and promissory notes	8.7	1.0
Finance lease liabilities	0.2	0.6
Total borrowings current	57.3	76.4
Non-current		
Bank loans	83.2	22.5
Total borrowings non-current	83.2	22.5
Total borrowings current and non-current	140.5	98.9
Weighted average effective interest rates on borrowings	3.9%	4.7%

As of December 31, 2018, the Group has undrawn committed and uncommitted bank borrowings and guarantee facilities amounting to CHF 892.9 million (2017: CHF 890.9 million). Bank loans and borrowings are entered into locally by subsidiaries.

As of December 31, 2018 and 2017, aside from a five-year CHF 200 million committed credit facility, no single borrowing is individually significant to the Group. The borrowings are available at commercial terms prevailing in the local environment and might be subject to standard financial and non-financial covenants.

The table below analyzes the cash and non-cash changes of current and non-current borrowings:

in CHF millions	2018	2017
As of January 1	98.9	98.8
Cash flows		
Net proceeds/repayments	42.6	(5.6)
Non-cash changes		
Exchange differences	(1.0)	5.7
As of December 31	140.5	98.9

21. Other payables and accrued expenses

in CHF millions	2018	2017
Accrued expenses third parties	183.2	168.8
Accrued expenses employees	73.1	72.6
VAT and other tax payables	63.0	64.7
Prepayments and deposits received	55.2	51.1
Accrued expenses and payables advertising and promotion suppliers	33.3	24.0
Payables distribution and logistics suppliers	33.0	27.4
Payables for rent, repair and maintenance and tangible assets	11.0	6.5
Deferred purchase consideration ¹	-	5.3
Derivative liabilities	5.4	5.2
Prepaid income	2.5	2.7
Contingent consideration liabilities	-	1.2
Other non-trade payables	16.7	38.0
Total other payables and accrued expenses	476.4	467.5

¹ In 2018, the deferred purchase consideration was settled for an amount of CHF 4.6 million including a deduction as agreed with the seller of a business in 2017.

22. Provisions

in CHF millions	Product warranty	Employee entitlements	Others	Total
Current and non-current				
As of January 1, 2018	1.5	2.8	2.4	6.7
Additions	1.7	2.5	3.5	7.7
Unused amount reversed	(1.7)	(0.1)	(0.4)	(2.2)
Utilized in current year	(0.6)	(2.5)	(0.1)	(3.2)
Exchange differences	(0.1)	(0.2)	-	(0.3)
As of December 31, 2018	0.8	2.5	5.4	8.7
thereof:				
Current provisions	0.8	0.3	2.3	3.4

Product warranty

The Group issues warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision has been recognized at the year-end for expected warranty claims based on past experience of the level of repairs and returns.

Employee entitlements

Employee entitlement provisions are calculated on the basis of local labor laws of the respective countries. The amounts provided for are calculated using the average wage and years of service. The timing of cash outflow is uncertain.

Others

Others relate principally to litigation cases in various countries. The timing of cash outflow is uncertain.

23. Contingencies

As of December 31, 2018, the Group has outstanding corporate guarantees of CHF 2.6 million (2017: CHF 2.6 million) in favor of joint ventures, as well as CHF 0.0 million (2017: CHF 26.3 million) in favor to third party. The Group considers that it is not probable that an outflow of resources embodying economic benefits will be required to settle these guarantees. Therefore, no amount has been recognized in the statement of financial position.

24. Retirement benefit assets and obligations

Defined benefit plans in Switzerland

According to the Swiss pension law (BVG), pension plans are to be managed by independent, legally autonomous units. The defined benefit plan covers all employees in Switzerland and exceeds the minimum benefit requirements under Swiss pension law. Contributions to the plan are paid by the employees and the employer. For all employees, contributions are calculated as a percentage of contributory salary and are deducted monthly. In addition, the company pays risk contributions, which are used to finance benefits paid out in the event of death and disability, as well as to finance retirement benefits and survivors' bridging pensions. The benefits of the plan participants include retirement benefits and disability, death and survivor pensions. The plan provides a lifetime pension to members at the retirement age of 65. At retirement, a portion or the full amount can be taken as a lump sum payment. The amount of pension payable is calculated based on the conversion rate applied on the accumulated savings balance of the individual plan participant's pension account at the retirement date. The accumulated savings balance on the pension account is based on the employee and employer contributions that have been made to the pension account of each individual plan participant, as well as the interest accrued on the accumulated balance. The interest rate accrued is defined annually by the Pension Foundation Board. The investment strategy of the plan is in line with Swiss pension law, including the rules and regulations relating to diversification of plan assets. The Pension Foundation Board strives for a medium- and long-term consistency and sustainability between assets and liabilities. According to Swiss pension law, a temporary limited underfunding is permitted. However, the Pension Foundation Board is required to take the necessary measures to ensure that full funding can be expected to be restored within a period up to a maximum of ten years. Under Swiss pension law, if a pension plan became significantly underfunded on a Swiss pension law basis, additional employer and employee contributions could be required. In these situations, the risk is shared between employer and employees, and the employer is not legally obliged to cover more than 50% of the additional contributions required. The Swiss pension plan has a technical funding ratio under Swiss pension law of 111.0% (provisional) as of December 31, 2018 (2017: 115.1%), and thus it is not expected that such additional contributions will be required in the next year.

Defined benefit plans in other countries

Defined benefit plan in Japan

The defined benefit plan in Japan is managed by an independent, legally autonomous unit according to Japanese law. The defined benefit pension plan covers about one third of the employees in Japan and will not enroll any more employees. Contributions to the plan are paid by the employer only. Contributions are calculated as percentage of contributory salary. The benefits of the plan participants include retirement benefits, death and survivor pensions. The plan provides a ten-year pension to members at the retirement age of 62. At retirement, the employee can choose either a lump sum payment or a ten-year pension (pension option is available only for employees with more than 15 years of service). The accumulated savings balance on the pension account is based on the employer contributions that have been made to the pension account of each individual plan participant, as well as the interest accrued on the accumulated balance. A temporary limited underfunding is permitted. Once every 3 years, there is an assessment of funding according to Japanese regulations. If the pension plan is underfunded, the monthly contribution amounts are increased starting at the beginning of the following year. The pension plan has a technical funding ratio of 149.0% as of December 31, 2018 (2017: 151.6%), and thus it is not expected that additional contributions will be required in the next year.

Defined benefit plan in Taiwan

The defined benefit plan in Taiwan is governed under the Labor Standards Act. The pension plan covers all employees. The pension payable is calculated as percentage of contributory salary whereof a portion is paid into a fund kept on the employee's account with the Labor Bureau. Contributions to the plan are paid by the employees and the employer. The benefits of the plan participants include retirement benefits. The plan provides a lifetime pension to members at retirement age of 65 years. At retirement, a portion or the full amount can be taken as a lump sum payment. The accumulated savings balance, which corresponds to the pension payable, is based on the contributory salary percentages of each individual plan participant, as well as the interest accrued on the accumulated balances. As the contributions are in accordance with Taiwanese law, it is not expected that additional contributions will be required in the next year.

Defined benefit plan in the Philippines

The defined benefit plan in the Philippines is governed under the Philippine statute covering pension mandates and exceeds the minimum benefit requirements under Philippine labor law. The plan is managed by a separate autonomous unit. The pension plan covers all employees. Contributions to the plan are paid by the employer. The contribution is calculated as a percentage of basic salary for all employees. This contribution covers benefits paid out in the event of retirement, death, illness or disability. The plan provides a lump sum payment to members at the retirement age of 60. The amount of pension payable is calculated based on the conversion rate of final salary and years in service at the retirement date. There is no provision for funding levels under Philippine law. As of December 31, 2018 and 2017, respectively, the pension fund had a net surplus and thus additional contributions are not expected to be made next year.

