Annual Report 2012

DKSH

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 physical distribution.

Healthcare
With a product range covering ethical pharmaceuticals, consumer health and over-the-counter health products, as well as medical devices, we offer services including product registration, marketing and sales, and 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 provide marketing and sales as well as application engineering and after-sales services for capital investment goods and analytical instruments in the areas of industry, infrastructure, energy, research, food and beverage, as well as advanced metals.

Highlights 2012

New record year 2012: Profit growth +21.3% vs. 2011

January

Opening of new distribution center for Consumer Goods in Thailand

February

February 15: Publication of record full-year 2011 results

DKSH market entry in Sri Lanka with Performance Materials

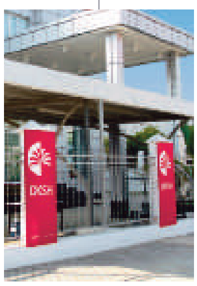
March

IPO: listing at SIX Swiss Exchange at CHF 48 per share

April

Opening of two new innovation centers in Thailand and Taiwan

May

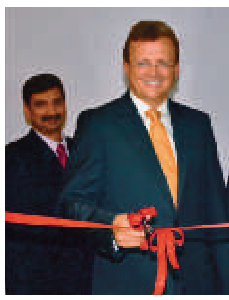


Opening of new distribution center for Healthcare in Hong Kong

June

Acquisition of Australian specialty cables distributor ElectCables

Opening of food innovation center in Mumbai

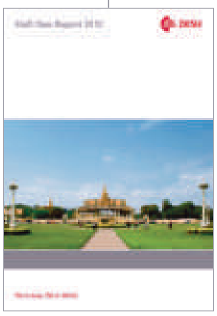


Sales growth +20.4% vs. 2011

July

Acquisition of German/Japanese trading house Clay

August



Publication of excellent half-year figures with EBIT of CHF 127 million

Disposal of contract manufacturing plant OLIC

Opening of new distribution center for Technology and Performance Materials in Thailand

Completion of company-wide SAP upgrade

September

Release of Second Global Market Expansion Services Report

October

November

Acquisition of specialty chemicals distributor Staerkle & Nagler

Extension of CEO's contract until 2017 and appointment of Bruno Sidler as COO

December

Share price gained 37.3% since IPO on March 20, 2012

Contents

Letter to shareholders

Adrian T. Keller, Chairman, and Dr. Joerg Wolle, President & CEO, DKSH Group.

Dear Shareholders,

We are pleased to present the first Annual Report of DKSH Holding Ltd. ("DKSH") as a public company after turning in the best performance in our nearly 150-year history.

In 2012, DKSH once again set new records by growing our business mainly organically and supported by bolt-on acquisitions. We achieved strong double-digit profit growth, highlighting our efficiency and high operational leverage. In line with our promise of delivering sustainable, profitable growth, Earnings Before Interest and Taxes (EBIT) increased to CHF 277.3 million, an increase of 16.7% compared to the prior year. The company's profit after tax grew by 21.3% to CHF 184.7 million. Additionally, an extraordinary gain of CHF 24.7 million in profit was achieved through the sale of DKSH's non-core contract manufacturing plant OLIC in Thailand.

Net sales increased by 20.4% (CHF +1.5 billion) to CHF 8.8 billion. Out of that growth, 1.3% originated from M&A. With this strong performance, DKSH again clearly outpaced the Market Expansion Services industry's growth rate of 8.3%, more than doubling it in our addressable markets, confirming that we have gained further market share in a dynamic environment.

Free cash flow increased by CHF 198.7 million to CHF 249.5 million, despite the very strong sales growth of DKSH by CHF 1.5 billion in 2012. Earnings per share improved by 17.7% to CHF 2.79 (excluding OLIC).

In view of DKSH's strong financial performance, the Board of Directors will propose an ordinary dividend of CHF 0.80 (CHF +0.15 or +23.1%) per share at the Annual General Meeting in April 2013, in line with its long-term policy of paying out 25%–35% of profit after tax. Furthermore, the Board of Directors proposes that shareholders participate in the form of an extraordinary dividend of CHF 0.15 per share in the successful divestment of OLIC. Together, upon approval at the Annual General Meeting, our shareholders will receive a total dividend payment of CHF 0.95.

We are proud of the achievements in 2012, particularly the value created for the shareholders in our first year as a public company. In line with our track record, we have again delivered on our promise to achieve sustainable, profitable growth.

All Business Units and regions contributed to the excellent performance as a result of the successful implementation of our strategy. It is based on achieving organic growth through the expansion of existing business partnerships, multiplying success stories from country to country, winning new clients and customers, as well as upgrading our service portfolio and the continuous improvement in operational efficiency. The organic growth is complemented by selective bolt-on acquisitions.

Formed in 2002 through the merger of long-established Swiss trading houses Diethelm Keller Services Asia and SiberHegner, DKSH has transitioned from a trading company into the leader in the recently defined Market Expansion Services industry. Since then, we have more than doubled net sales from CHF 3.5 billion to CHF 8.8 billion, increased EBIT fivefold from CHF 55.6 million to CHF 277.3 million, with a long-term annual growth rate of more than 17%. In 2012 alone, DKSH has created 1,540 jobs and employed approximately 25,900 specialists at year-end 2012.

Taking the company public in March 2012 was another milestone in our history. Our unique investment case of providing access to fast-growing markets in Asia combined with Swiss Corporate Governance is enthusiastically accepted by investors. The share price performed extremely well following the IPO, with an increase of 37.3% until the end of 2012 compared to its issue price of CHF 48.00, adding CHF 1.1 billion in market capitalization in 2012. The greater visibility that comes with being a public company increases awareness of DKSH and our unique business model both among clients and customers, as well as our standing in the market for new talents.

Three small bolt-on acquisitions were completed in 2012. Business Unit Technology's leading position in Market Expansion Services for capital investment goods and analytical instruments was strengthened by the acquisition of Australia's specialty cables distributor ElectCables and by the takeover of the well-established German-Japanese trading firm Clay in Japan, which also enhances DKSH's lifestyle business in Japan. Business Unit Performance Materials acquired Swiss specialty chemicals distributor Staerkle & Nagler in November, complementing its market leadership in Asia by strengthening the European footprint and expanding its client and product portfolio. These transactions follow the successful and value-adding acquisitions and integrations in previous years of primarily smaller, traditional trading houses. It confirms DKSH's position as the industry consolidator in the fast-growing but still highly fragmented Market Expansion Services industry.

In order to optimally position ourselves for the next phase of expansion, we have also decided to strengthen our management structure by establishing the function of a Chief Operating Officer (COO). Bruno Sidler joined us on February 1, 2013. His track record as a seasoned executive in the business services industry with long and extensive experience in Asia, coupled with his Swiss origin, make him an ideal complement and asset for our Group Management team.

While mature markets like the US or Europe are still facing challenges, substantial growth opportunities still exist in Asia where the rising middle class is spurring demand for premium consumer and healthcare goods, as well as luxury and lifestyle products. Asia is no longer simply the extended "workbench" of the West – it is developing into a continent with strong domestic markets. This in turn also creates the need to improve local infrastructures and develop local industries, driving the demand for industrial products such as machinery, semi-finished products and raw materials. The combination of Asia being at the center of global trade flows and falling trade barriers leads to increased inner-Asian growth. Moreover, the increased need of companies nowadays to focus on their core competencies is fueling the widespread trend toward outsourcing of non-core activities to specialized service providers such as DKSH.

Our achievement of consistent and strong financial performance over the past decade confirms that we are ideally positioned to exploit the growth generated by the long-term trends within our core Asian markets – including the rapid spreading of Asia's middle classes, strong growth in trade flows into and within Asia, and increasing trend of outsourcing. Our business model is highly diversified and scalable for expansion. In 2013 we expect to grow net sales at least in line with the projected addressable market growth of 8.3%. As the leading Market Expansion Services provider with a focus on Asia, from today's perspective DKSH is set to continue its course of sustainable, profitable growth and to achieve double-digit EBIT growth for the full-year 2013.

2012 was a landmark year for DKSH. We wish to thank our business partners, employees and shareholders for their commitment and contributions to yet another year of outstanding success.

Sincerely yours,

Adrian T. Keller
Chairman

Dr. Joerg Wolle
President & CEO

DKSH share information

DKSH share price performance (since IPO on March 20, 2012) (in CHF)

Share price and market capitalization

in CHF	2012	2011
Share price (end of period)	65.90	–
High	67.00	–
Low	47.00	–
Market capitalization (in CHF million)	4,185	–
Ordinary dividend per share	0.80[1)]	0.65
Extraordinary dividend per share	0.15[1)]	

Share information

Listing	SIX Swiss Exchange
Ticker symbol	DKSH
ISIN	CH0126673539
Swiss security number	12667353
Category	Registered shares
Number of fully paid registered shares	63,499,915
Par value	CHF 0.10

Significant shareholders

	Number of shares	in %
Diethelm Keller Holding Ltd., Switzerland	29,267,730	46.1
FFP Invest SAS, France	4,320,000	6.8
Rainer-Marc Frey, Switzerland	4,009,666	6.3
Capital Group, United States	2,412,940	3.8

[1)] Proposal of the Board of Directors to the Annual General Meeting on April 16, 2013

Key figures

Consolidated income statement

in CHF millions	2012	2011
Net sales	8,834.1	7,340.0
Operating profit (EBIT)[1)]	277.3	237.6
Profit after tax[2)]	209.4	152.3
EBIT margin (in %)	3.1	3.2

Consolidated statement of financial position

in CHF millions	2012	2011
Total assets	3,355.0	3,068.1
Equity attributable to the shareholders of the Group	1,171.0	995.5
Net operating capital (NOC)	1,125.1	1,075.1
Net cash/(Net debt)	54.2	(78.0)
Return on net operating capital (RONOC) (in %)	25.2	24.5
Return on equity (ROE) (in %)	17.2	14.8

Earnings per share

in CHF	2012	2011
Basic earnings per common share[3)]	3.18	2.37
Diluted earnings per common share	3.11	2.31

Others

	2012	2011
Specialists	25,882	24,342

[1)] Operating profit in 2011 includes CHF 25.9 million income from acquisition accounting (Maurice Lacroix)

[2)] Profit after tax in 2011 includes CHF 25.9 million income from acquisition accounting (Maurice Lacroix). In 2012, profit after tax includes CHF 24.7 million income from sale of OLIC contract manufacturing facility (Thailand)

[3)] Without OLIC, operating earnings per share are CHF 2.79

By working closely with our business partners in the local markets, we enable them to benefit from strategic market insights, reduced time-to-market intervals, and new revenue opportunities.

150
years of presence
in Asia

No.1

DKSH is the No. 1 Market Expansion Services provider with a focus on Asia – and we're still growing.

"Our successful transformation into a leading Market Expansion Services provider with a strong global brand and impressive track record is the result of the consistent implementation of our strategy for sustainable, profitable growth." Dr. Joerg Wolle, President & CEO, DKSH Group

As the industry leader in Asia, DKSH is the first choice for clients seeking a trustworthy and reliable Market Expansion Services partner who can guarantee the integrity of their value chain and the quality of their services. Our unique history gives us our strength. We blend Swiss reliability, professionalism and best practice corporate governance with nearly 150 years of uninterrupted business presence in Asia. Through our 660 business locations across the region and a distinctively pan-Asian approach, we are literally woven into the fabric of the countries we serve – and as they grow, we grow with them.

The resilience of our business model is demonstrated by our operations in diverse industries and geographical regions.

4
specialized
Business Units

Resilient
Unique
Scalable

Our unique business model fuels our growth and is deeply rooted in the fast-growing markets of Asia.

"DKSH presents itself as an attractive investment case because our unique business model, coupled with an unrivalled pan-Asian network and a highly scalable business platform, enables us to help our business partners grow in new and existing markets." Bernhard Schmitt, CFO, DKSH Group

Very well diversified, unique and highly scalable, our business is extremely resilient and difficult to replicate, resulting in strong barriers to entry and exit. Our diversity is extremely broad in terms of industries, markets, products, services and business partners served and forms the foundation for our continuing sustainable, profitable growth. The vast majority of the products we handle are very close to the daily needs of the people in the markets where we are active, contributing to the resilience of our business model.

The rising purchasing power and changing lifestyles of the emerging middle class in Asia are driving the demand for premium consumer products, such as luxury goods from the West.

20.4%
sales growth in 2012

Driving growth

Our growth, and the growth of our business partners, is fueled by three megatrends.

"As the leading Market Expansion Services provider with a focus on Asia, DKSH is optimally positioned to benefit from the rise of Asia's middle classes, growing trade flows to and within Asia, and the trend for manufacturers to outsource non-core activities." Dr. Martin C. Wittig, CEO of Roland Berger Strategy Consultants

First, there is tremendous growth in Asia, driven largely by the region's rising middle class. Their increased purchasing power is having a positive direct impact on consumer markets and an indirect positive one on industrial markets.

Second, inner-Asian trade is increasing. Asia has developed into a continent with its own strong domestic markets and is now at the center of global trade flows – and the trade barriers continue to fall.

Third, companies are recognizing that growth is more profitable if they focus on their core competencies and outsource other elements of the value chain to specialist services providers such as DKSH.

We touch the daily lives of millions of people across Asia by providing a comprehensive portfolio of products, including many of the world's renowned brands.

5,500
clients

Unique value

We offer our clients the services they need most, tailor-made to their specific requirements.

"As the global leader in the premium chocolate business, we rely on partners with a fundamental understanding of local markets, trade and consumers. In DKSH, we have found a like-minded partner and enjoyed a significant record of achievements in the past 54 years." Ernst Tanner, Chairman and CEO of Lindt & Sprüngli AG

For nearly 150 years, we have been representing Western companies in Asia. We have experienced first-hand all the challenges our clients and customers face – and we have the know-how they need to overcome them. Simply put, we help companies to grow their business in new and existing markets. We expand their access to knowledge, their sourcing base, their revenue opportunities and their market shares. Our complete portfolio of services is integrated and tailored to the needs of our business partners. We help them grow with an unrivalled pan-Asian network, deep and long-term relationships, plus in-depth knowledge of industries and local markets.

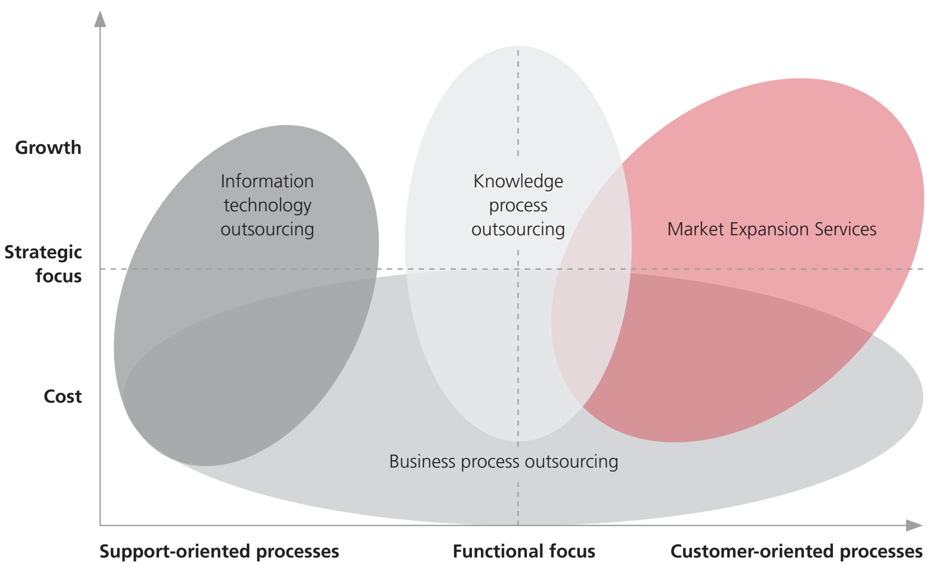
Growth in a dynamic market

DKSH leverages the key growth drivers of the Market Expansion Services market, and has the right business model and strategy in place to achieve sustainable, profitable growth.

Market Expansion Services

Market Expansion Services enable companies to translate the latest trends into market opportunities and business growth, especially in the highly diverse and fragmented Asian markets.

Market Expansion Services: outsourcing for growth



[1)] Source of figures: Roland Berger (2011, 2013), DKSH/Roland Berger (2011, 2012)

An emerging industry [1)]

Market Expansion Services (MES), which has become part of the global outsourcing industry, is a highly attractive sector and promises substantial growth. Contrary to "conventional outsourcing" such as IT, payroll or accounting, which are mainly focused on cost reduction, Market Expansion Services are aimed at top- and bottom-line growth, increasing market shares, penetration and coverage as well as reducing fixed costs and complexity. But where does traditional outsourcing end and Market Expansion Services begin?

Traditional outsourcing breaks down into three categories:

1. Business process outsourcing involves outsourcing specific business processes, such as payroll accounting
2. Information technology outsourcing involves outsourcing IT-related processes, such as IT maintenance services, software engineering, and software testing
3. Knowledge process outsourcing involves outsourcing R&D, analytical tasks, legal services, and services in the area of market and/or clinical research

Companies engage Market Expansion Services providers like DKSH to help them gain access to new markets and enhance their position in the markets in which they are already present, by enabling them to understand local practices, market specifics, local regulations, legal issues, and cultural differences as well as execute their marketing, sales, distribution and after-sales activities on the ground. DKSH assists in overcoming language barriers, gaining access to local customers, and providing deep market knowledge. Given the breadth of services offered, MES providers add substantially more value than traditional outsourcing organizations.

According to Roland Berger (2011), Asia remains one of the most promising markets for Market Expansion Services.

Three megatrends are driving Market Expansion Services in Asia Pacific

Three global trends are driving the future of the MES market in Asia Pacific. The first is the growth of emerging markets, fueled by the rise of the middle class leading to further consumption and industrialization. Second, strong growth in inner-Asian trade leads to a higher demand for MES. Third, companies are focusing more and more on their core competencies while outsourcing non-core activities to specialized service providers.

The emerging middle class and related rising demand for high-quality consumer, luxury and healthcare products drive the rapid growth of Asian economies. Their increased purchasing power is having a positive direct impact on consumer markets and an indirect one on industrial markets.

DKSH's Business Units Consumer Goods and Healthcare benefit directly from the growing demand for high-quality consumer and healthcare products. Asia is no longer simply the extended "workbench" of the West – it is developing into a continent with strong domestic markets. This, in turn, creates a need to improve local infrastructures and develop local industries in Asia. To do so, new production facilities have to be established in Asia, and those new facilities will need Western technologies and ingredients.

DKSH's Business Units Performance Materials and Technology are very well positioned to cater to that demand for high-class industrial equipment and components. As a consequence, DKSH benefits from both the positive direct impact on consumer markets and from the indirect impact on industrial markets.

Also, increased inner-Asian trade boosts the MES industry. The Asia Pacific region, for example, has already overtaken North America in terms of intra-regional exports and today represents the world's second largest trading area, after Europe. Given the stagnation of Western markets as consumers of products "made in Asia", increasing numbers of Asian firms are discovering Asia and its rapidly growing consumer markets as targets for expansion. Growth in inner-Asian trade is therefore expected to remain vigorous as overall consumption continues to rise, trade barriers decline and cross-border collaboration intensifies. DKSH, with its pan-Asian footprint, is well positioned to help not only Western clients, but also Asian clients looking to expand their Asian footprint. Today, the majority of the manufacturers of the products DKSH distributes are still from Europe and the Americas, but a growing number are now also from Asia. Of DKSH's Top 400 clients, 25% have Asian origins.

Increasingly, companies are recognizing that growth is more profitable if they focus on their core competencies and outsource other elements of the value chain, such as market entry and expansion activities or capillary distribution across the region, to specialist services organizations with better knowledge, greater cost efficiencies or scale.

This aspect can be attributed primarily to the growing complexity of conducting business and increasing pressures from competitors. With a reliable partner at their side, companies can quickly enter markets with high entry barriers, without fixed overheads and at much less risk. For many of those companies that already have a presence in Asia, the question is increasingly: "Which locations do we really want to operate ourselves?" They are investigating possible cost-cutting initiatives, and these in turn are generating increased demand for outsourcing – a need that DKSH, as a dedicated partner with tailor-made solutions, can satisfy.

With a proven track record and established capillary distribution capabilities across Asia, DKSH is well-equipped to meet the needs of large multinational companies as well as small and medium-sized enterprises.

Market Expansion Services: premium position in the outsourcing landscape

Scope of geographic coverage		Single-industry	Cross-industry
	International	International single-industry	International cross-industry
	Regional	Regional single-industry	Regional cross-industry
	Local	Local single-industry	Local cross-industry

Scope of industry coverage

Profiles of different Market Expansion Services providers

Market Expansion Services providers vary in their scope of both industry and geographic coverage, and can thus be divided into six categories.

Unlike other providers with limited geographic coverage and industry scope, international cross-industry Market Expansion Services providers such as DKSH are able to offer customized and integrated solutions that meet the needs of both large multinational companies and small and medium-sized enterprises. Not only can these international providers offer the distinctive value proposition of a strong local foothold and access to local customers, they can also provide the regional coverage the clients are looking for. International cross-industry Market Expansion Services providers offer tailor-made solutions that cater to manufacturers of a diverse range of products across different industries. Essentially, they bring cost efficiency in operations by realizing synergies spanning different countries and industries.

With the focus inevitably shifting from local to regional services, from isolated to integrated services, and from standard to value-added services, companies are turning to DKSH for innovative service solutions in today's dynamic and at the same time complex markets. As the leading Market Expansion Services provider, DKSH actively stays ahead of the industry by anticipating new developments and tailoring service offerings that will allow its business partners gain a crucial competitive advantage.

DKSH is optimally positioned to help companies expand into new and complex markets such as Myanmar.

Asia Pacific is believed to be the most promising MES market

Seen from both industrial and regional perspectives, the global market for expansion services is highly diverse and fragmented, with many small and local players active in the field. As the market leader, DKSH is optimally positioned to benefit from the consolidation process that is ongoing within the industry. By acquiring and integrating smaller, traditional trading houses, DKSH continues to drive consolidation within the fast growing, yet highly fragmented Market Expansion Services industry.

Market sizes and penetration rates of expansion services vary by industry, as do the specific requirements for the manifold tasks within the value chains.

In a global context, the most attractive markets in terms of growth rates and size are consumer-driven markets – consumer goods (worth USD 1.4 trillion) and healthcare (worth USD 529 billion) – which also show higher outsourcing rates than their industrial counterparts. In 2010, they already accounted for more than 85% of the global Market Expansion Services market, with the remaining 15% divided among the industrial markets, specialty chemicals (worth USD 41 billion), and engineered products (worth USD 259 billion). Consumer markets show higher demand for expansion of services than industrial markets because they typically present greater challenges in terms of establishing a local sales and marketing presence and accessing the often highly fragmented local customer base.

Worldwide, Roland Berger Strategy Consultants estimates that the market for expansion services will grow by around 7.1% per annum between 2010 and 2015, one percentage point faster than the overall consumption market, to USD 3.1 trillion in transaction value by 2015.

Growth is projected to continue in a similar fashion with the largest gains once again being realized in the Asia Pacific region. By 2015, Asia Pacific will likely have outstripped Europe as the world's largest Market Expansion Services market. According to Roland Berger Strategy Consultants, an annual growth rate of around 8.3% is expected for those markets that are relevant for DKSH (Southeast Asia, Greater China, Northeast Asia) between 2012 and 2017.

Business model

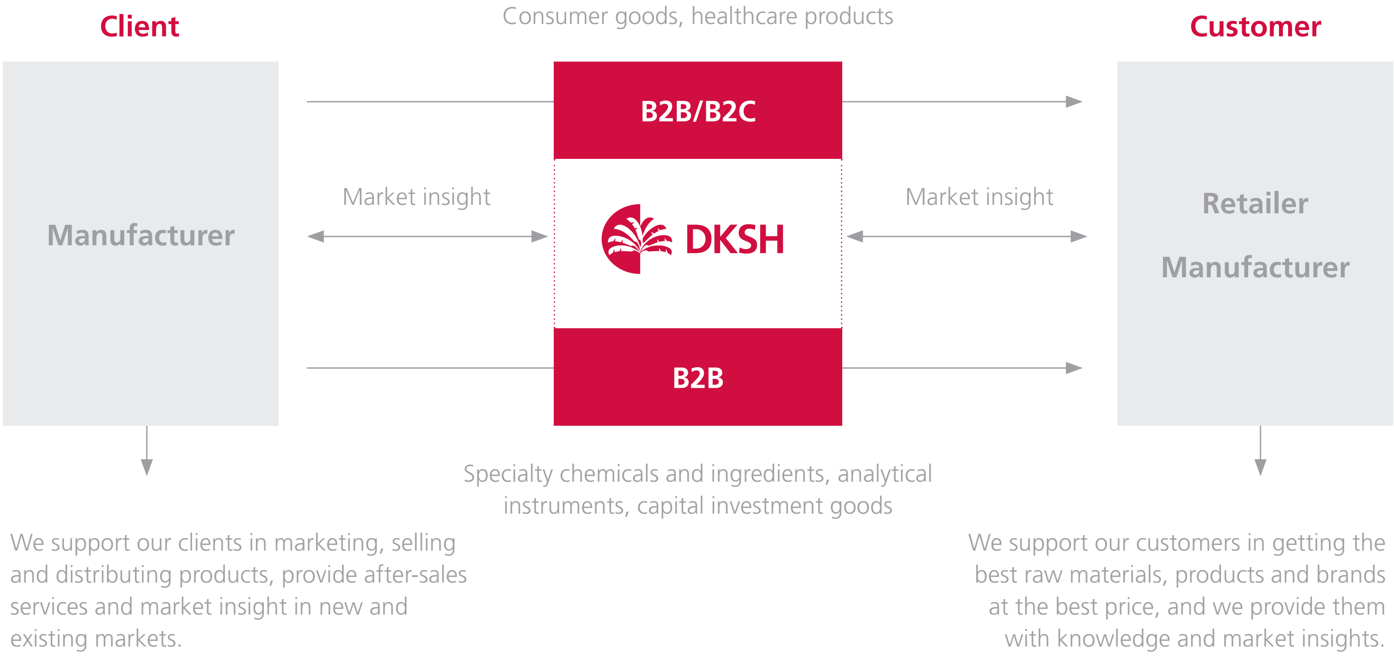
At DKSH, our business partners are either clients or customers, depending on their position in the value chain and the services we provide to them. Our business model is centered on DKSH's role as the key link between clients and customers. We help our partners in growing and adding value to their business and enable them to achieve lasting success. As a result of our position as the leading Market Expansion Services provider with a focus on Asia, we benefit from economies of scale, unique cross-regional and cross-industry synergies and significant bargaining power with the trade. Leveraging on our strong market presence, clients can capitalize on the superior commercial terms and conditions made available by DKSH. On the other hand, our scope and scale allows us to provide our customers a comprehensive portfolio of products and services.

Our clients

Our clients – manufacturers of fast moving consumer goods, luxury and lifestyle products; pharmaceuticals, consumer health products and medical devices; specialty chemicals and ingredients; and advanced machinery or technical equipment – wish to sell their products in markets with high entry barriers. Strategically, they want to grow their business by increasing sales in existing markets, enhancing efficiency and margins, or by launching into new markets. We offer Market Expansion Services to clients from Europe and the Americas, and increasingly also for clients originating in Asia. We support our clients in marketing, selling, and distributing their products, as well as providing after-sales services and market insight.

Our customers

Depending on their business, our customers buy or resell our clients' products. The raw materials we provide manufacturers are processed or used in their own production, whereas the products provided by us to retailers such as supermarkets, department stores, mom-and-pop stores, luxury and apparel boutiques, doctors, hospitals, or pharmacists are resold to end consumers. Strategically, they want to increase their sourcing base, market shares and revenue opportunities. We support our customers in obtaining the best raw materials, products, and brands at the best price, while providing them with knowledge and market insight.

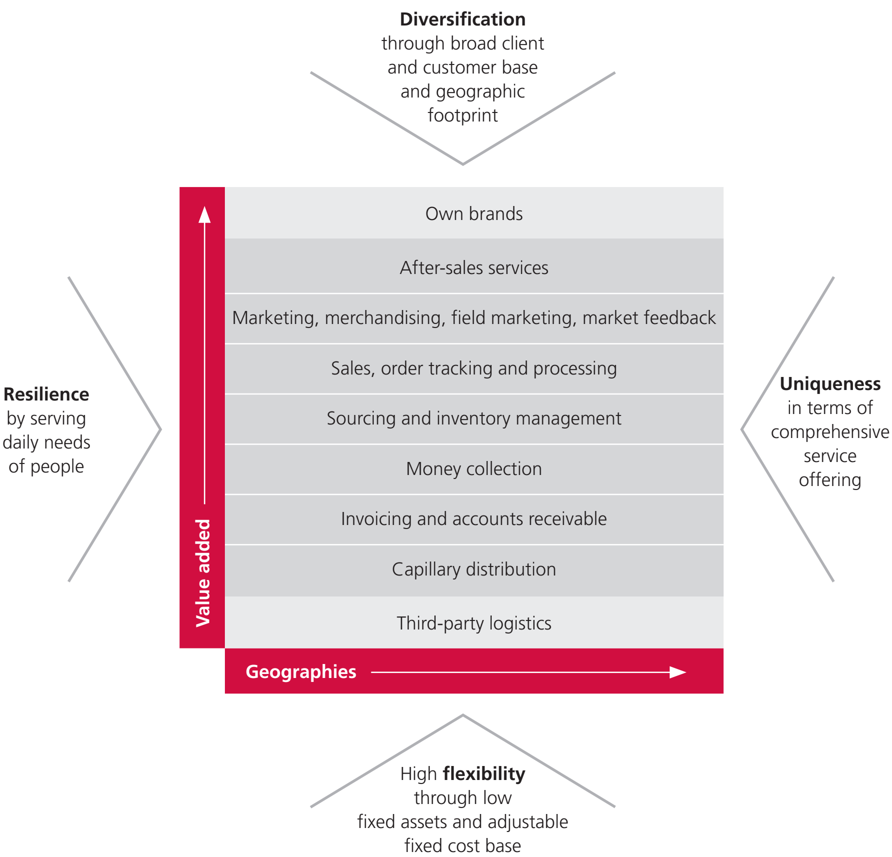


DKSH: a trusted link

Our clients today need to be able to know everything: the number and location of retail outlets, the shelf life and stock levels of their products, the latest trends influencing consumer behavior, the impact of price changes on customers, and campaign strategies for advertising and marketing. Whether it is for determining advertising budgets, reducing storage costs or customizing products to customers' needs, accurate, in-depth and extensive market knowledge is imperative.

Our deep understanding of our customers' needs enables us to translate our clients' brand strategies into a local context with skill and precision. We are a trusted link between our clients and customers, guaranteeing the integrity of the value chain and ensuring their products successfully reach the right markets. Whatever their strategic objectives, at DKSH we provide them with access to all the knowledge, expertise, relationships, and on-the-ground distribution and logistics they need.

Our platform: resilient, flexible, unique and diversified



Resilience and scalability in our platform

Our long-standing history, know-how and relationships in Asia, combined with unmatched pan-Asian distribution and infrastructure, make us a truly unique player in the Market Expansion Services industry. The Group operates throughout Asia across 660 business locations and offers the deepest capillary distribution coverage in the region. Our fundamental specialization into four Business Units combined with broad diversification in terms of industries, regions, goods and value chains make our business model highly scalable and very resilient.

We provide our business partners with a tailor-made and integrated portfolio of services along the entire value chain. The vast majority of the products we handle are very close to the daily needs of the people in the markets we service, which contributes to the resilience of our business model. We benefit from a low fixed asset and low fixed cost business model designed to provide us with high operational flexibility and the ability to anticipate changes in the market as they happen.

Leveraging our highly scalable platform and benefiting from network effects, we cater to the expansion needs of our business partners as we grow. With every additional client or customer, our services become more comprehensive and operations more efficient, which in turn helps us to attract more business partners. Our ability to reduce both complexity and cost while providing the benefit of additional market insights from end customers allows our clients to focus on their core competencies in today's highly competitive market.