Defined benefit plan in Thailand

The defined benefit plan in Thailand is governed under the Labor Protection Act B.E 2541 (1998) and exceeds the minimum benefit requirements under Thai pension law. According to local law, no funding of the pension liability is required. The individual pension payable is calculated as one month's salary per year of service under the severance pay plan and for the gratuity pay plan, applicable for employees with employment commencement date before October 1, 2017, one-quarter of the last month's basic salary times the number of service years for each full year served. The maximum number of accumulating service years under the severance pay plan is limited to 10 years. The benefits of the plan participants include retirement benefits and retrenchment. The plan provides a lump sum payment based on the last drawn basic monthly salary at the retirement age of 60 years.

The expenses for defined benefit plans recognized in the income statement are as follows:

in CHF millions	2018	2017
Current service costs	7.2	7.2
Past service costs	(0.1)	-
Net interest cost	0.4	0.3
(Gain)/loss on settlements	-	(0.5)
Expense for defined benefit pension plans	7.5	7.0

The funded and unfunded defined benefit obligations are as follows:

in CHF millions	2018	2017
Defined benefit obligations	(161.6)	(186.1)
thereof unfunded	(15.0)	(15.8)
Fair value of plan assets	153.1	176.9
Funded status	(8.5)	(9.2)
Impact of minimum funding requirement/asset ceiling	(11.0)	(11.5)
Net retirement benefit obligations recognized in the statement of financial position	(19.5)	(20.7)
Retirement benefit assets recognized in the statement of financial position	7.5	8.0
Retirement benefit obligations recognized in the statement of financial position	27.0	28.7

As of December 31, 2018, pension plans in Japan, the Philippines and the principal plan in Switzerland were in a surplus situation and other pension plans in Switzerland were in a deficit situation. The pension plan in Thailand does not include a funding requirement and the plan in Taiwan requires only partial funding.

in CHF millions	2018	2017
Switzerland		
Defined benefit obligations	(127.7)	(152.6)
Fair value of plan assets	138.5	161.9
Funded status	10.8	9.3
Other countries		
Defined benefit obligations	(33.9)	(33.5)
thereof unfunded	(15.0)	(15.8)
Fair value of plan assets	14.6	15.0
Funded status	(19.3)	(18.5)

The movement in the defined benefit obligations are as follows:

in CHF millions	2018	2017
As of January 1	186.1	188.8
Current service cost	7.2	7.2
Past service cost	(0.1)	-
Interest cost	1.8	1.6
Remeasurements included in other comprehensive income		
Actuarial (gain)/loss from the effect of changes in demographic assumptions	-	(0.1)
Actuarial (gain)/loss from the effect of changes in financial assumptions	(4.5)	(1.8)
Actuarial (gain)/loss from the effect of experience adjustments	(1.9)	(0.8)
Employee contributions	2.6	3.1
Benefits paid	(22.6)	(12.4)
Settlement payments	-	(1.2)
Gain on settlements	-	(0.5)
Acquisitions/divestments	(6.4)	1.6
Insurance premiums for risk benefits	(0.4)	(0.4)
Exchange differences	(0.2)	1.0
As of December 31	161.6	186.1

The movement in the fair value of plan assets is as follows:

in CHF millions	2018	2017
As of January 1	176.9	170.0
Interest income	1.4	1.3
Remeasurements included in other comprehensive income		
Return on plan assets (excluding interest income)	(7.6)	10.1
Employee contributions	2.6	3.1
Employer contributions	5.3	5.4
Benefits paid	(20.7)	(11.6)
Settlement payments	-	(1.2)
Acquisitions/divestments	(4.3)	-
Insurance premiums for risk benefits	(0.4)	(0.4)
Exchange differences	(0.1)	0.2
As of December 31	153.1	176.9

The Group expects to contribute CHF 5.3 million to its defined benefit pension plans in 2018 (2017: CHF 5.3 million).

Plan assets are composed as follows:

in CHF millions	2018	2017
Cash	6.2	6.3
Investments quoted in active markets		
Equity funds	36.1	43.4
Fixed-income funds	65.4	69.7
Real Estate funds	27.5	33.3
Corporate bonds	4.6	4.0
Unquoted investments		
Debt investments	0.2	1.0
Real estate	2.5	2.6
Assets held by insurance companies	10.6	16.6
Total	153.1	176.9

Pension plan assets include one property, occupied by the Group, with a market value of CHF 2.6 million (2017: CHF 2.5 million) in the Philippines.

The principal actuarial assumptions used are as follows:

in %	2018	2017
Switzerland		
Discount rate		
Active	1.0	0.7
Retired	0.7	0.5
Future salary increases	1.5	1.5
Other countries		
Discount rate	0.2 - 8.2	0.1 - 6.9
Future salary increases	3.0 - 6.0	3.0 - 6.5
Future pension increases	1.1 - 4.5	1.3

Assumptions regarding future mortality experience are set based on advice from actuaries, published statistics and experience in each country.

The life expectancy post retirement as at December 31, 2018, is as follows:

in years	2018	2017
Switzerland		
Male	22.6	22.5
Female	24.6	24.5
Other countries		
Male	15.5 - 22.0	14.0 - 19.0
Female	23.4 - 28.0	22.7 - 25.1

The sensitivity of the defined benefit obligations to changes of significant assumptions as at December 31, 2018, is as follows:

in CHF millions	2018	2017
Switzerland		
Discount rate (increase)/decrease by 0.5%	(7.5)/7.6	(10.3)/11.7
Rate of salary increase/(decrease) by 0.5%	1.2/(1.5)	2.5/(2.5)
Rate of pension increase/(decrease) by 0.5%	5.8/-7.3	7.5/(7.3)
Life expectancy increase/(decrease) by 1 year	3.4/(5.6)	5.3/(5.6)

The weighted average duration of the defined benefit plan obligations as December 31, 2018, is 12.3 years (2017: 13.3 years).

25. Equity, share capital and treasury shares

	Nominal value in CHF	Total number of shares
As of January 1, 2017	0.1	65,042,963
As of December 31, 2017 and January 1, 2018	0.1	65,042,963
As of December 31, 2018	0.1	65,042,963

In 2018 and 2017, the Group had no changes in its share capital.

An ordinary dividend of CHF 1.65 per common registered share was paid in 2018 (2017: CHF 1.50 ordinary dividend and a special dividend of CHF 3.00). Total dividend payments amounted to CHF 107.3 million (2017: CHF 292.7 million).

The total authorized number of shares as of December 31, 2018, of DKSH Holding Ltd. is 65,042,963 (2017: 65,042,963) with a par value of CHF 0.10 per share. All issued shares are fully paid in. In 2018, the Group purchased 12,522 treasury shares for an amount of CHF 1.0 million to settle share-based payments. The Group holds no treasury shares as of December 31, 2018 (2017: 778).

The Ordinary General Meeting held on April 16, 2013, approved the Board of Directors' proposal to increase conditional share capital by 500,000 shares or CHF 0.1 million. As of December 31, 2018, the Company's conditional share capital amounts to 282,537 shares (2017: 282,537 shares) or CHF 0.03 million (2017: CHF 0.03 million).

As of December 31, 2018, the Company does not have authorized share capital (2017: CHF 0.0 million).

At the Ordinary General Meeting scheduled for March 21, 2019, a CHF 1.85 dividend is to be proposed in respect of 2018 (2017: CHF 1.65 ordinary dividend per registered shares). These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending December 31, 2019. Dividends payable are not accounted for until they have been ratified at the Ordinary General Meeting.