Services along the value chain

Comprehensive portfolio of services along the value chain

DKSH offers companies integrated and tailor-made Market Expansion Services along their entire value chain:

Sourcing

We provide access to a global sourcing network. Our unique sourcing network around the world and deep industry expertise enable us to provide any materials and products our customers need. We offer the perfect mix of cost-effectiveness, quality and dependable supply, while at the same time we ensure compliance with safety and environmental regulations. With DKSH, business partners can expand their sourcing base and focus on growing their business.

Research and analysis

We enable business partners to innovate for growth. In our application, formulation and product development laboratories, we generate new product ideas as well as develop and customize them. We work on new ingredients and technology applications, provide hands-on training and run acceptance tests. We take the information gathered from our market activity, combine it with our expertise to conduct feasibility studies, and turn our market insight into strategic advice for our business partners.

Marketing and sales

We open up new revenue opportunities for business partners. We offer a complete array of marketing and sales services for consumer goods, luxury and lifestyle products, healthcare products, performance materials, and technology products. We have a long-standing track record in brand-building and service all relevant channels to market, customers and outlets. In Asia Pacific, we offer comprehensive market coverage across the region to help our business partners grow their business.

Distribution and logistics

We deliver what our business partners need, at the right time and place. With our unmatched logistics infrastructure and state-of-the-art distribution centers, we transport, store, and distribute clients' products efficiently and professionally across all of Asia. As part of our comprehensive package of Market Expansion Services, business partners can outsource many additional specialized services, including product registration, regulatory support, customs handling, importation, logistics, repackaging, invoicing, cash collection and supply chain management.

After-sales services

We are at our business partners' service throughout the entire lifespan of their products. We provide a broad range of after-sales services and support that ensures top-quality standards, fast problem resolution and the ability to establish a high-value image. Our expertly trained teams provide customer service, repairs and maintenance, on-the-spot training and know-how transfer, offering real added value to clients and customers alike.

Our strategy for sustainable, profitable growth

Our vision is to be known as the leading Market Expansion Services provider with a focus on Asia. Anyone thinking of growing their business in or with Asia should think of DKSH first. To accomplish this, we drive a strategy for sustainable, profitable growth that continuously increases our market share and at the same time helps our business partners expand their business.

The cornerstone of our strategy is the continuous improvement of our successful business model. We stick to what we do best by doing more of the same, more efficiently. The strategy consists of three main areas that enable us to reach our vision:

Grow existing markets and Business Units

We focus on growing existing markets as well as existing Business Units through organic growth, business development and by rolling out success stories across the region, complemented with strategic bolt-on acquisitions. Since we have a history of nearly 150 years of doing business successfully in and with Asia, our business partners can fully capitalize on our broad knowledge of local markets and culture, our infrastructure, and our leadership position in the region.

Strengthen service offerings

We continually strengthen and expand our range of service offerings across the entire value chain. To ensure the long-term success of our business partners, we constantly deliver more value-added solutions that give them a competitive advantage.

Increase operational efficiency

We continuously improve the efficiency of our processes. The quality of our services is based on best practices and standards throughout our entire organization. An efficient supply chain coupled with synergies across all Business Units and countries allow us to fulfill the diverse requirements of the businesses we serve.

As a financially stable and dependable partner who has been at home in Asia for nearly 150 years, we safeguard our clients' and customers' business interests. We have a network of experts and the ability to adapt to the businesses we serve in any local market.

For our partners, accessing these services and the related infrastructure from a single source results in lower cost, enhanced transparency and greater accountability. Working in our clients' and customers' interests, and possessing the expertise to provide strategic advice and on-the-ground distribution and logistics, we make things happen.

In our endeavor to create sustainable shareholder value we successfully continued our strategy implementation in 2012, which was evidenced by double-digit EBIT and net sales growth and a strong return on net operating capital. We increased efficiency with the flawless upgrade of our SAP system across the entire Group. Three bolt-on acquisitions further extended our leading position in the Market Expansion Services industry in 2012.

The DKSH strategy for growth: focus on what we do best and do it ever more efficiently

Focus on existing Business Units

- Focus on existing markets
- Grow existing Business Units organically through business development and multiplying success stories
- Bolt-on acquisitions

Strengthen service offering

- Enhance service and solution competence
- Selectively expand service value chain of Business Units

Increase operational efficiency

- Gain or strengthen dominant market position to use economies of scale
- Realize operational synergies
- Improve operational excellence (standards)

Creating sustainable shareholder value

Making business partners grow

Our highly specialized Business Units guarantee the expert handling of products and brands from a wide range of industries, helping our broad portfolio of clients and customers to grow.

Consumer Goods

CHF 3.9 billion
Net sales in 2012

CHF 161 million
EBIT in 2012

13,900
specialized staff

300,000 retail outlets served

460 clients

22 countries

One of the ways we help companies to grow their business in new and existing markets is through driving brand awareness with consumers.

DKSH's Business Unit Consumer Goods is Asia's leading Market Expansion Services provider with a focus on fast moving consumer goods, food services, luxury goods, as well as fashion and lifestyle products and hair and skin cosmetics. Our comprehensive Market Expansion Services extend from product feasibility studies and registration to importation, customs clearance, sales, marketing and merchandising, warehousing, physical distribution, invoicing, cash collection and after-sales services. Our expertise and broad local knowledge, together with our infrastructure, enable us to better understand our business partners' needs and to deliver customized solutions to grow their businesses.

The Business Segment Fast Moving Consumer Goods serves 300,000 retail outlets and operates 64 distribution centers in Asia. Serving more than 587 boutiques, shops-in-shops and brand corners, the Business Segment Luxury & Lifestyle has a proven track record as a brand builder in luxury goods. Our Business Segment Food Services & Hotel Supplies caters to the rapidly growing hospitality industry in the region and serves more than 1,600 customers. DKSH is also the sole franchisee and distributor of Levi's® products in Thailand and Cambodia.

Success Story: Cerebos

Sharing success

DKSH's partnership with Cerebos, a leading food and health supplements company headquartered in Singapore, started in 1972 in Thailand. Its signature product is BRAND'S Essence of Chicken, a health supplement that dates back to 1835 during the reign of King George IV, when H.W. Brand, a chef at the royal palace, created a chicken extract concentrate for the king. After H.W. Brand retired, he decided to commercialize the product. In World War II, the concentrate was sent to help nourish British soldiers stationed in Singapore and Malaysia. This later helped establish the brand's reputation in the region.

Challenge

When the partnership started in the early 70s, the annual turnover was less than USD 1 million and the product was mainly distributed in Bangkok's pharmacy shops. The product history and quality showed that BRAND'S Essence of Chicken had strong potential for further growth. This growth could only be achieved through improved distribution coverage across Thailand.

Approach

Over the years, DKSH's sales team brought to bear its capillary distribution network in Thailand as well as its deep industry expertise and local knowledge. Furthermore, DKSH leveraged its regional footprint to help BRAND'S Essence of Chicken gain a foothold in additional markets, including Vietnam, Cambodia, Laos, Singapore and Malaysia.

Result

BRAND'S Essence of Chicken is now brand leader in its category in Thailand and in other Asian countries. In Thailand, the product's penetration is so deep that it is on every shelf of every mom-and-pop store. Since 2005, DKSH has helped BRAND'S Essence of Chicken to achieve double-digit growth every year, and is on track to continue maximizing Cerebos' market growth and overall operational performance.

Market Expansion Services at work: working together to achieve growth

With its capillary distribution network, industry expertise and broad local knowledge, DKSH Consumer Goods is a true partner that goes the extra mile to achieve business growth for its partners in the long term.

Our long-standing partnership with Cerebos illustrates how DKSH multiplies success stories for clients from one country to additional markets across Asia.

Healthcare

CHF 3.7 billion
Net sales in 2012

CHF 82 million
EBIT in 2012

8,270
specialized staff

160,000 customers in Asia

350 clients

13 countries

With 150 years of doing business in and with Asia, we have not only established strong networks and relationships with customers, but also gained in-depth understanding of the markets.

DKSH's Business Unit Healthcare is the leading Market Expansion Services provider for healthcare companies seeking to grow their business in Asia. We offer a wide range of solutions, extending from registration and market entry studies to importation, customs clearance, marketing and sales, physical distribution, as well as invoicing and cash collection. Products available through DKSH include ethical pharmaceuticals, over-the-counter, consumer health, as well as medical devices.

We provide access to multiple professional healthcare channels, including hospitals, clinics, doctors, pharmacies, drugstores, dentists, optical outlets and others. With our leading marketing and sales competencies supported by regulatory affairs, customer care centers and logistics platforms as well as our commitment to international quality standards and corporate compliance, we set the benchmark in Asia. Our integrated service offerings are unmatched across the region.

More than 8,270 healthcare specialists operate out of 13 countries, providing deep market knowledge coupled with breadth of capabilities that enables us to develop truly customized solutions. We support and represent 350 clients and over 160,000 purchasing and decision-making customers. For companies wishing to license out products in the Asian markets, we are a proven partner through our Medinova and BiOLiFE businesses based in Switzerland and Asia.

Success Story Astellas

Sharing Success

DKSH has been working with Astellas, a leading Japanese pharmaceutical company focusing on primary care treatment, since 2002. In the decade since DKSH first began providing logistics, distribution and collection services to Astellas in Thailand, the world has changed considerably. Today, Asia is at the center of global trade flows, and inner-Asian growth is rapidly expanding, with the Asia Pacific region now representing the world's second largest trading area after Europe.

Challenge

Astellas quickly recognized that it was well positioned to benefit from the rising demand for professional healthcare services outside of their home market, Japan, which came with higher purchasing power in the region. But even for a Japanese company, the prospect of launching into new markets in Asia was daunting given the high risk, complexity and necessary investment required as well as the cultural challenges to be met. Another risk Astellas was faced with was the growing threat of counterfeit drugs infiltrating the supply chain.

Approach

With more and more counterfeit drugs flooding the Asian market, Astellas was particularly keen to find a partner that could offer full integrity of the value chain. Since DKSH's Business Unit Healthcare sets the standard for quality in Asia with its clear commitment to ethical business practices, Astellas knew it could count on DKSH to provide relevant and comprehensive services to successfully grow in the region.

Result

In 2009, Astellas expanded its partnership with DKSH from Thailand to Taiwan and Hong Kong, where DKSH covers all of the professional healthcare outlets and offers direct access to consumers. This access minimizes the risk of counterfeit drugs entering the supply chain. Thanks to DKSH, Astellas was able to grow its business significantly within only a short period of time. Building on this success, Astellas partnered with DKSH in 2010 to grow its business in Vietnam by providing distribution and contract sales services. By partnering with DKSH, Astellas was able to achieve double-digit sales growth year-on-year.

Market Expansion Services at work: trust enables growth

With its unparalleled market coverage in Asia, ranging from professional healthcare outlets to clinics and drugstores, DKSH Healthcare guarantees the integrity of the value chain and helps pharmaceutical companies to grow.

The integrity of the value chain provided by DKSH minimizes the risk of counterfeit drugs entering the system and enables our clients to successfully expand in the local market.

Performance Materials

CHF 751 million
Net sales in 2012

CHF 58 million
EBIT in 2012

950
specialized staff

20,000 customers

Network of more than
200 clients, **3,600** suppliers

26 countries

Our world-class innovation centers, coupled with experienced industry expertise, allow us to tailor-make customized solutions that meet the diverse needs of different business partners.

DKSH's Business Unit Performance Materials is a leading specialty chemicals distributor and global provider of Market Expansion Services. We source, develop, market and distribute a wide range of specialty chemicals and ingredients for pharmaceutical, personal care, food and beverage as well as various industrial applications.

Thanks to our comprehensive network and global relationships, we provide reliable sourcing around the world with instant access to over 70 markets, obtaining the best products at the most advantageous prices.

Our 23 innovation centers allow us to develop solutions to meet the evolving needs of our customers and to create opportunities for our clients. Using our deep industry expertise and the innovative approach of our 950 specialists in 26 countries, we research and develop new product ideas, value-added formulations, and in-depth application expertise. This enables our over 200 clients, 3,600 suppliers and 20,000 customers to benefit from strategic market insights, lower operating costs, reduced time-to-market intervals and new revenue opportunities as they grow their businesses in new and existing markets.

Success Story Axens

Sharing success

DKSH's partnership with Axens, a leading international provider of advanced technologies and performance materials based in France, marked its 50th anniversary in 2012. With the main focus of its business in the conversion of oil, coal, natural gas and the production and purification of petrochemical intermediates, Axens has found just the right partner in DKSH to gain market leadership in select Asian markets.

Challenge

Due to the need for a more efficient process to remove sulfur compounds in energy sources such as oil, natural gas and coal, Axens recognized in 1962 that there was a potential market for its products in Japan, especially for sulfur recovery products. However, the French-based company had to find a solution with regard to the long delivery lead-times from Europe to Japan, as refinery plants require fast delivery and emergency supplies to secure around-the-clock production.

Approach

With its strong position in Japan, DKSH was able to provide the whole array of Market Expansion Services for Axens' main products in that market (catalysts and adsorbents). The focus of the partnership was laid on logistics services and customer relationships to significantly reduce lead-times and open up a new and promising market for Axens.

Result

Since Axens first introduced its products to the Japanese market, DKSH has achieved market leadership in the sulfur recovery catalyst segment. Furthermore, DKSH has joined forces with Axens to work on additional projects that focus on equipment and environmental protection at petroleum refining and petrochemical plants. In 2005, Axens further expanded its partnership from Japan to Korea and today entrusts DKSH with its adsorbents and sulfur recovery catalyst business in that market.

Market Expansion Services at work: building lasting partnerships

DKSH Performance Materials' in-depth expertise in the specialty chemicals industry, coupled with a comprehensive network and global relationships, enable our business partners to focus on their core competencies.

DKSH's in-depth expertise in the specialty chemical industry enables our suppliers to focus on their core competencies while expanding in new markets.

Technology

CHF 441 million
Net sales in 2012

CHF 23 million
EBIT in 2012

1,340
specialized staff

30,000 customers

700 suppliers

16 countries

With dedicated sales and after-sales specialists on the ground, we are well-positioned to help our business partners achieve higher market penetration in markets for capital investment goods and analytical instruments.

DKSH's Business Unit Technology is the leading provider of Market Expansion Services involving technical solutions for capital investment goods and analytical instruments. We cover the manufacturing and production, energy, research, food and beverage, advanced metals and infrastructure sectors, delivering a service portfolio that ranges across market research, market entry consultancy, marketing and sales, application engineering, product sourcing, after-sales services and financing.

Our application engineering expertise enables our customers to make optimal use of the equipment we supply. We operate our own test and application laboratories, supplying customers with samples, feasibility and validation testing, and helping them to develop new applications.

Our comprehensive network and deep industry and local expertise enable us to quickly understand our business partners' needs and to deliver customized products and services that make them even more successful. Our unparalleled network operates from 16 countries. We have extensive expertise across industries and employ 1,340 specialists, including 450 service engineers.

DKSH Japan receives "new agency with outstanding sales success" award from LAUDA.

Our network, with a focus on Asia, serves a customer base of more than 30,000 companies, providing them with access to the latest technologies. We also identify opportunities and create new markets for a supplier base of over 700 renowned European, American and Asian manufacturers.

Success Story LAUDA

Sharing Success

LAUDA is the leading manufacturer of innovative thermostatic equipment and systems for science, application technology and production as well as for high-quality measuring devices.

As a highly specialized niche provider, LAUDA ranks either first or second in almost all future-oriented sectors, including the semiconductor industry. As many hi-tech companies – most of which are LAUDA's customers – outsource the production of their products to Asia, this has become an important market. DKSH has been partnering with LAUDA to successfully market their products in the growing Asian markets.

Challenge

Due to the complexity of LAUDA's products, expert knowledge of sales and maintenance teams, highly qualified sales and after-sales engineers and a strong local presence in the markets is key to success. However, it is not economical for a medium-sized company like LAUDA to build up the financial and personnel resources necessary to enter markets with high entry barriers and build up their own sales and after-sales organization.

Approach

LAUDA's partnership with DKSH started in 1991 to gain market access in Thailand and to further expand its footprint in Asia and drive their ambitious growth targets. DKSH took over importation of the goods, marketing, sales, distribution, logistics and after-sales services for the whole product range of LAUDA in Thailand. Based on the success of this partnership, DKSH and LAUDA extended the geographic scope of their collaboration to the Philippines, Singapore, Malaysia, Vietnam, Japan and Australia.

Result

More than ten years since its start, the successful collaboration between LAUDA and DKSH in seven countries across Asia Pacific delivers continuous strong growth. DKSH's proactive sales teams continually expanded the customer base for LAUDA's laboratory equipment into additional industries and areas of application, giving LAUDA double-digit growth year-on-year.

Market Expansion Services at work: partnerships that last

DKSH's comprehensive network and deep industry expertise with highly trained and knowledgeable teams are key to help our business partners expand in Asia.

DKSH employs highly qualified sales and after-sales engineers, giving both multinationals and small and medium-sized enterprises the leverage and resources to expand in new and existing markets.

Corporate functions

DKSH's Business Units are supported by highly specialized teams from centralized corporate functions. These functions provide common standards and support the Business Units and countries to reduce their administrative workloads so that they can concentrate on what they know best: running their business. The corporate services teams support Business Units and country operations in many important ways, ensuring that the company makes the best possible use of synergies across the Group, shares best practices and works to the same high standards in everything it does. In 2012, all functions collaboratively contributed to the successful preparation and execution of the IPO.

Finance

The Finance function manages group-wide financial activities that range from accounting, budgeting and controlling to financial analysis, reporting, treasury and taxation.

The CFO and Business Controlling, Treasury and Taxation functions are located in Singapore and provide analysis, reporting and decision support to operations.

The Zurich-based Corporate Accounting and Reporting team monitors compliance with financial policies, coordinates the group-wide financial reporting and consolidation as well as external reporting according to IFRS and SIX requirements. The Corporate Controlling team does the business analytics, prepares internal reporting to the management and Board of Directors, coordinates the forecasting and target setting process and supports the business with various ad hoc reporting. Our centralized Group Treasury function enables the Group to increase both operational and financial efficiencies to improve control of financial risks and to reduce costs through scale benefits. Corporate Tax works to continually optimize group-wide tax compliance and efficiency.

Corporate Development

This function is responsible for the areas of Human Resources, Corporate Communications and Branding, Investor Relations, Strategy and Internal Consulting.

Corporate Human Resources provides a comprehensive strategic HR framework, focusing on new hires, talent and management development, performance management and employer branding as well as compensation and benefits. The function also provides strategic direction to the local Human Resources teams, driving more corporate guidance and alignment across the Group with the introduction of standardized HR core processes. In 2012, the rollout of a group-wide Human Resources Information System (HRIS) started, providing a scalable group-wide platform for HR administration.

Corporate Communications and Branding is responsible for all external and internal Group communications as well as for the DKSH branding project. The function aims to make DKSH known as the No. 1 Market Expansion Services Group with a focus on Asia and promotes this message throughout the world's business community. The first branding week, a group-wide week of activities designed to build brand awareness and engagement, gave an additional boost to bring the DKSH brand to the next level. With more than 20,000 staff participating, it turned out to be one of the biggest company wide events ever held. The newly created Investor Relations function is our interface to analysts and investors and responsible for ensuring professional communication with the capital market.

The Strategy team is responsible for the thorough implementation of our strategy for sustainable, profitable growth across Business Units and countries by expanding our existing markets and Business Units, strengthening our service offerings and improving operational excellence. In 2012, the joint publication of the Second Global Market Expansion Services Report by Roland Berger Strategy Consultants and DKSH demonstrated that DKSH is not only the No. 1 Market Expansion Services provider with a focus on Asia, but also a true thought leader and pioneer in the MES industry. The Internal Consulting team manages corporate projects and works in close co-operation with our operations, supporting and advising them both on strategic as well as operational challenges and opportunities.

Operations Support

This function consists of IT, Merger & Acquisition Transactions, Business Process Re-engineering and Special Projects.

Our global IT system is supported by a strong team of around 400 specialists, with the core IT services centralized at the Corporate Shared Services Center (CSSC) in Kuala Lumpur, Malaysia. Established in 2004 to centralize and standardize our company's IT platform and processes, it has become a global hub for our leading-edge IT services, setting new industry standards for market information access and comparability. Today it is a crucial part of the scalability of our business and allows us for swift integration of newly acquired businesses. Highly specialized IT staff develop new software solutions and provide services, such as hosting the entire Enterprise Resources Planning (ERP) system and running a standardized global SAP platform. Based on its data volume and the number of reports being generated, the CSSC is considered to run one of the world's largest Business Warehouse applications based on SAP. 2012 saw the flawless upgrade across the entire Group from the SAP 4.7 C version to the latest SAP ECC 6 release.

Also within CSSC is the small but rapidly growing Business Process Outsourcing

DKSH's Business Units are supported by highly specialized and cost-effective teams from centralized corporate functions.

(BPO) Team which provides central back office support to DKSH operations around the world.

The Business Process Re-engineering team conducts efficiency programs to increase the overall operational effectiveness and efficiency of DKSH. It ensures that all processes and systems are optimized to their full capability and enable further sustainable, profitable growth.

Merger & Acquisition Transactions supports management at every stage of the selling and buying of businesses. Three acquisitions took place in 2012, including ElectCables in Australia, Clay and Company in Japan, and Staerkle & Nagler in Switzerland, as well as the divestment of OLIC, DKSH's former contract manufacturing plant for pharmaceutical products in Thailand. Furthermore minority investments were made in Bovet and "ON" in Switzerland.

Corporate Affairs

This function consists of Corporate and local Legal and Governance, Risk & Compliance, country organization, as well as Internal Audit.

Corporate Legal provides legal support to senior management in various fields and is responsible for listing related activities and regulatory requirements. Local Legal acts as in-house counsel to DKSH's country organizations.

Governance, Risk & Compliance and country organization are important pillars of our Corporate Governance structure, providing clear guidance as well as designing and implementing corporate policies across the Group. Our risk management focuses on strategic, operational, financial and compliance risks and ensures adequate insurance management. Entrusted with country organization, Corporate Affairs ensures a regular dialog with the Heads of Country Management and local Management Teams to implement and monitor various initiatives and policies.

The Internal Audit function is another important element of our Corporate Governance. With its independent reporting line to both the Chairman of our Board of Directors as well as to the Audit Committee, it is well-established and provides a very sound check and balance system.

Corporate Supply Chain

Corporate Supply Chain supports our Business Unit operations by setting standards and guidelines on distribution centers, ground transportation, customs compliance and international freight management. The team works to manage standard KPIs and share best practices around the Group, develop IT applications for world-class logistics, and evaluate new supply chain infrastructure and investments, particularly optimizing synergies between Business Units and countries. The function is also engaged in inventory optimization projects to maximize service and minimize working capital related to goods held in the DKSH network. In 2012, the team continued to improve efficiency and achieved further savings in logistics and distribution costs. A new distribution center in Hong Kong and two replacement centers in Thailand brought the total area of DKSH's logistics infrastructure to 671,000 square meters.

Organizational structure

Board of Directors

Group Management

Dr. Joerg Wolle
President & CEO

Bernhard Schmitt
Chief Financial Officer

Gonpo Tsering
Head Operations Support

Bruno Sidler
Chief Operating Officer

Martina Ludescher
Head Corporate Development

Marcel W. Schmid
Head Corporate Affairs

Somboon Prasitjutrakul
Head Business Unit
Consumer Goods

Charles Toomey
Head Business Unit
Healthcare

Mario Preissler
Head Business Unit
Performance Materials

Dr. Adrian Eberle
Head Business Unit
Technology

Country operations (details see following page)

With an organizational structure that cuts through the complexity of the businesses we manage, we are optimally organized for both today and tomorrow as we move into the next stage of sustainable, profitable growth. Our structure seamlessly leverages the vast resources of knowledge and market power within our organization for the benefit of all stakeholders.

DKSH's overall strategy and direction is guided by an international Board of Directors. The Group Management has executive management responsibility for the Group and ensures the implementation of our strategic goals across our markets and Business Units.

Our business activities are managed through four specialized Business Units. Country organizations implement Business Unit strategies and enable region-wide coverage, while our Corporate Center provides cost-effective services and a group-wide infrastructure.

Spanning Asia Pacific, Europe and the Americas, our comprehensive sourcing and distribution network serves hundreds of thousands of business partners every day.

Country operations

	Business Unit **Consumer Goods**	Business Unit **Healthcare**	Business Unit **Performance Materials**	Business Unit **Technology**
Asia Pacific				
Australia	•		•	•
Brunei	•			
Cambodia	•	•		•
China	•	•	•	•
Guam	•			
Hong Kong	•	•	•	•
India			•	
Indonesia			•	
Japan	•		•	•
South Korea	•	•	•	•
Laos	•	•		•
Macao	•	•		
Malaysia	•	•	•	•
Myanmar	•	•	•	
New Zealand	•		•	•
Philippines			•	•
Saipan	•			
Singapore	•	•		•
Sri Lanka			•	
Taiwan	•	•	•	•
Thailand	•	•	•	•
Vietnam	•	•	•	•
Europe				
Denmark			•	
France			•	•
Germany	•		•	
Great Britain			•	
Italy			•	
Norway	•			
Poland			•	
Spain			•	
Switzerland	•	•	•	•
The Americas				
Brazil			•	
Chile			•	
USA	•		•	

People, values and employer value proposition

People – the key to our success

Our people are the most valuable asset we have. It is their ideas, initiatives and decisions that drive our success. United by a shared corporate culture, we empower the best professionals in our industry to grow in their careers and to work together to achieve our vision of being known as the world's leading company in Market Expansion Services with a focus on Asia.

At DKSH, our people shape the long-term growth of our business as part of an energetic and successful team, and positively touch the lives of millions of people by providing them products that meet their daily needs.

A shared commitment

DKSH's success in the Asian markets is based on the fact that as a Swiss company – well known for quality and reliability – we have become familiar with many local environments and have adapted to them. While we are a truly multinational company, we are deeply rooted in the local communities we serve.

Every day, people throughout Asia use and trust the products we sell. We work with hundreds of thousands of clients and customers around the world – all with distinct needs. We ensure that there are always people within our organization who speak their language and understand their culture. This translates into real added value, as it not only supports our service delivery, but also contributes to the innovative ideas and market insights we offer.

Today, our 25,900 people representing 59 nationalities, with hugely diverse cultural and educational backgrounds, work together in 35 countries serving clients and customers alike. Their manifold talents, united by their commitment to our business partners' success, make DKSH what it is today: the leading provider of Market Expansion Services with a focus on Asia.

We at DKSH commit to conducting all aspects of our business with respect and care for people and the environment.

Diversity comes naturally

Operating a business in a way that respects the inherent values and differences between countries and cultures is an essential success factor for multinational companies. Organizations that foster diversity as a vital characteristic gain significant advantages, including the full use of human potential, greater innovation and flexibility, improved productivity, better team spirit, higher retention rates, and enhanced recruitment success. In brief: the more diverse a company, the deeper the pool of talent and experience on which it can draw.

At DKSH, diversity is not just a concept that gathers dust in management manuals; nor is it a question of implementing quota policies. Diversity comes naturally to us and we have no need to manage it artificially. We have always recognized the value of diversity. After all, from the very beginning, DKSH's Swiss founders embraced cultures new and foreign to them. This legacy is reflected today in the highly diverse composition of our global workforce.

Our corporate values guide our priorities and our behavior, inspiring us to be the trusted link that connects business partners along the entire value chain and around the world.

Common values

In a world where products, processes and technologies become easier to duplicate, true competitive advantage stems not just from organizational capabilities, but requires a corporate culture that is hard to imitate or reproduce. Despite the diversity of our people, the geographies we are in and also the diverse industries we serve, a very unique corporate culture has emerged over the decades.

Five meaningful values reflect this unique culture and are reinforced in all aspects of our business. DKSH's reputation is based on our authentic, pragmatic and entrepreneurial approach to finding tailor-made solutions. Our commitment and passion drive the sustainable business results we achieve for our business partners and ourselves.

Business partners and colleagues can depend on us because we always act in a straightforward way. Our people are hands-on, street smart, and use common sense to get things done. Just like the founders of DKSH, we share a pioneering spirit and are passionate to drive growth. We are ambitious, open to change, and embrace progress. At the same time, we take charge and are accountable for our actions and outcomes. At DKSH, we enjoy our work and are passionate about what we do.

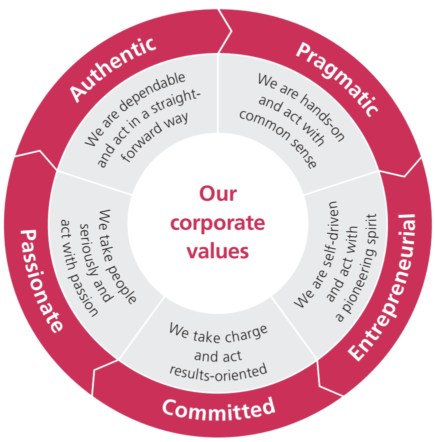
In building true partnerships that last, we use the best of both worlds – east and west – for the benefit of our clients and customers. Our values guide our priorities and our behavior, inspiring us to deliver the best possible services to our clients and customers.

DKSH stands for what our people practice every day: helping our business partners achieve sustainable success.

Unique opportunities for unique people

Given the complexity of DKSH's business and the dynamic markets in which we operate, coupled with ever-evolving needs of our business partners, we depend on employees who can live up to the challenges we face every day.

Success in our business requires people with an entrepreneurial mindset who can easily adapt to change, self-starters with leadership qualities and high potential. True to the spirit of our founders, our business model leaves employees a great deal of entrepreneurial freedom to run the



At DKSH, our people are our greatest asset, and we invest in them by creating an environment of continuous learning and personal development that enables them to deliver their best.

business within a centrally managed general framework providing IT, Finance, Strategy, Legal and Compliance, Communications and HR.

This flexibility to execute on a local level enables employees to take on responsibility to grow businesses and to expand their professional expertise. Working in a dynamic environment alongside experienced colleagues is what makes them excel in their careers. At DKSH, we expect people to take on ownership of activities and be accountable for what they do so they can leave their mark in their field. At the same time, our incentive systems and performance management are geared to recognize achievement and development opportunities for high-performing individuals. Working at DKSH offers ample opportunities to lead and to develop as leaders, with both in-house and external training programs.

People at DKSH share the same vision and ambition to succeed. Working with like-minded, energized colleagues enables our employees to broaden both their personal and professional network and experience a sense of belonging. As part of a multicultural team, they are exposed to a tremendous diversity of thought and the latest technologies that offer a high rate and breadth of learning.

Empowering growth

Having enough of the right people is crucial to enabling our strategy for sustainable and profitable growth to happen. DKSH is dedicated to empowering its people to grow professionally and aims to attract and retain the top talent in the businesses and markets it serves.

In this endeavor, DKSH has created a comprehensive HR framework, that encompasses functional HR strategies, processes, an improved organizational structure with clear roles and responsibilities, as well as policies and instruments and new standardized DKSH HR contracts and policies.

HR activities are designed to attract and recruit the right people through efficient and effective recruiting and smooth integration processes. With a view to strengthening DKSH's performance-oriented culture, employees' goals are aligned with the Group's overall objectives. In addition, DKSH fosters the development of a strong talent pool and provides training that enables new staff to quickly onboard to our company.

In order to ensure effective performance and talent management, DKSH implemented a group-wide HR IT platform in 2012 to further improve internal HR processes, enable structured career development for employees and to instill a consistent performance management and appraisal system. In addition, 2012 saw the launch and roll-out of a group-wide SAP-based Human Resources Information System (HRIS), providing a scalable group-wide platform for HR administration.

A small Corporate HR team was created to support local HR with centrally developed tools, instruments, guidance and initiatives driving the implementation of the HR strategy together with the local HR heads.

At DKSH, we recognize exceptional performance. This is illustrated by the annual DKSH Fantree President Award, which is presented to outstanding employees for living up to our DKSH brand and corporate values and so is also a strong tool to further deepen the brand and corporate values engagement.

Corporate social responsibility

Through proactive actions, DKSH employees ensured the uninterrupted delivery of crucial medical supplies to the local community despite the catastrophic floods in Thailand.

Throughout our history, being a good corporate citizen has been the foundation of our success. At DKSH, we do business in a way that is profitable while also taking care of and having a positive impact on society. As we are deeply rooted in our communities, we actively engage in a wide range of local initiatives. DKSH as a Group encourages and empowers its local entities to initiate their own as well as cooperate in regional or global initiatives that may be centered on infrastructure development, disaster recovery, environmental programs, education or philanthropic projects.