Other reserves and retained earnings include statutorily restricted reserves of CHF 127.8 million as of December 31, 2018 (2017: CHF 132.9 million).

26. Earnings per share

The following reflects the data used in the basic and diluted earnings per share computations for the years ending December 31, 2018:

in CHF millions	2018	2017
Profit after tax attributable to the shareholders of the Group	254.8	207.0
Weighted average number of outstanding shares during the year	65,037,572	65,042,963
Dilutive shares	43,251	40,465
Adjusted weighted number of shares applicable to diluted earnings per share	65,080,823	65,083,428

There have been no other transactions involving registered shares between the financial reporting date and the date of completion of these financial statements.

27. Share-based payments

Long-Term Incentive Plan (LTIP)

Every year performance share units (PSUs) are granted to eligible key managers by, and at the full discretion of, the Board of Directors to provide eligible key managers of the DKSH Group with the opportunity to become shareholders of the Company, to participate in the future long-term success and prosperity of the DKSH Group and to further align long-term interests of the key managers and the DKSH Group. Each PSU is an entitlement to a maximum of 1.5 shares of the Company, provided certain performance targets are achieved during the three-year performance period and subject to the eligible managers remaining in service. In case certain predetermined performance thresholds are not met after three years, no shares of the Company will vest under the LTIP. At the end of a three-year performance period, the number of PSUs vesting is calculated by multiplying the number of PSUs granted with the vesting multiple. 65% of the vesting multiple is linked to the EBIT of the DKSH Group as reported in the Company's last annual report prior to the end of the three-year performance period and 35% depends on the share price measured as the average of the 20 days' closing share price prior to the end of the three-year performance period. The share price condition (e.g. market condition) has been factored into the grant date fair value using a Monte Carlo Simulation. In prior year, DKSH deducted from equity and recognized a liability of CHF 1.4 million at December 31, 2017, for a vested award that was settled in cash in January 2018 following termination of executive employment of one plan participant.

Year	Number of PSUs granted	Fair Value of PSUs ¹
2017	39,305	77.51
2018	47,843	68.01

¹ in CHF.

Incentive Award

In connection with the assumption of additional management responsibilities, a member of the Senior Executive Team was granted an award of 6,072 DKSH shares in 2017. The fair value per share at grant date amounted to CHF 82.35. The award included a second tranche to be granted in 2018 and vesting at the end of 2019. The 2017 award did not vest and the second tranche of CHF 0.5 million was not granted end of 2018 as the EBIT performance targets at Business Unit level were not achieved. This resulted to a decrease in employee benefit expenses of CHF 0.5 million in 2018 (2017: CHF 0.5 million increase).

The total expense recognized for the period relating to share-based payment transactions amounted to CHF 2.0 million (2017: CHF 2.3 million).

28. Acquisitions and disposals

Acquisitions

Effective January 15, 2018, as part of the mandatory public offering the Group purchased additional 5.2% of the shares of PT. Wicaksana O.I.Tbk for an amount of CHF 3.2 million. The Group will resell these shares to meet the free float requirement of 7.5%.

Effective June 29, 2018, the Group acquired the assets of the beverage business of Davies Foods in New Zealand for a purchase price of CHF 1.2 million. The provisional fair values of identifiable assets relate to receivables of CHF 0.1 million, inventories of CHF 0.7 million, fixed assets of CHF 0.2 million and intangible assets of CHF 0.2 million.

Effective September 6, 2018, the Group acquired additional 39% of the shares of eSweets Trading Co., Ltd., for a purchase price of CHF 6.8 million (CHF 1.0 million payable in 2019). In combination with the acquisition of a majority stake in 2016, the Group's ownership in eSweets Trading co.,Ltd. is 90%.

Prior year acquisitions

During the business year 2017, the Group acquired shares in the following companies:

Effective January 23, 2017, the Group purchased 100% of the shares of EUROP Continents S.A.R.L, a privately held company based in Cambodia. EUROP Continents S.A.R.L is a distributor of medical devices, in vitro diagnostic and laboratory products with activities in Cambodia.

Effective March 24, 2017, the Group purchased 99% of the shares of Innovative Marketing Actions (IMA), a privately held company based in Vietnam. IMA provides specialized services for brand activation solutions, in-store and outdoor promotions as well as product consulting and event management in Vietnam.

Effective October 31, 2017, the Group purchased 60% of the shares of PT. Wicaksana O.I.Tbk, a company based in Jakarta listed on the Indonesia stock exchange. PT. Wicaksana O.I.Tbk provides specialized distribution services in Indonesia. As part of the mandatory public offering the Group was offered additional 4.9% of the shares of PT. Wicaksana O.I.Tbk. The ownership of 64.9% is equivalent to the maximum ownership allowed considering a free float requirement of 7.5%. The transactions are treated as linked.

From the dates of acquisition, the acquired businesses contributed net sales amounting to CHF 22.6 million and a combined profit after tax of CHF 0.3 million. Assuming the business had been acquired as of January 1, 2017, the contribution for the net sales would have been CHF 78.6 million with a corresponding loss of CHF 0.6 million as of December 31, 2017.

The fair value of the identifiable assets and liabilities acquired in 2017 as of the dates of acquisition are:

in CHF millions	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	12.8
Trade receivables	8.1
Inventories	3.9
Other current assets, including real estate properties held for sale	23.5
Intangible assets	0.7
Property, plant and equipment	31.6
Liabilities	
Trade payables	(23.0)
Other current liabilities	(4.5)
Deferred tax liabilities	(0.2)
Other non-current liabilities	(1.5)
Net assets acquired	51.4
Goodwill on acquisitions	17.8
Non-controlling interest at fair value	(20.6)
Purchase consideration	48.6
Deferred purchase consideration	(5.3)
Contingent consideration liabilities	(1.2)
Purchase consideration paid in cash	42.1
Cash and cash equivalents acquired	12.8
Net cash outflow	(29.3)

The fair value of trade receivables amounts to CHF 8.1 million and the gross contractual amount of trade receivables is CHF 8.4 million.

The goodwill of CHF 17.8 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 contingent purchase price depends on the further development of the acquired businesses. The amount recognized at acquisition reflects the present value of the most likely outcome of the amount to be paid. In 2018, contingent consideration liabilities of CHF 1.2 million were released to other operating income as the earn-out targets were not met.

The fair valuation of the non-controlling interest (NCI) is based on the proposed share price under the mandatory public offering.

Disposals

Effective October 31, 2018, the Group disposed its shareholding in DKSH (China) Commercial Ltd. and its subsidiary DKSH Pharmaceutical Shanghai Ltd, both representing a business specialized in the distribution of healthcare products in China.

Effective October 31, 2018, the Group disposed its shareholding in Queloz SA in Switzerland representing a business specialized in the manufacturing of specific parts of luxury watches. The Group issued a vendor loan to the buyer of Queloz SA of CHF 3.7 million.

Details on net assets disposed are as follows:

in CHF millions	Carrying value derecognized on disposal
Assets	
Cash and cash equivalents	6.1
Trade receivables	46.6
Inventories	29.6
Accrued income and prepaid expense	6.9
Property, plant and equipment	5.7
Deferred tax assets	2.0
Other non-current assets	0.5
Liabilities	
Trade payables	42.2
Current borrowings	7.0
Other current liabilities	5.1
Accrued expenses and prepaid income	3.8
Deferred tax liabilities	0.5
Net assets disposed	38.7
Total consideration agreed	130.1
Net assets disposed	(38.7)
Derecognition of non-controlling interest	0.7
Cost relating to disposal (including WHT)	(15.5)
Gain from hedging consideration	0.5
Recycling of currency translation losses	(1.9)
Net gain on sale of shareholding	75.2
Total consideration agreed	130.1
Proceeds to be received in 2019	(9.1)
Cash and cash equivalents disposed	(6.1)
Proceeds from hedging consideration	0.5
Disposal cost paid in 2018	(8.2)
Net cash inflow	107.2

Prior year disposals

The Group did not dispose any business in 2017.

29. Related party transactions

The following transactions were with related parties:

in CHF millions	2018	2017
Sales of goods and services		
Joint ventures	1.6	1.5
	1.6	1.5
Purchases of goods and services		
Shareholders	1.4	1.2
Associates	0.7	-
Joint ventures	0.1	0.1
	2.2	1.3
Year-end balances arising from related party transactions		
Other receivables and prepayments		
Joint ventures	0.3	0.1
	0.3	0.1
Other payables		
Shareholders	0.1	0.1
	0.1	0.1

The total remuneration recognized as an expense in the reporting period for the Senior Executive Team is as follows:

in CHF millions	2018	2017
Senior Executive Team	13.7	17.2
Board of Directors	2.6	2.5

The total remuneration recognized as an expense in the reporting period for the Senior Executive Team includes CHF 10.1 million (2017: CHF 12.0 million) short-term employee benefits, including both salary and incentive-based compensation, CHF 1.4 million (2017: CHF 2.3 million) share-based expenses, CHF 0.6 million (2017: CHF 1.2 million) post-employment benefits, and CHF 1.6 million (2017: CHF 1.7 million) other short- and long-term employee benefits.

The total remuneration recognized as employee benefit expenses in the reporting period for the Board of Directors is CHF 2.6 million (2017: CHF 2.5 million).

As of December 31, 2018 and 2017, no loans or any other commitments were outstanding to members of the Board of Directors and Senior Executive Team. See Note 27 for more details regarding share-based payments.

For contingencies with or in favor of related parties, refer to Note 23.

30. Commitments

There are no capital expenditure commitments at the financial reporting date.

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

in CHF millions	2018	2017
Not later than 1 year	87.8	93.1
Later than 1 year and not later than 5 years	184.9	160.4
Later than 5 years	62.2	71.6
Total commitments under operating leases	334.9	325.1

On December 21, 2018, the Group signed an agreement to acquire the consumer goods distribution business of Auric Pacific Group Limited in Singapore and Malaysia for a consideration of about CHF 160 million. The business generated annual net sales of around CHF 185 million. Closing of the transaction is expected in the first half of 2019 and is subject to certain conditions and regulatory approvals.

31. Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain exposures. The subsidiaries enter into financial derivative contracts with either Group Treasury or a local external financial counterparty. Group Treasury, in turn, covers its net exposure from these transactions with external financial counterparties.

Group Treasury holds responsibility for overseeing financial risk management together with the local finance organizations in line with the Group Treasury policy. The policy provides written principles for overall financial risk management as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, equity price risk, credit risk, liquidity risk, funding strategy and structure, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euro, US Dollar and Japanese Yen. Foreign exchange risk arises from commercial transactions and recognized monetary assets and liabilities.

Foreign exchange risk on commercial transactions

Foreign exchange risk arises when committed future cash flows from commercial transactions are denominated in a currency that is not the subsidiary's functional currency. The Group companies are required to hedge their foreign exchange risk exposure arising from foreign currency cash flows that are not naturally offset by a simultaneous opposite commercial transaction in the same currency or mitigated in another way against their functional currency.

Focusing on the overall economic effects rather than, for example, accounting effects of currency movements will result in timing and valuation differences between the hedge, which is taken out as the economic transaction is closed, and the underlying, which is accounted for in line with the general accounting policies. Furthermore, the focus on committed transactions means that the policy does not protect the local subsidiary from the potential commercial or competitive effect of medium- and longer-term shifts in exchange rates. The Group does not hold or issue derivative financial instruments for trading purposes and is not a party to leveraged instruments. Group treasury policy requires working with established financial institutions for derivative transactions.

The outstanding gross settlement risk (gross amount due in future settlements) and net positive market value for financial counterparties were as follows:

in CHF millions	Gross settlement risk	Gross settlement risk	Positive market value	Positive market value
	2018	2017	2018	2017
AA- or higher	90.1	104.3	0.7	1.2
A+, A or A-	582.4	613.9	2.6	2.5
BBB+, BBB or BBB-	185.2	1.4	0.5	-

The fair values of these forward foreign exchange contracts are derived from discounting their cash flows at market rates. The Group recorded a net gain of CHF 3.3 million including a net loss of funding swaps of CHF 3.7 million (2017: net loss of CHF 17.1 million including a net loss of funding swaps of CHF 3.0 million) in the profit and loss statement within the net foreign exchange result to recognize the change in the fair values of these derivatives.

As a result of the Group's foreign exchange hedging policy, these gains and losses on derivative instruments offset the balance sheet revaluation of financial assets and liabilities with the exception of the amount relating to cash flow hedges for which there is no underlying balance sheet position. In 2018, the Group recorded a net loss of CHF 5.6 million (2017: net gain of CHF 7.3 million) from revaluation of balance sheet items.

in CHF millions	2018	2017
Current assets	3.7	3.4
Current liabilities	(3.7)	(5.3)
Net fair value of foreign exchange contracts	-	(1.9)
Swiss Franc equivalent notional amount of derivative financial instruments	744.1	693.5

The derivative assets and liabilities have been included in other receivables and other payables and accrued expenses in the statement of financial position. The amount of derivative assets of CHF 3.8 million as of December 31, 2018 (2017: CHF 3.7 million) represents the Group's exposure to credit risk from derivative financial instruments.

Net investment hedges

The Group entered into forward foreign exchange contracts that are designated as hedging the foreign currency exposures of net investments in foreign operations. The fair values are derived from discounted cash flows arising from the forward exchange contracts at market rates. The hedges are fully effective and there was no ineffectiveness to be recognized in the profit and loss statement.

in CHF millions	2018	2017
Current assets	0.1	0.3
Current liabilities	(1.8)	(0.1)
Net fair value of net investment hedges	(1.7)	0.2
Swiss Franc equivalent notional amount of forward exchange contracts	115.5	26.0

The notional amount of forward exchange contracts represents the gross amount of the contracts and includes outstanding transactions as of December 31, 2018.

Foreign exchange risk on other transactions

Foreign exchange risk arises from committed future cash flows of transactions, such as dividends, acquisitions or disposals, that are denominated in a currency that is not the entity's functional currency. The Group's policy is that Group companies are required to hedge their foreign exchange risk exposure arising from such foreign currency cash flows.

Foreign exchange risk on monetary assets and liabilities

Foreign exchange risk arises when recognized monetary assets or liabilities are denominated in a currency that is not the entity's functional currency. Group companies are not authorized to borrow or hold cash in a currency other than their functional currency unless such borrowings or cash holdings are the result of short-term liquidity management, regulatory restrictions or market inefficiencies. Where borrowings or cash deposits are taken out in foreign currency, they have to be hedged using derivative instruments. These derivative instruments are contracted and managed by Group Treasury.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR and JPY exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives. The Group's exposure to foreign currency changes for all other currencies is not material. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as net investment hedges is not material.

Currency	Change for- eign currency exchange rate	2018	2017
USD	+5%	4.0	2.8
	-5%	(4.0)	(2.8)
EUR	+5%	2.9	2.0
	-5%	(2.9)	(0.2)
JPY	+5%	0.1	0.1
	-5%	(0.1)	(0.1)

(ii) Interest rate risk

The Group's income and operating cash flows are fairly independent of changes in market interest rates. The Group's borrowings and cash are subject to changes in interest rates as the majority is contracted short-term at floating interest rates. However, given the low level of financial leverage, changes in interest rates do not have a significant impact on the financial standing of the Group.