Along with growing our business, we develop infrastructures and promote economic development across Asia. A company with a long-term focus, we offer employment security and provide stability to local communities. With us, local talents in Asia receive training, and knowledge and opportunities to develop themselves within an international environment. Our capillary distribution network enhances the quality of life of millions of people as we distribute consumer goods and healthcare products to meet their daily needs.

In 2012, we continue to demonstrate this commitment to local communities through new and existing initiatives. These projects include the participation in "Caring Heart" volunteer work in Hong Kong, the donation of much-needed hospital equipment to the Yankin Children's Hospital in Myanmar, donating Moller's cod liver oil to help nourish children at the Ziluolan Migrant School in China, or supporting the Right to Play project and the Levi's Swap Jeans project in Thailand. The following examples further show how the passion of our employees grows stronger in times of need, and that addressing environmental concerns is of a high priority at DKSH.

Flood recovery in Thailand

Severe flooding occurred across much of Thailand during the monsoon season of 2011, persisting in some areas into 2012. The magnitude of the floods affected many aspects of the lives of thousands of people in areas we do business in. Everyone at DKSH showed great commitment in helping both the Thai people and our business partners resume their daily life and business through uninterrupted support with much needed goods and services during the disaster. Business Unit Healthcare equipped its delivery system with boats so that life-saving medical supplies could be delivered by water, and all our staff in the affected areas worked until the last minute to move critical stock and machinery to safety, even as the waters rose. DKSH's head office also shipped out 10,000 sandbags to Thailand to aid the recovery efforts.

The floods also affected 2,500 of our employees. In order to help those who lost everything in the disaster rebuild their homes, a global donation program was launched by DKSH Group and Diethelm Keller Holding, with each matching the employee's donations, for a total collection of THB 10 million.

DKSH supports Right to Play, a leading international humanitarian organization for children that utilizes sport and play to enable learning and social transformation.

Helping Japan's earthquake victims
In 2012, six orphaned high school students were selected in the second running year of the Fantree Scholarship program. The Fantree Scholarship was established in response to the East Japan Great Earthquake and Tsunami of March 2011 and is awarded to students orphaned by the disaster who need assistance to continue their education. Now supporting a total of 13 students, the fund was established with donations contributed by business partners and employees from around the world, with all donations matched by the DKSH Group.

Green driving
In 2012, DKSH converted 70 vehicles of its Healthcare delivery fleet in Thailand from diesel to natural gas. The conversion eliminates the use of 250,000 liters of diesel, resulting in an annual reduction of 590 tons of CO_2. The initiative was launched in 2011 and the goal is to convert the entire Bangkok fleet of 120 vehicles by 2015.

Giving the children the Right to Play
Since 2006, DKSH has been an avid supporter of the Right to Play program in Thailand, a leading international humanitarian and development organization that utilizes sport and play as tools to support learning and social transformation. Right to Play works closely with the Royal Thai Government to train volunteers and teachers in implementing lessons that teach important life skills to children and youth across the country. In 2011, DKSH also provided financial support for Right to Play Thailand to evacuate children displaced by the floods of 2011 in the Chon Buri Province.

DKSH's understanding of doing business responsibly in alignment with the strategy of sustainable, profitable growth includes effectively managing risk and having sound compliance in place.

Risk management and compliance

DKSH firmly believes in the value of ethical behavior and compliance with all international and local standards and regulations.

Risk management – keeping our business and people safe

Risk management at DKSH operates as a multi-layered discipline, aiming to protect our business and our employees. Risks are assessed, monitored and mitigated in a decentralized manner where they originate, either directly in the business or in the various functional streams, such as Finance, Supply Chain, IT, HR, Legal and Compliance or Communications.

Our centralized risk management function actively supports DKSH's strategy for sustainable, profitable growth by focusing on key strategic risks for the Group and its Business Units. These risks are periodically reviewed jointly with Group Management and reported to the Audit Committee of the Board. Additionally, risk management processes have been implemented at all our major country organizations, with a perspective on our local platforms that enables and supports the various businesses in a country.

Two massive natural disasters occurred in 2011 with Japan's earthquake, tsunami and nuclear disaster in March and extensive flooding in Thailand during the year's monsoon season. These events made us realize even more the importance of having adequate procedures and processes in place to deal with such disasters, and resulted in a number of additional specific risk mitigating activities in affected territories. In today's interconnected and interdependent world, disruptions in the supply chain represent enormous risks to business. From a corporate perspective, we are addressing these risks by establishing group-wide business continuity planning and crisis management. As the past years have shown, DKSH's business model has proven to be highly resilient even in the event of natural disaster due to our high diversification and diligent risk management.

Furthermore, DKSH continues to transfer risks by securing adequate insurance coverage. The Board's Audit Committee adopted in 2012 a new corporate policy on insurance. At the same time, main commercial insurance programs were reviewed and tailored. Today, either centrally managed or supervised insurance programs are in place to protect our asset base against significant losses and negative effects from business interruption.

Compliance – ensuring responsible behavior

Compliance is deeply embedded in DKSH's business. Just like risk management, compliance too operates as a multi-layered discipline. Due to the diversity of our business, compliance activities pertaining to specific operational business requirements are dealt with in a decentralized manner by specialist functions in the business, such as Regulatory Affairs in Business Unit Healthcare or REACH (EU's Registration, Evaluation, Authorization and Restrictions of Chemicals) in Business Unit Performance Materials.

Since 2008, DKSH has been operating a centralized compliance function. An updated Code of Conduct was released in 2010, which clearly set the standards of how we do business. An enhanced version released in 2012 includes a more comprehensive internal reporting process for events of non-compliance. We are firmly committed to lawful and ethical behavior and comply with laws, regulations and international standards.

Our business operates along a clear Business Unit structure which runs across country borders. For governance and compliance matters, however, responsibility rests with the local country management teams, as custodians for the execution of corporate policies and guidelines and to ensure compliance with local laws and regulations.

As the leading Market Expansion Services provider with a focus on Asia, some of our businesses are more exposed to the risks generally associated with being a service provider. Following a risk-based approach, we launched an enhanced anti-bribery and corruption policy in 2012, supported by global and local training programs. Corporate Affairs also worked with Business Units to prepare the rollout of a comprehensive policy pertaining to sales intermediaries.

Going forward, we will continue to adapt our risk management and compliance efforts to the needs and requirements of our stakeholders. We will also keep our strong commitment to local communities and foster our positive impact on society through several global and local initiatives.

Corporate governance

As 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 that was valid on December 31, 2012, and follows the Directive's structure. The Corporate Governance Report also contains the legally required disclosure of compensation and participation rights of the highest corporate level. The principles and rules of Corporate Governance as practiced by the Company are laid down in the Articles of Association, the Organizational Regulations 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 96 to 98) 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 regions:
- Thailand
- Greater China
- Malaysia/Singapore
- Others

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, 2012, the Company's market capitalization amounted to CHF 4,185 million (63,499,137 outstanding shares at CHF 65.90 per share).

DKSH Holdings (Malaysia) Berhad, of which the Company holds a 74% 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, 2012, DKSH Holdings (Malaysia) Berhad's market capitalization amounted to MYR 354,730,761 (157,658,076 ordinary shares at MYR 2.25 per share).

On December 31, 2012, of the total of the Company's share capital on the closing date:
- the free float consisted of 22,199,369 shares = 34.96% and
- treasury shares consisted of 778 shares = 0.00%

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

DKSH Holdings (Malaysia) Berhad shares are traded under the stock name"DKSH", the stock code is 5908 and ISIN is MYL5908OO008.

Significant Group companies

The principal subsidiaries of the Group are disclosed in Note 34 to the Consolidated Financial Statements (pages 127 to 128), including particulars as to the country, name of the company, location, share capital, and the Group's shareholding in percent.

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%, $33^{1/3}$%, 50% or $66^{2/3}$% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised. 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 disclosure made in connection with the Company's initial public offering (the Offering) on March 20, 2012 (first trading day) and notifications filed with the Company and SIX Swiss Exchange thereafter, the Company has the following principal shareholders:

Shareholders	% of voting rights*
Lock-up group consisting of the following shareholders [1]:	65.82**
DKH Holding AG and Diethelm Keller Holding AG, Mühlebachstrasse 20, 8008 Zurich, Switzerland (domicile: Zurich) [2]	
FFP Invest SAS, 75 avenue de la Grande Armée, 75116 Paris, France [3]	
Rainer-Marc Frey, 8807 Freienbach, Switzerland	
ALID Finanz AG, Büel 1953, 9052 Niederteufen, Switzerland	
Dareal Holding AG, c/o Unotec Holding AG, Zaunplatz 20, 8750 Glarus, Switzerland	
Hyos Invest Holding AG, Weinplatz 10, 8001 Zurich, Switzerland	
Desco von Schulthess Holding AG, Brandschenkestrasse 2, 8001 Zurich, Switzerland	
Pierre Mirabaud, 1297 Founex, Switzerland	
Group of shareholders consisting of the following shareholders [4]:	3.84
Capital Research and Management Company, 333 South Hope Street, Los Angeles, CA 90071 USA	
Capital Guardian Trust Company, 333 South Hope Street, 55th Floor, Los Angeles, CA, 90071-1406 USA	
Capital International Limited, 40 Grosvenor Place, London, SW1X 7GG UK	
Capital International Inc, 11100 Santa Monica Blvd, 15th Floor, Los Angeles, CA, 90025-3384 USA	
Capital International Sàrl, 3. place des Bergues, 1201 Geneva Switzerland	
Capital International K.K., Meiji Yasuda Life Building, 14th Floor, 2-I-1 Marunouchi Chi, Tokyo 100-0005 Japan	
Capital Group International, Inc, 11100 Santa Monica Blvd, 15th Floor, Los Angeles CA 90025-3384 USA	

* 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 noticiation is made.

** Reported in connection with the Offering and disclosed in the "Principal shareholders and Selling Shareholders" section of the offering circular dated 7 March 2012 (shareholdings after the Offering taking into account that the over-allotment option in connection with the intitial public offering was exercised in full).

1) These shareholders have entered into individual lock-up agreements with the managers in the Offering for a period of 18 months, effective as from the March 20, 2012 (the first trading day) and ending on 21 September 2013, with respect to any shares in the Company held by them at that time other than shares sold in the Offering. Immediately after the Offering, the aggregate number of shares held by such group was 41,299,380 shares, corresponding to 65.82% of the Company's share capital and voting rights. By virtue of the relevant lock-up agreements that they have entered into, these shareholders constitute an organised group whose members are acting in concert within the meaning of article 10 of the SESTO-FINMA.

2) By virtue of a shareholders' agreement dated 6 December 2011 (as amended) (relating to the registered shares in DKH Holding AG), 22 members of the families of Andreas W. Keller, Adrian T. Keller, Jean-Pierre Blancpain and Jean-Daniel de Schaller (collectively, the Family Pool) constitute an organized group within the meaning of art. 10 of the SESTO-FINMA with respect to the Family Pool's indirect shareholding in the Company. Decisions of the Family Pool, in particular decisions on the voting of the DKH Holding AG shares, are delegated to a certain Family Council, currently consisting of Andreas W. Keller, CH-8126 Zumikon, Adrian T. Keller, CH-8702 Zollikon, Jean-Pierre Blancpain, CH-7077 Valbella, and Jean-Daniel de Schaller, CH-8126 Zumikon. 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.

3) FFP Invest SAS is fully owned and controlled by FFP, 75 avenue de la Grande Armée, 75116 Paris, 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"), Le Rocher, 7 route de Beaulieu – 25700 Valentigney (France).

4) With notification dated March 21, 2012 the Company was informed that on 20 March 2012 Capital Group companies holdings' of shares in the Company exceeded the reporting threshold of 3% and amounted to 3.84% as at that day. Capital Group Companies Inc., 333 South Hope Street, 55th Floor, Los Angeles, CA, 90071-1406 USA is the holding company of the shareholders listed above. The shares in the Company held by the aforementioned Capital Group companies are owned by accounts under discretionary investment management.

1.3 Cross-shareholdings
As of December 31, 2012, 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, 2012, the ordinary share capital of the Company amounts to CHF 6,349,991.50 and is divided into 63,499,915 registered shares with a nominal value of CHF 0.10 each.

2.2 Authorized share capital and conditional capital
As of December 31, 2012, the Company has an authorized share capital and a conditional share capital as set out hereinafter:

Authorized share capital

As of December 31, 2012, the authorized share capital of the Company amounts to CHF 600,000 which may be utilized by the Board of Directors at any time until May 17, 2013 by issuing up to 6,000,000 fully paid registered shares with a nominal value of CHF 0.10 each.

The Board of Directors may exclude, limit or assign to a third party the shareholders' pre-emptive rights in case of: (i) the use of shares in connection with acquisitions of or investments in other companies, business or participations or the financing of such acquisitions or investments, (ii) the broadening of the investor base (e.g. to enable the participation of strategic investors) or in connection with the listing of the shares in domestic or foreign exchange markets or (iii) for the participation of employees.

The Board of Directors determines the issue price, the type of contribution, the date of issue, the conditions of the subscription rights as well as the date of the dividend entitlement.

Conditional share capital

As of December 31, 2012, the Company's share capital may be increased up to CHF 132,558.50 by issuing of up to 1,325,585 fully paid registered shares with a nominal value of CHF 0.10 each. 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
Information about changes in the capital during the years 2011 through 2012 is presented in Note 25 to the Consolidated Financial Statements (page 116). In 2010 the share capital of the Company increased by CHF 35,000 to CHF 6,047,920.

2.4 Shares and participation certificates
As of December 31, 2012, the Company has issued 63,499,915 fully paid registered shares with a nominal value of CHF 0.10 each. Each share carries one vote (subject to the relevant shareholder being registered in the share register as a shareholder with voting rights).

As of December 31, 2012, 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, 2012, 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 2012.

The shares of the Company are issued as uncertified 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 depositary institution following an assignment by the selling shareholder and notification of such assignment to the Company by the bank or depositary 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 only be transferred with the assistance of the bank that administers the book entries of such shares for the account of the transferring shareholder.

Further, shares may only be pledged 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 in the Company's share register as a shareholder with voting rights upon request. 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.

Fiduciaries/nominees may be entered as a shareholder 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 disclosed 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 cancel the entry in the share register of a shareholder or fiduciary/nominee with voting rights, upon a hearing of such shareholder or fiduciary/nominee, if the entry in the share register is based on false 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.

2.7 Convertible bonds and options

As of December 31, 2012, 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, Group Management 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 at December, 31, 2012:

Name	Function	Committee Membership	Director since	Term expires
Adrian T. Keller	Chairman	• Strategy Committee	2002	2014
Rainer-Marc Frey	Member	• Audit Committee • Strategy Committee	2008	2013
Dr. Frank Ch. Gulich	Member	• Nomination and Compensation Committee	2009	2015
Andreas W. Keller	Member	• Nomination and Compensation Committee (Chairman)	2002	2014
Robert Peugeot	Member	• Nomination and Compensation Committee	2008	2013
Dr. Theo Siegert	Member	• Strategy Committee (Chairman) • Audit Committee	2006	2015
Dr. Christoph Tanner	Member	• Audit Committee (Chairman)	2011	2014
Dr. Joerg Wolle	Member/President & CEO	• Strategy Committee	2002	2015

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

Adrian T. Keller, Chairman
(1951, Swiss)

Adrian T. Keller has been a Member of the Board of Directors since 2002 and is currently a Member of the Strategy Committee. In 2004, he was elected Chairman of the Board of Directors. Since 2000, he has been Vice Chairman of Diethelm Keller Holding Ltd., the major shareholder of DKSH. Beginning in 1991, he was a Board Member and from 1995 on Vice Chairman of Eduard Keller Holding which merged in 2000 to form Diethelm Keller Holding Ltd., Zurich. From 1990 to 1995, he was a Partner at Global Reach, New York, a private equity and investment banking firm. Between 1983 and 1990, he was a Partner at Hoguet, Keller, Wittmann & Co., New York, a NASD registered investment advisor for mergers and acquisitions and brokerage services. Mr. Keller has been serving as a Member of the Board of Directors of Berenberg Bank (Schweiz) AG since 2006. He studied economics at the University of St. Gallen in Switzerland, and graduated with an MBA (lic. oec. HSG) in 1976.