The treasury policy dictates that, to the extent that the Group is in a net debt position, the external debt with a remaining tenor of over 12 months should at least amount to 66.6% of the maximum forecast net debt over the next 12 months period. Of the long-term debt, at least one-third has to be held in fixed interest instruments. The Group has also the ability to enter into interest rate swaps to actively hedge its interest rate risk.

As of December 31, 2018, if interest rates on interest-bearing borrowings had been 0.5% higher with all other variables held constant that the Group assumes to be reasonably possible, and the higher interest rates are applied to the borrowings as of December 31, pre-tax profit for the year would have been CHF 0.7 million (2017: CHF 0.5 million) lower. Assuming the higher interest rates increase the yield on interest-bearing cash and financial assets, the impact of the higher interest rates on the Group's pre-tax profit for the year will be offset by the increased income from these instruments. If interest rates on interest-bearing cash and financial assets had been 0.5% higher with all other variables held constant, and the higher interest rates are applied to the interest-bearing cash and financial assets as of December 31, 2018, pre-tax profit for the year would have been CHF 3.1 million (2017: CHF 2.2 million) higher.

(iii) Credit risk

The Group is exposed to counterparty credit risk on financial instruments such as cash and cash equivalents, derivative assets and trade receivable portfolios.

The Group is not exposed to concentrations of credit risks on its cash and cash equivalents or derivatives, as these are spread over several institutions. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions.

Cash and cash equivalents

According to the treasury policy, any excess cash in operating entities is used either to reduce current bank borrowings, to deposit at the Corporate Center or to invest in short-term money market deposits.

The total cash balances for the Group were held with institutions with the following rating quality:

in CHF millions	2018	2017
AA- or higher	119.5	64.3
A+, A or A-	304.6	291.9
BBB+, BBB or BBB-	169.8	49.5
Non-investment grade/unrated	20.4	37.4
Total	614.3	443.1

Trade receivables

Trade receivables are subject to credit limits, control and approval procedures in all the affiliated companies. DKSH provides distribution services mainly to the mass market and to a diverse group of customers that are based mainly in Asia. Customer specific credit limits are set and monitored on an ongoing basis. As of December 31, 2018, 18 (2017: 19) mainly internationally acting customers with own local entities made up 20% of total trade accounts receivable, none of which individually exceeded 10%. These debtors are mainly doing business in the retail and wholesale sector or are governmental institutions. Of all trade accounts receivable, 63.7% (2017: 59.9%) are individual positions with a value of less than CHF 1.0 million.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping credit lines and cash resources available.

It is the Group's policy that Corporate Center holds a strategic liquidity reserve consisting of either cash and/or undrawn committed credit facilities. As of December 31, 2018, this strategic reserve amounted to CHF 490.1 million (2017: CHF 350.6 million) consisting of cash held at Corporate Center and the undrawn portion of the CHF 200 million five-year committed credit facility closed on July 15, 2015.

in CHF millions	2018	2017
Centrally held cash and cash equivalents	290.1	150.6
Committed credit facility	200.0	200.0
Total	490.1	350.6

The table below analyses the Group's financial liabilities in relevant maturity groupings as per financial reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows until maturity date (including contractual agreed interest payments).

in CHF millions	Up to 1 month or on demand	1 - 3 months	3 - 12 months	1 - 5 years	Total Cash Flows	Carrying value
As of December 31, 2018						
Borrowings	25.9	3.5	31.1	86.3	146.8	140.5
Trade and other payables	1,268.8	925.7	488.0	2.4	2,684.9	2,684.9
Finance lease liabilities	-	-	0.2	-	0.2	0.2
Total	1,294.7	929.2	519.3	88.7	2,831.9	2,825.6
As of December 31, 2017						
Borrowings	7.5	33.0	38.3	24.9	103.7	98.3
Trade and other payables	971.2	887.0	597.1	1.6	2,456.9	2,456.9
Finance lease liabilities	0.1	0.1	0.2	0.2	0.6	0.6
Total	978.8	920.1	635.6	26.7	2,561.2	2,555.8

The table below analyses the Group's derivative financial instruments in relevant maturity groupings as per financial reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows until maturity date that will be settled on a gross basis.

in CHF millions	Up to 1 month or on demand	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
As of December 31, 2018						
Forward FX contracts						
Outflow	(377.6)	(374.0)	(108.7)	-	-	(860.3)
Inflow	377.6	372.3	107.7	-	-	857.6
As of December 31, 2017						
Forward FX contracts						
Outflow	(345.6)	(178.3)	(198.1)	-	-	(722.0)
Inflow	344.7	176.9	198.0	-	-	719.6

(v) Fair value estimation

The fair value of traded derivatives and quoted marketable securities is based on quoted market prices at the financial reporting date.

The fair value of forward foreign exchange contracts and FX swaps that are not traded in an active market is determined by the discounting method using the zero-coupon curve at the financial reporting date. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each financial reporting date.

The fair value of contingent considerations liabilities is determined based on the most likely outcome of the agreed earnout metrics discounted by the interest rate associated with the risk of the respective payment.

The face values less any estimated credit adjustments for financial assets and the carrying amount of liabilities with a maturity of less than one year are assumed to approximate their fair values.

The table below analyzes financial instruments by measurement category. The different fair value levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

in CHF millions ¹	Level	2018	2017
Financial assets at fair value through profit and loss			
Derivative assets	2	3.8	3.7
Equity instruments ²	3	30.7	30.4
Total		34.5	34.1
Financial assets at fair value through other comprehensive income			
Other equity securities ³	1	3.5	3.7
Total		3.5	3.7
Financial assets at amortized cost⁴			
Cash and cash equivalents		614.3	443.1
Trade receivables		2,219.1	2,206.4
Other receivables ⁵		355.8	338.0
Deposits to third party		18.1	18.4
Loans to third party		6.2	2.6
Total		3,213.5	3,008.5
Total financial assets		3,251.5	3,046.3
Financial liabilities at fair value through profit and loss			
Contingent consideration liabilities	3	-	1.2
Derivative liabilities	2	5.4	5.2
Total		5.4	6.4
Financial liabilities at amortized cost			
Borrowings		140.5	98.9
Trade payables		2,436.1	2,370.5
Other payables and accrued expenses ⁶		118.4	131.3
Total		2,695.0	2,600.7
Total financial liabilities		2,700.4	2,607.1

¹ Carrying amounts are equivalent to fair values for all financial assets and liabilities.

² Financial assets available for sale as of December 31, 2017, reclassified to financial assets at fair value through profit and loss as of January 1, 2018.

³ Financial assets available for sale as of December 31, 2017, reclassified to financial assets at fair value through other comprehensive income as of January 1, 2018.

⁴ Financial assets, loans and receivables as of December 31, 2017, were reclassified to financial assets at amortized costs as of January 1, 2018.

⁵ Excluding VAT and other tax receivables and derivative assets.

⁶ Excluding accrued expenses, VAT and other tax payables, derivative liabilities and contingent consideration liabilities.

The non-listed equity shares of aCommerce Group Ltd. represent Level 3 in the fair value hierarchy. This investment is classified as equity instruments designated at fair value through profit and loss. Reassessment of this investment as per December 31, 2018, did not result in a change of fair value and therefore no adjustment was required. According to the start-up nature of this non-listed business, the fair value has been determined using a revenue multiple model. The valuation requires management to make certain assumptions about the model and its input parameters. In comparison with historical transactions and industry peer transactions the Group used a revenue multiple of 1.65 applied to full year 2018 revenues. Quantitative sensitivity analysis reflecting multiples of 1.5 and 1.8 indicate a decrease and increase in fair value by CHF 2.6 million, respectively.