Rainer-Marc Frey
(1963, Swiss)

Rainer-Marc Frey has been a Member of the Board of Directors since 2008 and is currently a member of the Audit Committee and the Strategy Committee. He is the Founder and Chairman of the investment management company Horizon21 AG, established in 2005. In 1992, he created one of Europe's first hedge fund groups, RMF Investment Group, becoming its CEO. Between 1989 and 1992, he was a Director at Salomon Brothers Inc. based in Zurich, Frankfurt, and London. Mr. Frey began his career at Merrill Lynch Inc. in 1987 working in equity, fixed income, and swaps markets. He has been a Member of the Board of Directors of UBS AG since October 2008, he has been a member of the Risk Committee since then and of the Human Resources and Compensation Committee since 2012. Mr. Frey holds a degree in economics (lic. oec. HSG) from the University of St. Gallen, Switzerland.

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. Since 2003, he has been CEO of the holdings of the Stephan Schmidheiny family. Between 2000 and 2002, he was CEO of the Mueller-Moehl Group and Member of the Board of Ascom AG, COS AG and Siber-Hegner, a predecessor company of DKSH. Dr. Gulich worked for the Stephan Schmidheiny family in various positions from 1993 onwards. Between 1988 and 1991, he was a management consultant at Management Partners GmbH in Stuttgart/Germany. Dr. Gulich is currently a Board Member of Grupo Nueva, the main shareholder of Masisa, a leading wood board producer in Latin America and Ernst Göhner Stiftung Beteiligungen AG, an investment company based in Switzerland. 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.

Andreas W. Keller
(1945, Swiss)

Adreas W. Keller has been a Member of the Board of Directors since 2002 and currently chairs the Nomination and Compensation Committee. Since 2000, he has been Chairman of the Board of Directors and the Executive Committee of Diethelm Keller Holding Ltd., Zurich, the major shareholder of DKSH. Prior to the merger of Diethelm & Co. and Edward Keller Ltd. in 2000, he presided the Boards of Directors of both these companies. From 1985 to 1993 he was a 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. He studied law at the University of Zurich (lic. iur.), Switzerland and graduated from the Program for Management Development (PMD) at Harvard Business School, USA.

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. He has been Chairman and CEO of Société Foncière, Financière et de Participations (FFP) since 2002. He has held various senior positions at PSA Peugeot Citroën (officially Peugeot SA) 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 a Member of the Supervisory Boards of Peugeot SA, Hermès International SA, IDI Emerging Markets and Zodiac Aerospace, and a Member of the Board of Directors of Faurecia, Sanef, Imerys SA, Holding Reinier, Etablissements Peugeot Frères and Sofina SA. From 2004 to 2011, he used to be a Member of the Board of Directors of Fomentos de Construcciones y Contratas SA (FCC). He studied at the Ecole 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 and Chair of the Strategy Committee since March 2012. 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 is a Member of the Supervisory Board of E.ON AG and serves as a Chairman of its Audit Committee. 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. He holds a PhD in economics from the University of Munich, Germany, where he is a 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. Since 2006, he has been the CFO and a Member of the Board of Directors of Cosmo Pharmaceuticals, Lainate, Italy. From 1998 to 2002, he was with A&A Investment Management, was a 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 AGs corporate finance and capital markets activities in Zurich from 1992 to 1998. He is a Member of the Board of Directors of Private Equity Holding AG, Joimax GmbH (a startup in minimally invasive endoscopic back surgery products) and Qvanteq AG, (a startup in the development of bioactive stents). He holds a degree in economics (lic. oec. HSG) and a doctorate in economics from the University of St. Gallen, Switzerland.

Dr. Joerg Wolle, President & CEO
(1957, Swiss and German)

Dr. Joerg Wolle was appointed President & CEO of DKSH in June 2002, following the merger of Diethelm Keller Services Asia and SiberHegner Holding Ltd. to form DKSH. He is currently member of the Strategy Committee. 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 onwards, where he joined SiberHegner in Hong Kong as Sales Director. From 1988 until 1990 he worked as Manager International Projects for SKF group. Dr. Wolle obtained his PhD in Engineering in 1987 from the University of Technology Chemnitz, Germany, and is an honorary professor of intercultural communication at the University of Applied Sciences, Zwickau, Germany. Dr. Wolle is a member of the board of directors of Diethelm Keller Holding Ltd. and Kuehne + Nagel International AG. He is a member of the Management Board of the German Asia-Pacific Business Association (OAV). From 2006 until 2009, he served on the Board of Directors of UBS AG, Switzerland.

Information about managerial positions and significant business connections of non-executive directors
Other than Dr. Joerg Wolle, 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.

Adrian T. Keller (the Chairman) 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.

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, which are material, are stated in each of the directors' biographies, which can be found in section 3.1 (Board of Directors) above.

3.3 Elections and terms of office
Pursuant to article 16 of the Articles of Association, all members of the Board of Directors are elected for a term of three years. 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 whenever the relevant term expires. In accordance with good corporate governance, each member of the Board of Directors is (re-)elected individually. The year of the initial election and the 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.

3.4 Internal organization
Allocation of responsibilities within the Board of Directors
In accordance with the Swiss Code of Obligations and the Articles of Association, the Board of Directors constitutes itself and has enacted organizational regulations (**Organization Regulations**). The Board of Directors has established an Audit Committee, a Nomination and Compensation Committee and a Strategy Committee (collectively the **Board Committees**). The Board of Directors elects from amongst its members a chairman (the Chairman), may elect up to two vice-chairmen and elects the members of the Board Committees. The Board of Directors also appoints its secretary 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 is determined by the Articles of Association and the Organizational Regulations. The Organizational Regulations and other 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.

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 which must be non-executive and independent. Its current members are Dr. Hans Christoph Tanner (Chairman), Rainer-Marc Frey and Dr. Theo Siegert. 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 to examine whether the recommendations issued by the auditors have been implemented by the Group Management;
(iii) reviewing the auditors' reports, discussing their contents with the auditors and with the Group Management; 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 concept 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 President & CEO and 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 auditor; 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 holds at least four meetings annually. The Chairman of the Board of Directors takes part in the meetings as an advisor. Unless otherwise determined by the Audit Committee, the CFO, the Head Corporate Affairs and the lead auditor take part in all meetings, whilst the head of internal audit is invited as an advisor whenever needed. In 2012, the lead auditor attended four 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 taken 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 two members of the Board of Directors, of which the majority must be non-executive and independent. Its current members are Andreas W. Keller (Chairman), Dr. Frank Ch. Gulich and Robert Peugeot. The Nomination and Compensation Committee has the following powers and duties in relation to its nomination responsibility:

(i) assuring a long-term planning of appropriate appointments to the position of the President & CEO, the Board of Directors and Group Management;
(ii) nominating candidates to fill vacancies on the Board of Directors as well as for the position of the President & CEO and the CFO and other members of Group Management;
(iii) making recommendations on the composition and balance of the Board of Directors; and
(iv) consulting with the President & CEO in carrying out the powers and duties of the Nomination and Compensation Committee.

Furthermore, the Nomination and Compensation Committee has the following powers and duties in relation to its compensation responsibility:

(i) reviewing and assessing, on a regular basis, the remuneration system of the Company and the Group (including the management incentive plans) and to make proposals in connection thereto to the Board of Directors;
(ii) recommending the terms of employment, in particular the remuneration package of the Chairman and the President & CEO and to make proposals in relation to the remuneration of the members of the Board of Directors;
(iii) recommending, upon proposal of the President & CEO, the terms of employment, in particular the remuneration package, of the members of Group Management reporting directly to the President & CEO as well as to review matters related to the compensation of other top managers, as well as the general employee compensation, benefit policies and human resource practices of the Company; and
(iv) making recommendations on the grant of options or other securities under any management incentive plan of the Company.

On invitation of the chairman, the Nomination and Compensation Committee convenes as often as business requires. The Board of Directors is informed by the chairman of the Nomination and Compensation Committee about all items discussed, in particular, about all decisions taken 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

The Strategy Committee consists of at least two members of the Board of Directors and the Chairman and the President & CEO. Its current members are Adrian T. Keller, Dr. Joerg Wolle, Dr. Theo Siegert (Chairman) and Rainer-Marc Frey. The Strategy Committee has the following powers and duties:

(i) to review the Group strategy for approval by the Board of Directors;
(ii) to assist the Board of Directors in fulfilling its duties by providing independent and objective review and advice to the Board of Directors and President & CEO (as appropriate) with respect to the development and implementation of the Group strategy; and
(iii) to assist the Board of Directors in connection with the management of transactions or other special projects of importance to the Company or the Group.

The Board of Directors may entrust the Strategy Committee with additional duties in strategic or business development matters.

On invitation of the chairman, the Strategy Committee convenes as often as business requires, but typically two to four times a year. The Board of Directors has the discretion to invite Members of the Group Management to attend these meetings. The Board of Directors is informed by a member of the Strategy Committee about all items discussed, in particular, about all decisions within the powers and duties as described above. For an overview of the number of Strategy 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.

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 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 to organize and prepare the board meetings (including the preparation of the agenda), to chair the board meetings, to ensure the flow of information within the Board of Directors and the Group and to coordinate with the President & 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 telephone-conference 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 President & 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 average meeting time in 2012:

Attendance per Board meeting through 2012

	February 10, 2012 13:30–17:30	March 7, 2012 14:30–17:15	May 9, 2012 09:00–12:00	August 2, 2012 14:00–14:30 Conference call	September 4, 2012 14:00–16:30	December 3, 2012 14:00–17:30
Adrian T. Keller (Chair)	•	•	•	•	•	
Rainer-Marc Frey	•			•	•	•
Dr. Frank Ch. Gulich	•	•		•	•	•
Andreas W. Keller	•	•		•	•	•
Robert Peugeot	•	•	•	•	•	•
Dr. Theo Siegert	•	•	•	•	•	•
Dr. Christoph Tanner	•	•	•	•	•	•
Dr. Joerg Wolle[1)]	•	•	•	•	•	•

[1)] Chair at Board of Directors Meeting on December 3, 2012

Attendance per Audit Committee meeting through 2012

	February 10, 2012 10:00–12:30	August 2, 2012 13:00–14:00 Conference call	September 4, 2012 10:00–13:30	December 3, 2012 10:00–12:30
Dr. Christoph Tanner	•	•	•	•
Rainer-Marc Frey	•	•	•	•
Dr. Theo Siegert	•	•	•	•

Attendance per Strategy Committee meeting through 2012

	January 9, 2012 10:30–12:30 Conference call	February 8, 2012 16:30–20:00 Conference call	May 9, 2012 13:00–15:00	September 19, 2012 09:00–10:30 Conference call	November 5, 2012 16:30–18:30
Dr. Joerg Wolle (Chair up to March 19)	•	•	•	•	•
Rainer-Marc Frey	•	•		•	•
Adrian T. Keller	•	•	•	•	•
Dr. Theo Siegert (Chair since March 20)	•	•	•	•	•

Attendance per Nomination and Compensation Committee meeting through 2012

	February 10, 2012 12:00–13:00	October 22, 2012 14:30–16:00 Conference call
Andreas W. Keller (Chair)	•	•
Dr. Frank Ch. Gulich	•	•
Robert Peugeot	•	•

3.5 Board of Directors and Group Management: 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 on all matters that are not reserved or delegated to another body of the Company. In accordance with the Articles of Association and the Organizational Regulations, the Board of Directors has delegated the conduct of the Company's business to the Group Management under the leadership of the President & CEO.

The Board of Directors' non-transferable and irrevocable duties include:

(i) the ultimate direction of the Company and the power to issue the necessary directives in this regard;

(ii) the determination of the organization of the Company and the Group;

(iii) the administration of the accounting system, the financial control as well as the financial planning;

(iv) the appointment and removal of the persons entrusted with the management and representation of the Company, as well as the determination of their signatory power;

(v) the ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with the law, the Articles of Association, regulations and directives;

(vi) the preparation of the annual report and of annual general meetings, including the implementation of the their resolutions;
(vii) notification to the court in case of over-indebtedness; and
(viii) the passing of resolutions confirming share capital increases and the respective amendments to the Articles of Assocation.

The Group Management, under the leadership of the President & CEO, is entrusted with all other powers and duties, including the preparation and implementation of the resolutions of the Board of Directors and the management of the Company and the Group.

The President & CEO is leading the Group Management and has, inter alia, the following powers and duties with the right to delegate the performance and implementation of such President & 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 Group Management and the preparation, calling and presiding of the meetings of the Group Management – 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 for the approval of transactions to be resolved by it;
(vii) the proposal to the Nomination and Compensation Committee of the appointment and dismissal of members of the Group Management;
(viii) the appointment and removal of the top managers other than members of the Group Management;
(ix) the implementation of the limits of authority and determination/implementation of amendments thereto, to the extent such amendments relate to functions directly or indirectly subordinated to the President & CEO, any material amendments to be subsequently approved by the Board of Directors.

3.6 Information and control instruments vis-à-vis Group Management

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 Group Management and controls and monitors Group Management's and the Group's performance through reporting and controlling processes and the Board Committees. The fact that the President & CEO is also a member of the Board of Directors supports a regular flow of information between the Board of Directors and the Group Management. In addition, by way of various means it ensures a sufficient information flow with a view to taking its decisions.

The Board of Directors receives a monthly financial report generated by the Company's management information system. The report is comprised of consolidated financial information and includes an income statement, balance sheet, and cash flow statement, including a comparison of each to budgeted and prior year figures, management performance comments by Business Units and communication of key issues. Members of the Group Management may attend meetings of the Board of Directors, if required, and the CFO and the Head Corporate Affairs 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 originate, i.e. directly in the business or in the various functional streams, such as Finance, Supply Chain, IT, HR, Legal and Compliance. A centralized risk management function actively supports the Audit Committee focusing on key strategic risks for the Group and its Business Units. These risks are periodically reviewed jointly with Group Management 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 our local platforms which 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.

Internal Audit, the auditors, and the 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 Commitee and is comprised of auditors who travel on Pan-Asian and -European basis, completing audit assignments developed and assigned by the Audit Committee. Internal audit presents update reports in each Audit Committee Meeting. The compliance function reports to the Head Corporate Affairs and is comprised of compliance professionals who develop compliance policies, monitor reports regarding compliance matters and conduct investigations into compliance matters.

4. Group Management

4.1 Members of Group Management

The following table provides an overview of the Company's Group Management as at December 31, 2012:

Name	Function	With the Company since
Dr. Joerg Wolle	President & Chief Executive Officer	1991
Bernhard Schmitt	Chief Financial Officer	2004
Dr. Adrian Eberle	Head Business Unit Technology	2008
Martina Ludescher	Head Corporate Development	2003
Somboon Prasitjutrakul	Head Business Unit Consumer Goods	1993
Mario Preissler	Head Business Unit Performance Materials	2010
Marcel W. Schmid	Head Corporate Affairs	2009
Charles Toomey	Head Business Unit Healthcare	2002
Gonpo Tsering	Head Operations Support	2000

The following are summarized biographies of each of the members of Group Management:

Dr. Joerg Wolle, President & CEO
(1957, Swiss and German)

(For biography see members of the Board of Directors)

Bernhard Schmitt
(1959, German)

Bernhard Schmitt has been the Group Chief Financial Officer ("CFO") since April 2011, responsible for Global Accounting & Financial Reporting, Treasury, Controlling and Tax. He has been a Member of Group Management 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, a German chemical and silicon company, over a period of 19 years, including Head of Controlling since 2004, Vice President and Member of Board of Directors from 2002 till 2004, and Head of Accounting, Controlling, and Financing for Wacker Siltronic AG from 1996 till 2002. He graduated from the University of Mannheim, Germany, with an MBA equivalent.

Dr. Adrian Eberle
(1972, Swiss)

Dr. Adrian Eberle has been a Member of Group Management and Head Business Unit Technology since 2010. He joined DKSH in 2008 as President of Country Operations and Head of DKSH's Business Unit Technology in Taiwan. From 2004, he was appointed Vice President of building industry market leader Hilti (Switzerland) AG, where he was in charge of marketing and communication. Between 2001 and 2004, he was Project Manager in the Boston Consulting Group. In 1998, he joined the privately held Swiss aviation and aerospace company SR Technics as Purchasing Manager. Dr. Eberle holds an engineering degree from the ETH in Zurich, Switzerland, and a PhD in business administration from the University of St. Gallen, Switzerland.

Martina Ludescher
(1977, Swiss)

Martina Ludescher was appointed Head Corporate Development in April 2011, responsible for Human Resources, Strategy, Investor Relations, Corporate Communications, Branding and Internal Consulting. As Vice President of Strategy & Corporate Communications from 2007, she headed a comprehensive strategy review of DKSH's Corporate and Business Unit strategies in 2009 and built up the Corporate Communications function completing the global re-branding and strategic repositioning of the DKSH corporate brand. Prior to joining DKSH in 2003 as Assistant to the CEO, Ms. Ludescher was a Financial Auditor at Credit Suisse First Boston in Zurich. She holds an MBA from the University of St. Gallen, Switzerland.

Somboon Prasitjutrakul
(1958, Thai)

Somboon Prasitjutrakul has been Head Business Unit Consumer Goods since 2008. He joined DKSH Thailand in 1993 in the Consumer Products Division. In 2005, he became Executive Vice President responsible for all fast moving consumer goods activities of the Business Unit Consumer Goods in Thailand, Cambodia, Laos, Myanmar and Vietnam. Between 1982 and 1993, he held various positions in Cargill, Bristol-Myers and Ciba-Geigy. He is also a Director of the Advisory Board for the Bachelor of Management of the Institute of Social Technology, Suranaree University of Technology in Nakhon Ratchasima, Thailand. Mr. Prasitjutrakul holds a Bachelor of Science in marketing from San Jose State University, USA and a Master in Management from the Sasin Graduate Institute at Chulalongkorn University, Thailand. He also completed the Stanford Executive Program at Stanford University, USA, in 2001.

Mario Preissler
(1964, German)

Mario Preissler has been Head Business Unit Performance Materials since he joined DKSH in 2010. Between 1997 and 2010, he worked for the Clariant Group. He was appointed in 2003 Head of Global Business Unit Industrial & Consumer Care for Clariant International Ltd., based in Muttenz, Switzerland, where he set up a new manufacturing site in China and expanded the Asian sales organization, focusing on China and Japan. From 1997 to 2003, he was Head of Business Lines Personal Care and Crop Protection, and transformed these lines from European into global businesses. Prior to this, he held management positions at Hoechst AG in Germany, England and Latin America. Mr. Preissler holds a degree in business administration from the University of Nuremberg, Germany.

Marcel W. Schmid
(1965, Swiss)

Marcel W. Schmid has joined DKSH in 2009. In his position as Head Corporate Affairs, Mr. Schmid is responsible for Corporate Legal, Governance, Risk & Compliance as well as Country Organizations. From 2005 to 2007, he was a Member of the Executive Board of the St. Galler Kantonalbank Group where he was Head of Private Banking. He also served as a Member of the Board of Directors of Swisscanto. Between 1996 and 2005 he worked for UBS' Investment Banking Department where he became a Managing Director in 2003. Previously he was four years with Ernst & Young in its M&A unit. He holds an MBA from IMD in Lausanne, Switzerland and a Bachelor's degree from the University of Applied Sciences, Zurich, Switzerland.

Charles Toomey
(1962, British)

Charles Toomey became a Member of Group Management in April 2011. He has been Head Business Unit Healthcare since 2007, having previously led DKSH's healthcare operations in Singapore, Thailand, and Greater China. Prior to joining DKSH in Singapore as General Manager in 2002, Mr. Toomey held sales and marketing, and other management positions with Eli Lilly in the UK, Malaysia, and Singapore, and served as commissioned officer in the UK Royal Marines. He has a Bachelor degree from University College Wales in international politics and an MBA from the University of Warwick, UK.

Gonpo Tsering
(1956, Swiss)

Gonpo Tsering has been a Member of Group Management since DKSH was formed in 2002. In his function as Head Operations Support, Mr. Tsering is responsible for IT, Special Projects and Merger & Acquisition Transactions. Prior to his current appointment, he was CFO of Siber-Hegner Holding Ltd., Finance Director of Global Duty Free Business at Rothmans of Pall Mall, Switzerland, Group Finance Director of Diethelm Holdings, Malaysia and Regional Planning & Control Manager of Ciba-Geigy, Kenya. He is a Member of the Board of Directors of Orell Fuessli Holding AG. He graduated from the University of St. Gallen, Switzerland (lic. oec. HSG) in business administration and subsequently obtained an MBA from IMD in Lausanne, Switzerland.

Recent changes

As announced in November 2012, effective February 1, 2013, Bruno Sidler assumed the newly created function of Chief Operating Officer. In this key central role, the experienced business services and logistics specialist will support the ongoing successful implementation of the strategy for sustainable profitable growth.

In the following is a summarized biography:

Bruno Sidler
(1957, Swiss)

Bruno Sidler assumed the newly created function of Chief Operating Officer in DKSH on February 1, 2013. Prior to this, Mr. Sidler spent six years with CEVA Logistics, Zurich/Amsterdam, as Member of the Executive Board, responsible for the EMEA and Northern European Business from 2007 until 2010, when he was appointed Chief Operating Officer. Between 1980 and 2006, he held various management positions with the Panalpina Group in Africa, Asia, and Switzerland. In 1998, he was appointed CEO of the Panalpina Group headquartered in Basel. Mr. Sidler holds a commercial education from KV Zurich Business School with a specialization in freight forwarding. He also participated in various management courses at the International Institute for Management Development (IMD) Lausanne, Switzerland.

4.2 Other activities and functions

Any activities of members of the Group Management 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, which are material, are stated in each of the managers' biographies, which can be found in section 4.1 (Members of Group Management) above.

4.3 Management contracts

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

5. Compensation and shareholdings

Nomination and Compensation Committee Chairman's Letter

Dear Shareholders,

We are convinced that successfully implementing our strategy for sustainable profitable growth with a focus on Asia can only be achieved with the right people. In order to ensure DKSH's success in a highly competitive global business environment, it is critical to attract, develop and retain the talented professionals that we need to further build on our expertise and strengthen our market leadership position. We believe in rewarding our employees for performing in a way that creates sustainable value for DKSH and its shareholders.

An accordingly structured compensation is of key strategic importance for DKSH. In preparation of the Initial Public Offering (IPO), the Nomination and Compensation Committee dedicated significant efforts shaping and defining our global compensation framework and controls.

Our global compensation framework aims at providing appropriate rewards in a competitive, fast growth environment and to support the development of a high performance culture. We do so by offering compensation which reflects a balanced mix of fixed and variable elements. In particular, there are two main components of the variable compensation. The annual variable pay component rewards the profitability and net operating capital management achievements in a given year. The Long-Term Incentive Plan "LTIP" secures an alignment with shareholders' interest.

In 2011, the Company revised the LTIP. The purpose of the LTIP is to provide members of the Group Management the opportunity to become shareholders of the Company and to participate in the future long-term success of DKSH.

As a part of 2011 compensation, envisaging the IPO and to ensure continuity, the Group established the IPO Execution and Retention Award "IPO ERA". The IPO ERA is a one-time, three-year performance share grant to retain and reward individuals critical for the IPO process and transition to a public Company. Substantial shareholder participation through the IPO ERA ensures that we incentivized both a successful IPO as well as long-term sustainable, profitable growth thereafter.

We continually review our compensation principles to ensure that they meet our key goal of aligning employee and shareholder interests. We are convinced that the approach we have adopted is sound and that it will serve us well as we position ourselves for the future.

Zurich, March 8, 2013

Andreas W. Keller
Chairman of the Nomination
and Compensation Committee,
Member of the Board of Directors

Remuneration report

The following section of the Annual Report covers the remuneration policy for the Board of Directors, the President & CEO and Group Management as well as the process for determining compensation. Key to the content and scope of this disclosure are Articles 663b^{bis} and 663c of the Swiss Code of Obligations and the Directive Corporate Governance of the SIX Exchange Regulation.

For details regarding the compensation, shareholdings and loans of the members of the Board of Directors and the Group Management during the last fiscal year, see Note 7 of the Financial Statements of the Company (page136).

Compensation governance – responsibilities and authorities of the Nomination and Compensation Committee

The Nomination and Compensation Committee reviews and assesses the remuneration system of the Company on a regular basis, including the Group Management incentive plans and makes proposals to the Board of Directors. For details of the Nomination and Compensation Committee's composition, responsibilities and functioning, see section 3.4 (Internal organization) above.

In addition, the Nomination and Compensation Committee recommends the terms of employment and overall remuneration packages for the Chairman and the President & CEO and the remuneration for the members of the Board of Directors including the Chairman. Upon proposal of the President & CEO, the Nomination and Compensation Committee recommends the terms of employment and remuneration packages for the other members of Group Management and reviews matters related to the compensation of other senior managers.

Compensation is determined once per year, following the performance management cycle. At year-end, the President & CEO provides his overall performance assessment of each member of the Group Management to the Nomination and Compensation Committee for review. The Nomination and Compensation Committee assesses the performance of the President & CEO. The Nomination and Compensation Committee determines the achievement levels of the previous year and proposes the related variable pay for the President & CEO and other members of Group Management and submits its findings to the Board of Directors for approval. As a general rule, the President & CEO attends the relevant meetings of the Board of Directors in an advisory capacity, insofar as he is not himself affected by the items on the agenda.

In discharging its responsibilities, the Nomination and Compensation Committee has unrestricted access to the Company's books and records and may consult with outside advisors. For the year under review, the Nomination and Compensation Committee appointed Hostettler, Kramarsch & Partner, Zurich ("hkp") as external advisor on compensation related matters and benchmark guidance.

At the occasion of Board meetings the Nomination and Compensation Committee regularly reports to the Board on the NCC's findings in the meantime, if any, and proposes appropriate actions. The Nomination and Compensation Committee meets as often as necessary, and at the request of any of its members. For further details on the number of meetings and the functioning of the NCC, see section 3.4 (Internal organization).

Compensation governance

	Compensation recommendations developed by	Approved by	Communicated by
Chairman of the Board	Chairman of the NCC	Board	Chairman of the NCC
Independent Board Member	Chairman of the Board and NCC	Board	Chairman of the Board
President & CEO	Chairman of the Board and NCC	Board	Chairman of the Board
Members of Group Management	NCC and President & CEO	Board	President & CEO

DKSH's compensation philosophy and principles

In order to ensure DKSH's success in a highly competitive global business environment with focus on Asia, it is critical to attract, develop and retain internationally oriented, successful and engaged employees. Our 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 remuneration is to strengthen the Group's leading industry position for the benefit of our business partners and clients while delivering the expected returns to our shareholders.

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 these relevant companies, however with a stronger weight on 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 to link compensation to performance and to reward those who contribute most to the operating performance and earning power of the Group.

Compensation components for members of Group Management

Compensation consists of a fixed element (annual fixed salary and employee benefits) and a variable element (annual variable pay and, for those eligible, a long-term incentive). Depending on their role, management is eligible for the following compensation elements:

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

Annual fixed salary

Fixed base salaries are established by evaluating the scope of the function within the context of the relevant market, and the responsibilities and skills required to perform the role successfully. In general, annual fixed salaries are the results of the annual internal performance reviews.

Annual variable pay

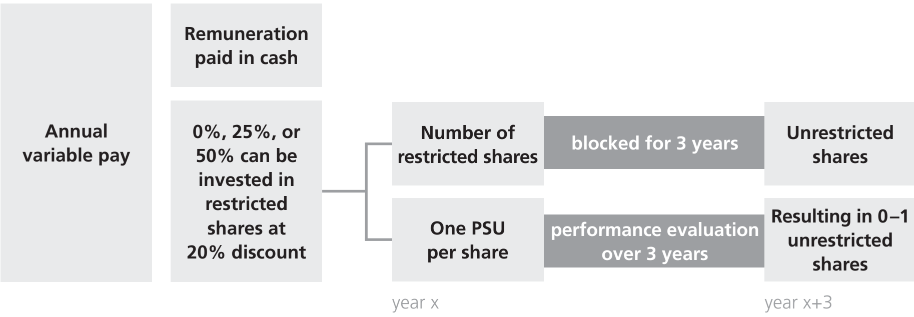
For the President & CEO as well as for members of Group Management, the annual variable pay is directly linked to the achievement of actual financial results. Financial KPIs are set on Group and BU levels for EBIT (Earnings Before Interest and Taxes), RONOC (Return On Net Operating Capital, 12 months average) and PAT (profit after tax). The Annual Variable Pay is derived from these KPIs, following a pre-defined formula which is reviewed every three years by the Nomination and Compensation Committee and approved by the Board of Directors. The weightings of the KPI's that define the variable compensation for members of the Group Management are set for each member of the Group Management individually. While the Business Unit managers are mainly incentivized on BU EBIT, BU RONOC and Group PAT, the KPIs for all other members of Group Management are mainly geared toward Group PAT and Group RONOC. In the fiscal year 2012, variable pay for individual members of Group Management ranged from 28 to 72% of total compensation (fixed salary and variable pay). On average, variable pay in 2012 for all members of the Group Management is 54% of total compensation. This entrepreneurial approach ensures the alignment of the interests of the President & CEO and Group Management members to create sustainable value for the Company, its business partners and shareholders.

KPIs for annual variable pay

Management level	Group KPIs	BU, regional, local, functional KPIs
President & CEO	Group PAT Group RONOC	no
Members of Group Management	Group PAT Group RONOC	BU EBIT BU RONOC

Long-term incentive plan

Members of Group Management only



Long-term incentive

The aim of long-term remuneration is to align the interests of members of the Group Management with those of the Company's shareholders by linking compensation with Group performance targets over a longer period; hence fostering and supporting a long-term high performance culture with focus on sustainable value creation for our business partners and shareholders. This reflects the Company's commitment to sustainably establish the Group as the No. 1 in Market Expansion Services with a focus on Asia.

The Group has one performance-based long-term plan in place that has been developed by the Nomination and Compensation Committee and approved by the Board: the LTIP, which has a three-year performance period.

Long-term incentive plan (LTIP)

The purpose of the LTIP is to provide and/or retain members of the Group Management, excluding the President & CEO, the opportunity to become shareholders of the Company and thereby participate in the future long-term success of DKSH. The LTIP is composed of "Restricted Shares" and "Performance Shares":

(i) Restricted Shares
The LTIP provides the members of Group Management with the possibility to receive up to 50% of their annual variable pay in Restricted Shares with a three-year blocking period. On an annual basis, members of Group Management can decide upon a percentage of their annual variable pay to be paid in Restricted Shares of the Company. They are entitled to receive the Restricted Shares at a discount of 20%. The alternative percentages of their awarded variable pay amount are either 0%, 25% or 50%. These Restricted Shares are fully owned by the participant, but blocked for three years.

(ii) Performance Shares
As part of the 2012 share purchase, for each Restricted Share, the member of Group Management is entitled to receive one Performance Share Unit (PSU). At vesting date (three years after grant of the Restricted Shares), the Board of Directors determines the vesting multiple for the PSUs (within the range of between 0x and 1x) based upon the achieved Group performance within the last three years. Target performance is to result in 0.5x PSU vesting multiple.

Holding a dual role, as a member of the Board of Directors and being delegated to manage the Company as CEO, the President & CEO has substantial shareholdings in DKSH but is not eligible for the LTIP.

The following chart provides an overview of the Annual Variable Pay and its split into remuneration paid in cash and the possibility to acquire Restricted Shares.

Compensation structure

	Chairman of the Board	Board of Directors	President & CEO	Group Management
Annual fixed salary			•	•
Annual variable pay			•	•
Long-term incentive plan				•
Fixed base fee (cash)	•	•	•	
Committee fee (cash)		•		

Other employee benefits

Other employee benefits are country-specific and are 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.

Certain members of Group Management, including the President & CEO, have employment agreements with terms exceeding 12 months (for more details, see section 7.2 "Clauses on changes of control" below).

Group Management members (including the President & CEO), except for three 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. Of the remaining three, two of the Group Management members are covered under an expatriate off-shore pension plan, while one is covered under a local scheme.

The monetary value of these other employee benefits are presented at fair value (at grant date) and disclosed in Note 7 to the Financial Statement of the Company on page 136.