(vi) Capital risk management

The Group's capital includes share capital, reserves, retained earnings and borrowings. The capital of the Group as of December 31, 2018, is CHF 1,851.0 million (2017: CHF 1,675.3 million). The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of asset-to-equity ratio and total debt-to-capitalization ratio. The asset-to-equity ratio is calculated as total assets divided by total equity. The total debt-to-capitalization ratio is calculated as total borrowings divided by the sum of borrowings and equity attributable to the shareholders of the Group. The ratios as of December 31, 2018 and 2017, were as follows:

	2018	2017
Asset-to-equity	2.8	2.8
Total debt-to-capitalization	7.6%	5.9%

Covenants that require the Group to maintain certain agreed financial ratios are managed locally for subsidiary borrowings and by Group Treasury for Group-level borrowings. As of December 31, 2018, and for the entire financial year 2018, the Group did not have any breaches of such loan agreements.

32. Events after financial reporting date

There are no significant events after the balance sheet date.

33. Principal subsidiaries as of December 31, 2018

Company name	Currency	Capital in thousands	Ownership and voting rights %
Holding and management companies			
DKSH Management Ltd., Zurich ¹	CHF	2,000	100.00
Maurice Lacroix S.A. (International), Saignelégier ¹	CHF	1,000	100.00
DKSH China Holding Ltd., Hong Kong ¹	HKD	20,000	100.00
DKSH Corporate Shared Services Center Sdn. Bhd., Kuala Lumpur ¹	MYR	5,000	100.00
DKSH Holdings (Asia) Sdn Bhd., Kuala Lumpur ¹	MYR	30,000	100.00
DKSH Holdings (Malaysia) Bhd., Petaling Jaya	MYR	500,000	74.31
DKSH Holding (S) Pte Ltd., Singapore ¹	SGD	23,703	100.00
DKSH Management Pte Ltd., Singapore ¹	SGD	2,000	100.00
DKSH Management (Thailand) Ltd., Bangkok ¹	THB	10,000	100.00
Operating companies			
Switzerland			
DKSH Switzerland Ltd., Zurich ¹	CHF	20,000	100.00
DKSH International Ltd., Zurich ¹	CHF	700	100.00
Medinova AG, Zurich ¹	CHF	250	100.00
Asia			
DKSH Australia Pty Ltd., Hallam ¹	AUD	8,465	100.00
Shanghai Sweets International Trading Co., Ltd., Shanghai	CNY	5,400	90.00
DKSH Hong Kong Ltd., Hong Kong ¹	HKD	100,000	100.00
DKSH CL (Hong Kong) Ltd. Taiwan Branch, Taipei	HKD	5,000	100.00
PT DKSH (Indonesia), Jakarta ¹	IDR	58,328,000	100.00
PT Wicaksana Overseas International Tbk, Jakarta ¹	IDR	761,370,586	70.10
DKSH India Pvt. Ltd., Bombay-Mumbai ¹	INR	100,000	100.00
DKSH Japan K.K., Tokyo ¹	JPY	1,600,000	100.00
DKSH (Cambodia) Ltd., Phnom Penh ¹	KHR	4,000,000	100.00
DKSH Korea Ltd., Seoul ¹	KRW	30,000,000	100.00
DKSH (Myanmar) Ltd., Yangon ¹	MMK	90	100.00
DKSH Smollan Field Marketing Myanmar Limited, Yangon	MMK	67,600	51.00

Company name	Currency	Capital in thousands	Ownership and voting rights %
Asia (continued)			
The Glory Medicine Ltd., Macao	MOP	120,000	100.00
DKSH Resources Sdn. Bhd., Petaling Jaya	MYR	60,000	100.00
DKSH Malaysia Sdn Bhd., Petaling Jaya	MYR	50,000	74.31
The Famous Amos Chocolate Chip Cookie Corp (M) Sdn Bhd., Petaling Jaya	MYR	1,000	74.31
DKSH Smollan Field Marketing (Malaysia) Sdn Bhd., Kuala Lumpur ¹	MYR	1,500	51.00
DKSH New Zealand Ltd., Auckland ¹	NZD	230	100.00
Edward Keller (Philippines) Inc., Manila ¹	PHP	500,000	100.00
DKSH Philippines Inc., Manila ¹	PHP	11,500	100.00
DKSH Singapore Pte Ltd., Singapore	SGD	17,998	100.00
DKSH Smollan Field Marketing, Singapore ¹	SGD	1,020	51.00
DKSH South East Asia Pte Ltd., Singapore	SGD	7,900	100.00
DKSH (Thailand) Ltd., Bangkok ¹	THB	200,000	75.55
The United Drug (1996) Co. Ltd., Bangkok ¹	THB	40,000	75.55
Diethelm Keller Logistics Ltd., Bangkok	THB	6,000	100.00
DKSH Smollan Field Marketing (Thailand) Limited, Bangkok	THB	5,100	51.00
DKSH Supply Chain Solutions (Taiwan) Ltd., Tao Yuan County	TWD	500,000	98.55
DKSH Taiwan Ltd., Taipei ¹	TWD	300,000	100.00
DKSH Vietnam Co. Ltd., Binh Duong ¹	USD	3,300	100.00
DKSH Technology Co. Ltd (VND), Ho Chi Minh City ¹	USD	546	100.00
DKSH Shanghai Ltd., Shanghai	USD	200	100.00
DKSH Laos Company Ltd. (LAK), Vientiane	USD	400,000	100.00
IMA Marketing JSC, Ho Chi Minh City	VND	5,000,000	99.00
Europe			
DKSH Nordic A/S, Birkerød ¹	DKK	500	100.00
DKSH GmbH, Hamburg ¹	EUR	3,068	100.00
DKSH France S.A., Miribel ¹	EUR	2,400	100.00
DKSH Iberica, S.L.U., Barcelona ¹	EUR	24	100.00
DKSH Marketing Services Spain, S.A.U., Barcelona	EUR	648	100.00
DKSH Italy S.r.l., Milano ¹	EUR	110	100.00
America			
DKSH North America Inc., Baltimore ¹	USD	500	100.00

¹ Direct investments of DKSH Holding Ltd., Zurich.



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To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, February 6, 2019

Statutory auditor's report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of DKSH Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 42 to 92) give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.



Revenue recognition

Risk Total net sales for the business year 2018 amount to CHF 11,345 million. Based on its business model, DKSH has different types of revenues arising from different types of contracts with its customers. This requires contracts to be assessed regarding timing of revenue recognition and regarding gross/net accounting. The corresponding accounting policy is discussed in Note 4 (q) to the consolidated financial statements. Assessing whether an entity acts as a principal and accounts for a sales transaction on a gross basis or whether it acts as an agent of another party and therefore recognizes revenue on a net basis requires an analysis of various factors and involves significant judgment.

Our audit response We evaluated management's controls around the revenue recognition process and performed analytical review procedures in order to identify any material new revenue streams. On a sample basis, we reviewed agreements for unusual contract terms and agreed amounts recognized to underlying customer contracts, focusing on correct timing of revenue recognition and appropriate presentation (gross vs. net) based on management's assessment regarding the principal vs. agent definition. Our audit procedures did not lead to any reservations concerning the recognition, measurement and presentation of the net sales.

Goodwill

Risk As at December 31, 2018, DKSH reported CHF 116 million in goodwill. The carrying values of goodwill and other assets allocated to a cash-generating unit (CGU) are dependent on the generation of future cash flows. The determination of the recoverable amount is based on these cash flows and other assumptions such as the discount rate and growth rate. The annual impairment testing process is complex, contains items based on judgments and includes assumptions that are affected by expected future market conditions. There is a risk that future cash flows may differ from the estimated values. The assumptions, sensitivities and results of the impairment tests performed are disclosed in Note 14 of the consolidated financial statements.

Our audit response We involved our valuation specialists in the audit of the significant assumptions and methods that were used by management, the discount rates per CGU and the valuation model that calculates the recoverable amount per CGU. Furthermore, we evaluated the DKSH's controls around the annual impairment test and tested the related expected future cash flows and growth rates per CGU. We assessed whether the projected future cash flows were based on the strategic plan of the company as prepared by the management and approved by the Executive Board of the Group. We also assessed whether the disclosures of the assumptions applied and their sensitivity to the results of the impairment test in the notes to the financial statements are in compliance with IFRS. Our audit procedures did not lead to any reservations relating to the impairment test of goodwill.



Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Christian Krämer
Licensed audit expert
(Auditor in charge)

Johannes Bachmann
Licensed audit expert

Financial statements DKSH Holding Ltd.

Income statement 98

Balance sheet 99

Notes to the financial statements 100

Proposal appropriation of available earnings 105

Income statement

in CHF millions	Notes	2018	2017
Dividend income		251.7	200.9
Financial income		0.7	3.5
Profit from sale of investments		5.0	0.3
Other operating income		0.8	0.2
Financial expenses		(4.0)	(1.3)
Personnel expenses	2	(2.6)	(2.6)
Other operating expenses	2	(17.4)	(23.5)
Loss on sale of shareholding		-	(0.4)
Loan forgiveness		(1.8)	-
Valuation adjustments on non-current assets	4	(9.7)	(2.1)
Profit before tax		222.7	175.0
Income taxes		-	-
Profit after tax		222.7	175.0

Balance sheet

in CHF millions	Notes	2018	2017
Cash and cash equivalents		72.2	38.3
Other receivables			
Other receivables from third parties		0.3	0.5
Other receivables from Group companies		342.3	282.0
Accrued income and prepaid expenses		0.4	0.5
Current assets		415.2	321.3
Loans			
Loans to third parties		3.7	-
Loans to Group companies		5.0	5.4
Accrued income and prepaid expenses		0.1	0.2
Investments	4	383.7	369.9
Non-current assets		392.5	375.5
Total assets		807.7	696.8
Payables			
Non-trade payables to third parties		3.6	4.8
Non-trade payables to Group companies		-	3.3
Deferred income and accrued expenses		0.4	0.4
Current liabilities		4.0	8.5
Payables			
Non-current liabilities			-
Total liabilities		4.0	8.5
Share capital	5	6.5	6.5
Legal reserves from capital contribution		2.8	2.8
Legal reserves from retained earnings		96.6	96.6
Free reserves			
Retained earnings		475.1	407.4
Net Income		222.7	175.0
Total equity		803.7	688.3
Total equity and liabilities		807.7	696.8

Notes to the financial statements

1. General

The financial statements of DKSH Holding Ltd. (the "Company") have been prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied as described below.

Group companies are all companies in which the Company, directly or indirectly, has more than 20% of the voting rights or over which it exerts a decisive influence. A Group company is fully consolidated if the company holds more than 50%.

The Company does not directly employ staff, as such services are provided by DKSH Management Ltd., Zurich.

The investments are valued at the lower of cost or fair value, using generally accepted valuation principles.

Own shares are valued at the nominal value.

2. Other operating and personnel expenses

The cost charged by DKSH Management Ltd. is recognized in other operating expenses, whereas personnel expenses reflect the remuneration of the Board of Directors.

3. Contingent liabilities

The total of guarantees and warranties in favor of third parties amounted to CHF 194.1 million (2017: CHF 281.5 million) as of December 31, 2018.

DKSH Holding Ltd. belongs to the value-added tax group of its Swiss subsidiaries and therefore has a joint guarantee responsibility toward the Swiss Tax Authority.

4. Investments

in CHF millions	2018	2017
As of January 1	369.9	321.1
Increase	23.5	50.9
Valuation adjustment	(9.7)	(2.1)
As of December 31	383.7	369.9

The direct and principal indirect investments held by DKSH Holding Ltd. as of December 31, 2018:

Company name	Currency	Capital in thousands	Ownership and voting rights %
Holding and management companies			
DKSH Management Ltd., Zurich ¹	CHF	2,000	100.00
Diethelm & Co Ltd., Zurich ¹	CHF	3,000	100.00
Maurice Lacroix S.A. (International), Saignelégier ¹	CHF	1,000	100.00
DKSH China Holding Ltd., Hong Kong ¹	HKD	20,000	100.00
DKSH Corporate Shared Services Center Sdn. Bhd., Kuala Lumpur ¹	MYR	5,000	100.00
DKSH Holdings (Asia) Sdn. Bhd., Kuala Lumpur ¹	MYR	30,000	100.00
DKSH Holdings (Malaysia) Bhd., Petaling Jaya	MYR	500,000	74.31
DKSH Holding (S) Pte Ltd., Singapore ¹	SGD	23,703	100.00
DKSH Management Pte Ltd., Singapore ¹	SGD	2,000	100.00
DKSH Management (Thailand) Ltd., Bangkok ¹	THB	10,000	100.00
Operating companies			
Switzerland			
DKSH Switzerland Ltd., Zurich ¹	CHF	20,000	100.00
DKSH International Ltd., Zurich ¹	CHF	700	100.00
Medinova AG, Zurich ¹	CHF	250	100.00
La Manufacture des Franches-Montagnes S.A., Montfaucon ¹	CHF	1,000	100.00
Asia			
DKSH Australia Pty Ltd., Hallam ¹	AUD	8,465	100.00
Shanghai Sweets International Trading Co., Ltd., Shanghai	CNY	5,400	90.00
DKSH Hong Kong Ltd., Hong Kong ¹	HKD	100,000	100.00
DKSH CL (Hong Kong) Ltd. Taiwan Branch, Taipei	HKD	5,000	100.00
Diethelm Co (S.E.Asia) Ltd., Hong Kong ¹	HKD	1,000	100.00
DKSH India Pvt. Ltd., Bombay-Mumbai ¹	INR	100,000	100.00
DKSH Japan K.K., Tokyo ¹	JPY	1,600,000	100.00
DKSH (Cambodia) Ltd., Phnom Penh ¹	KHR	4,000,000	100.00
EUROP Continents S.A.R.L, Phnom Penh ¹	KHR	320,000	100.00
DKSH Korea Ltd., Seoul ¹	KRW	30,000,000	100.00
DKSH (Myanmar) Ltd., Yangon ¹	MMK	90	98.00
DKSH Services Ltd., Yangon ¹	MMK	50	100.00
DKSH Resources Sdn. Bhd., Petaling Jaya	MYR	60,000	100.00
DKSH Malaysia Sdn. Bhd., Petaling Jaya	MYR	50,000	74.31
DKSH Distribution (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	50,000	74.31
DKSH Technology Sdn. Bhd., Kuala Lumpur ¹	MYR	5,000	100.00
The Famous Amos Chocolate Chip Cookie Corp (M) Sdn. Bhd., Petaling Jaya	MYR	1,000	74.31

Company name	Currency	Capital in thousands	Ownership and voting rights %
Asia (continued)			
DKSH Smollan Field Marketing (Malaysia) Sdn. Bhd., Kuala Lumpur ¹	MYR	1,500	51.00
DKSH Smollan Field Marketing Myanmar Limited, Yangon	MMK	67,600	51.00
DKSH Smollan Field Marketing (Thailand) Limited, Bangkok	THB	5,100	51.00
DKSH Luxury & Lifestyle (Malaysia) Sdn. Bhd., Kuala Lumpur ¹	MYR	335	100.00
DKSH New Zealand Ltd., Auckland ¹	NZD	230	100.00
Edward Keller (Philippines) Inc., Manila ¹	PHP	500,000	100.00
DKSH Philippines Inc., Manila ¹	PHP	11,500	100.00
DKSH Singapore Pte Ltd., Singapore	SGD	17,998	100.00
DKSH (Thailand) Ltd., Bangkok ¹	THB	200,000	75.55
The United Drug (1996) Co. Ltd., Bangkok ¹	THB	40,000	75.55
Diethelm Keller Logistics Ltd., Bangkok	THB	6,000	100.00
DKSH Taiwan Ltd., Taipei ¹	TWD	300,000	100.00
DKSH Supply Chain Solutions (Taiwan) Ltd., Tao Yuan County	TWD	500,000	98.55
United International Drug Co. Ltd., Taipei ¹	TWD	5,000	100.00
DKSH (China) Co. Ltd., Shanghai	USD	16,800	100.00
DKSH Shanghai Ltd., Shanghai	USD	200	100.00
DKSH Vietnam Co. Ltd., Binh Duong ¹	USD	3,300	100.00
DKSH Technology Co. Ltd. (VND), Ho Chi Minh City ¹	USD	546	100.00
DKSH South East Asia Pte Ltd., Singapore	SGD	7,900	100.00
PT DKSH (Indonesia), Jakarta ¹	IDR	58,178,000	99.74
PT Harpers Marketing, Jakarta ¹	IDR	6,700,600	100.00
PT Wicaksana Overseas International Tbk, Jakarta ¹	IDR	761,370,586	70.10
DKSH Smollan Field Marketing, Singapore ¹	SGD	1,020	51.00
DKSH Guam Inc., Dededo	USD	50	100.00
DKSH Laos Company Ltd. (LAK), Vientiane	USD	400,000	100.00
The Glory Medicine Ltd., Macao	MOP	120,000	100.00
IMA Marketing JSC, Ho Chi Minh City	VND	5,000,000	99.00
Europe			
DKSH Luxury and Lifestyle Europe GmbH, Pforzheim ¹	EUR	5,000	100.00
DKSH GmbH, Hamburg ¹	EUR	3,068	100.00
DKSH France S.A., Miribel ¹	EUR	2,400	100.00
DKSH Great Britain Ltd., Wimbledon ¹	GBP	500	100.00
DKSH Nordic A/S, Birkerød ¹	DKK	500	100.00
DKSH Italy S.r.l., Milano ¹	EUR	110	100.00
DKSH Portugal Unipessoal Lda., Matosinhos ¹	EUR	75	100.00
DKSH Marketing Services Spain S.A.U., Barcelona	EUR	648	100.00
DKSH Iberica, S.L.U., Barcelona ¹	EUR	24	100.00
America			
DKSH North America Inc., Baltimore ¹	USD	500	100.00
DKSH Luxury & Lifestyle North America Inc., Princeton ¹	USD	0	100.00

¹ Direct investments of DKSH Holding Ltd., Zurich.

5. Equity

Share capital

	Nominal value in CHF	Registered shares	Nominal value in CHF
Balance as of January 1, 2018	0.1	65,042,963	6,504,296
Balance as of December 31, 2018	0.1	65,042,963	6,504,296

Own shares

	Number of shares	Total carrying amount ¹
Balance as of January 1, 2017	778	22.3
Balance as of December 31, 2017	778	22.3
Balance as of December 31, 2018	-	-

¹ In CHF thousands.

Significant shareholders

According to the information available to the Board of Directors, the following shareholders have met or exceeded the threshold of 3% of the share capital of DKSH Holding Ltd.:

Shareholders in %	2018	2017
Diethelm Keller Holding Ltd., Switzerland	45.0	45.0
FFP Invest SAS, France	5.9	5.9
George Loening, USA ¹	5.7	4.2
Matthews Pacific Tiger Fund, USA	4.4	4.1
Black Creek Investment Management, Canada	3.6	-

¹ Including shares with voting and non-voting rights.

6. Shareholdings of Board of Directors and Senior Executive Team

Shareholdings by members of the Board of Directors

As of December 31, 2018 and 2017, the following numbers of shares were held by members of the Board of Directors and/or parties closely associated with them.

Number of shares held	2018	2017
Dr. Joerg Wolle	38,000	380,000
Adrian T. Keller	58,026	58,026
Rainer-Marc Frey (up to 31.03.2018)	n.a.	2,509,666
Dr. Frank Ch. Gulich	3,066	3,066
David Kamenetzky	125	125
Andreas W. Keller	18,366	18,366
Robert Peugeot	9,666	9,666
Dr. Theo Siegert	71,966	71,966
Dr. Hans Christoph Tanner	1,166	1,166
Prof. Dr. Annette G. Köhler (from 01.04.2018)	-	n.a.
Eunice Zehnder-Lai (from 01.04.2018)	400	n.a.
Total	200,781	3,052,047

Shareholdings by members of the Senior Executive Team

As of December 31, 2018 and 2017, the following numbers of shares were held by members of the Senior Executive Team and/or parties closely associated with them.

Number of shares held	Shares	Unvested PSUs ¹	2018	2017
Stefan P. Butz	10,125	31,366	41,491	16,107
Bernhard Schmitt	22,440	17,376	39,816	84,385
Martina Ludescher	20,985	19,939	40,924	44,153
Stephen Ferraby	1,343	8,427	9,770	8,094
Bijay Singh	112	4,355	4,467	1,900
Thomas Sul	747	5,555	6,302	4,724
Natale Capri	1,347	6,601	7,948	5,240
Hanno Elbraechter	1,757	-	1,757	1,306
Michael Hutab (from 01.01.2018)	-	1,986	1,986	n.a.
Christopher Pollard (up to 03.04.2018)	n.a.	n.a.	n.a.	3,922
Total	58,856	95,605	154,461	169,831

¹ Granted unvested PSUs see description of LTIP on page 32.

Proposal appropriation of available earnings

The Board of Directors proposes the following appropriation of available earnings at the Ordinary General Meeting:

in CHF	2018
Retained earnings	
Retained earnings brought forward	475,066,173
Profit/Loss after tax	222,691,474
Total available earnings	697,757,647
Distribution of an ordinary dividend of CHF 1.85 per registered share (As per December 31, 2018 65,042,963 shares are entitled to dividends)	120,329,482
To be carried forward	577,428,165



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To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, February 6, 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of DKSH Holding Ltd., which comprise the income statement, balance sheet and notes (pages 98 to 104), for the year ended December 31, 2018.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended December 31, 2018, comply with Swiss law and the company's articles of incorporation.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of investments

Risk	<p>DKSH Holding Ltd. is the ultimate parent of DKSH Group.</p> <p>As at December 31, 2018, investments in subsidiaries amount to CHF 384 million and represent 48% of total assets.</p> <p>Corresponding disclosure can be found in Note 4 of the financial statements.</p> <p>There is a risk that the carrying amount of the financial investments may no longer be supported by the value-in-use calculated on the basis of budgeted future cash flows.</p>
Our audit response	<p>We validated the valuation methods used and recalculated the respective valuations. We reviewed the input parameters used by the management.</p> <p>In addition, we analyzed the impairments and their fiscal consequences as well as their presentation, including the related disclosures.</p> <p>Our audit procedures did not lead to any reservations concerning the valuation of the investments.</p>



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Christian Krämer
Licensed audit expert
(Auditor in charge)

Johannes Bachmann
Licensed audit expert



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Disclaimer

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