Compensation of the members of the Board of Directors

Until February 2012, members of the Board received up to 50% of their total compensation (salary, base fees and committee retainers) in Restricted Shares. The Restricted Shares are fully vested shares, whereas these shares cannot be sold, donated, pledged or transferred in any other way for a period of three years after their respective grant.

In preparation of the initial public offering (IPO), the design of the compensation of the members of the Board of Directors was adjusted to reflect market practice; as from March 2012, members of the Board of Directors including the President & CEO are entitled to a fixed base fee for their services paid in cash. The restricted share plan was terminated.

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

The IPO execution and retention award

The IPO execution and retention award was an incentive instrument in the context of the IPO (for a performance period of 3 years) which was granted at the beginning of 2011. Under this plan the participants, consisting of the Group Management members and certain selected key managers, received performance share units. These performance share units were transferred into shares upon completion of the Offering.

The final number of shares is determined by two equally weighted performance measures, DKSH's EBIT and the share price, thus providing an incentive for the participants to contribute to the long-term development of the DKSH's EBIT and the share price. The final vesting multiple can range from 0.0x up to a maximum of 2.0x the number of initial performance share units granted. The award vests in three equal installments: the first vested at the date of the Offering; the second one vests a year after the first trading day of the shares; the last portion will vest two years after the first trading day of the shares. Vesting of each installment is also subject to continued employment. The shares that were vested at the first installment were also subject to a 180 days lock-up period. The number of shares that were vested at the first installment have been calculated on the basis of DKSH's EBIT for the financial year ended 31 December 2011 and the share price at the close of the first trading day. The number of shares that will be vested at the second and third installment will be based on DKSH's EBIT for the financial years ended 31 December 2012 and 2013, respectively, and the 20 day average closing price at which the shares are traded on the SIX Swiss Exchange prior to the subsequent second and third installment dates.

6. Shareholders' participation rights

6.1 Voting right restrictions and representation

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 2012, provided, however, that for the discharge of the members of the Board of Directors and Group Management, 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. In accordance with § 6 Articles of Association, the Board of Directors 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. Nominees may be entered as a shareholder in the share register with voting rights for shares up to a maximum of 3% of the share capital. Shares held by a nominee that exceed such limit may be registered in the share register with voting rights if such nominee discloses to the Company the identity and shareholdings of any person or legal entity for whose account it is holding 0.5% or more of the share capital.

Statutory rules on participating in the general meeting of shareholders

Each share whose owner, usufructuary or nominee is recored and registered in the share register of the Company as having voting rights on a specific day (record date) entitles its holder to one vote at the relevant general meeting. There are no preferential rights for individual shareholders and no voting restrictions.

Any shareholder with voting rights may be represented by a legal representative, a corporate body, an independent proxy, a proxy for deposited shares or, if authorized in writing, by a third party which does not have to be a shareholder.

6.2 Statutory quorums

The general meeting of shareholders 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, excluding abstentions or blank or invalid ballots.

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 Agenda

Shareholders who represent shares of a nominal value of CHF 1,000,000 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 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 defence measures

7.1 Duty to make an offer

In accordance with article 7 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 Group Management or any other senior manager or officer. As announced on November 19, 2012, the Company extended the employment agreement with its President & CEO until 2017 at the same terms. Certain other members of Group Management do also have employment agreements with a term which exceeds twelve months. However, none of such members' employment agreements exceeds a term of five years.

8. Auditors

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

The Company changed its auditor in 2011. At the annual general meeting of shareholders in 2011, Ernst & Young AG, Zurich, was elected as the external statuory auditor of the Company as well as the Group auditor. The re-election for the business year 2012 was confirmed at the annual general meeting of shareholders in 2012 with the declaration of acceptance dated March 7, 2012. The appointment of the auditor is for one year and is renewed annually.

The lead auditor assumed his role in 2011, both for the audit of the statutory financial statements and for the consolidated financial statements of the Group. As required by law, the lead auditor will change every seven years.

8.2 Auditing fees

The fees charged for auditing services for the year 2012 amounted to CHF 1.9 million.

8.3 Additional fees

In addition to the auditing fees mentioned above, the statutory auditors charged an amount of CHF 0.6 million in 2012. This included tax services (CHF 0.2 million) and other audit related services (CHF 0.4 million).

8.3 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 press release to be held on the scheduled date;
(iv) benchmark analysis of the audit fees;
(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 3.4 (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.

In the reporting year, the auditors had various contacts with members of the Group Management 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 four 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 Group publishes financial results on a half-annual basis. The annual results are generally released in March and the half-year results in August.

The Group has established a website at www.dksh.com to ensure a rapid and equitable distribution of information. The Group website has a section fully dedicated to Investor Relations, http://www.dksh.com/htm/1492/en/Investors.htm. Press releases, presentations, webcasts, and financial reports are available online under this section. Printed copies of the Annual and Half-Year Report can be requested upon order via email at investors@dksh.com. For distribution of ad-hoc notices, DKSH maintains push and pull services in accordance with applicable laws and regulations.

Representatives of the Group also regularly meet with the financial community in press conferences, road shows as well as one-on-one meetings. A calendar of upcoming events such as publication of the annual and half-year results, media conference and analyst call, and the general meeting of shareholders is available online under the Investor Relations section http://www.dksh.com/htm/1465/en/Calendar.htm.

Management transactions made in 2012 by qualifying members of the Group's management, which are required to be disclosed by the Group and published by the SIX Swiss Exchange, may be found at http://www.six-exchange-regulation.com/obligations/management_transactions/notifications_en.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 relation inquiries to:

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Management's discussion & analysis

The management review of the Group outlines an in-depth analysis of the financial year 2012 and provides an outlook into DKSH's further growth.

Summary

DKSH continued its strong operational performance and sustainable, profitable growth also in 2012. The operating profit (EBIT), increased to CHF 277.3 million or 16.7% compared to the prior year. The company's profit after tax grew by 21.3% to CHF 184.7 million. Additionally, an extraordinary gain of CHF 24.7 million was achieved through the sale of DKSH's non-core contract manufacturing facility OLIC in Thailand. Earnings per share improved by 34.2% to CHF 3.18 (without OLIC, operating earnings per share are CHF 2.79).

Net sales grew 20.4% (CHF +1.5 billion) to CHF 8.8 billion, of which 1.3% growth was achieved through M&A. These results outperformed the Market Expansion Services industry's growth rate of 8.3%, more than doubling it in DKSH's addressable markets (Roland Berger, 2013), confirming further market share gains.

Free cash flow increased by CHF 198.7 million to a high level of CHF 249.5 million, despite the very strong sales growth of DKSH by CHF 1.5 billion in 2012. This positive cash flow was achieved through rapid profit growth combined with tightly controlled working capital management.

Increase in profitability and the above market performance in net sales are the result of the Group's successful business model and the consistent implementation of the Group's strategy for sustainable, profitable growth. The over-proportional EBIT growth was the consequence of DKSH's platform being scaled to provide Market Expansion Services to new and existing clients. In the twelve months under report, partnerships with existing clients were extended, success stories multiplied from country to country, and a range of new clients added. Organic growth was complemented by several smaller bolt-on acquisitions in Australia, Japan and Switzerland.

With people remaining DKSH's most important asset, the company continued investing in the skills and capabilities of its staff. By year end, DKSH employed 25,882 specialists worldwide, representing an increase of 1,540 (+6.3%).

DKSH continuously enhances its infrastructure to enable further growth. In 2012, this included a new distribution center in Hong Kong and the extension of distribution facilities in Thailand. DKSH is committed to the highest quality standards and most of its distribution centers are ISO-certified and compliant with Good Manufacturing Practice (GMP)/Good Distribution Practice (GDP), as evidenced by the GDP Excellence Performance Company Award received in Taiwan in 2012 by the Taiwanese FDA.

Extraordinary items

Both 2011 and 2012 contained extraordinary items that were positive and of similar size.

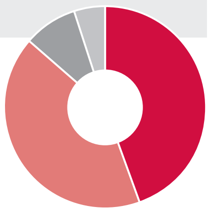
In 2011, the acquisition of Maurice Lacroix generated other income resulting in an increase of EBIT by CHF 25.9 million. In 2012, the non-core contract manufacturing facility OLIC in Thailand was successfully divested with a gain on sale of CHF 24.7 million and is therefore shown below EBIT. Neither extraordinary item generated any tax expense. Excluding the positive one-time impact from the Maurice Lacroix acquisition in 2011, EBIT in 2012 on a comparable basis grew by 31.0%. The profit after tax growth rate is not influenced by these two extraordinary items since they are of similar size.

EBIT by Business Unit[1] in %

- 49.8 Consumer Goods
- 25.3 Healthcare
- 17.9 Performance Materials
- 7.0 Technology

[1] excluding segment "Other"

Net sales by Business Unit in %



- 44.7 Consumer Goods
- 41.8 Healthcare
- 8.5 Performance Materials
- 5.0 Technology

Net sales by region in %

- 36.4 Thailand
- 26.2 Greater China
- 21.6 Malaysia/ Singapore
- 12.7 Rest of Asia Pacific
- 3.1 Rest of the world

Business Units

Consumer Goods

In 2012 EBIT increased by 0.9% to CHF 161.0 million at a margin of 4.1%. Excluding the positive extraordinary income in 2011 from the Maurice Lacroix acquisition, EBIT grew by 20.5%. Net sales increased by 18.7% to CHF 3.9 billion.

The main drivers were strong organic growth achieved across all regions with existing clients by further strengthening their position in the respective markets, multiplying success stories from country to country and new business development. Additionally, the Business Unit Consumer Goods has continued to focus on enhancing operational processes and efficiencies, expanding its service portfolio, and further strengthening the full-service solutions business.

Brandlines and FNZ Brands in New Zealand, and the Maurice Lacroix Group in Switzerland, all acquired in 2011, also contributed to growth and have been smoothly integrated into the DKSH group.

Fast Moving Consumer Goods (FMCG), the largest business operation within Consumer Goods, posted strong results driven by a growing number of brands looking to expand in and across the region.

DKSH's extensive network and capillary distribution system again helped boost sales with existing clients and expand long-term partnerships to additional markets like Henkel, a leading consumer and industrial group, chocolate and confectionery producer Hershey's or Oldtown, a Malaysian beverage producer. New clients such as Red Bull, the leading Austrian energy drink, for New Zealand, Barilla, Italy's leading food group, for Thailand and Taiwan or Perfetti Van Melle, the world's third-largest confectionery company, to enter Myanmar, appointed DKSH to support them with Market Expansion Services.

Within Luxury & Lifestyle, DKSH entered into a strategic partnership with Swiss luxury watchmaker BOVET, taking on the exclusive marketing and distribution rights for BOVET timepieces in Asia. Maurice Lacroix, acquired by DKSH in 2011, developed positively in 2012 with the launch of the new collection. The Levi's apparel business in Thailand, where DKSH has been the sole franchisee for over 20 years, performed well and further cemented its position as the premium denim brand in the Thai market.

With the acquisition of the long-established German-Japanese trading company Clay in July 2012, DKSH expanded its lifestyle and technology business in Japan.

Healthcare

For the Healthcare business, EBIT increased by 31.9% year-on-year to CHF 81.9 million due to strong organic growth with existing clients, multiplying success stories from country to country and new business development. These initiatives were complemented by refining operational processes and efficiencies, expanding our service offerings, and further strengthening the full-service solutions business in all channels and segments.

This led to an EBIT margin of 2.2%. Healthcare achieved sales growth of 27.2% to CHF 3.7 billion. In 2012, the Business Unit continued to leverage its regional footprint for key clients, extending its existing partnerships with leading Japanese pharmaceutical companies Astellas and Takeda, or MSD, one of the largest pharmaceutical companies in the world. Moreover, various new clients engaged DKSH Healthcare to support them with Market Expansion Services, e.g. leading dermo-cosmetic company Bioderma in China, or Smooth E that outsourced the entire distribution of its product portfolio in their home market Thailand to DKSH. Smooth E is the Thai market leader for cosmeceutically engineered products (i.e. combination between a cosmetic and a pharmaceutical product).

Consumer Goods

in CHF millions	2012	2011
Net sales	3,947.4	3,326.9
EBIT	161.0	159.5

Healthcare

in CHF millions	2012	2011
Net sales	3,698.8	2,906.9
EBIT	81.9	62.1

Performance Materials

in CHF millions	2012	2011
Net sales	751.0	696.9
EBIT	58.0	54.3

Technology

in CHF millions	2012	2011
Net sales	441.3	412.6
EBIT	22.6	21.7

In August 2012, the contract manufacturing plant OLIC in Thailand was divested to Japan-based Fuji Pharma. Given that OLIC was a heritage, non-core activity, the sale is in line with DKSH's strategic focus on Market Expansion Services. The OLIC facilities will continue to manufacture products for DKSH's clients and its own brands.

The integrity of the value chain continues to be of utmost importance to DKSH. It means that expired products are removed immediately at any point along the logistics chain and that all storage and handling requirements are fulfilled at all times.

Performance Materials

EBIT advanced by 6.8% to CHF 58.0 million compared to 2011, leading to an attractive EBIT margin of 7.7%. Net sales amounted to CHF 751 million, up 7.8%. Performance Materials' strategy of enhancing the organic growth by leveraging our solutions-oriented business model, combined with new business development resulted in a sound performance. Therefore, Performance Materials was able to even outperform an exceptionally strong business year 2011 that included a large positive one-time impact on sales and profit stemming from a non-recurring business in Japan. In line with industry trends, sales in Asian markets developed positively.

Based on its service-driven business model and pan-Asian coverage, Performance Materials expanded its cooperation with leading specialty chemicals companies Evonik and WACKER Silicones for additional product groups and markets in South East Asia, and signed new regional distribution agreements with specialty chemicals providers Clariant, Stepan and Tagra.

Acquired in 2011, Tiger Chemicals in Australia was integrated successfully. Performance Materials also took over Swiss specialty chemicals distributor Staerkle & Nagler in November, thereby complementing its market leadership in Asia with the strengthening of the European position.

The Business Unit made investments into its infrastructure with three new innovation centers in Taipei, Mumbai and Bangkok, a distribution center in New Delhi, and additional sales offices in Sri Lanka and China. The regulatory expertise was further strengthened to meet increasing regulatory and compliance requirements in the markets and business areas in which the Business Unit is active.

Technology

EBIT grew by 4.1% year-on-year to CHF 22.6 million at an EBIT margin of 5.1%. Net sales amounted to CHF 441.3 million, up 7.0%. This result was achieved through organic growth with existing suppliers and new business development, as well as further build-up of the service-oriented business model.

Technology expanded existing partnerships, for example with InnoLas laser systems, a specialized manufacturer of laser-based machinery and OYSTAR, one of the world's leading providers of packaging machine solutions for Japan. Moreover, Technology signed exclusive distribution agreements with new clients such as CNH, a world leader in agricultural and construction equipment for Vietnam, and Normalab, a renowned manufacturer of high-quality testing instruments for Malaysia, Australia and New Zealand.

Two bolt-on acquisitions strengthened the Technology business in the year under review. In June, the Business Unit took over the leading Australian specialty cables distributor ElectCables, expanding its footprint and upgrading its market position in Australia. With the acquisition of the long-established German-Japanese trading company Clay in July 2012, Technology expanded its capital goods business in Japan.

Other (non-Business Unit)

Other expenses/income, not allocated to the Business Units, primarily include corporate services that amounted to CHF 46.2 million in 2012.

Regional performance

DKSH continued to achieve double-digit sales growth in Asia, while the European operations were faced with lower market demand. DKSH's largest market, Thailand, representing 36.4% of Group net sales, as well as Greater China and Malaysia/Singapore, which account for 26.2% and 21.6% of sales, respectively, showed continued double-digit growth, with strong development in all Business Units. Despite the higher costs linked to increased minimum wages in Thailand, introduced in 2012, we observe an overall positive impact from the population's higher minimum income as it leads to a rise in consumer buying power.

Profit after tax

Profit after tax in 2012 improved by 21.3% to CHF 184.7 million. Another 24.7 million income was achieved through the successful divestment of DKSH's non-core contract manufacturing plant OLIC in Thailand. The net finance costs increased in 2012 by CHF 5.1 million to CHF 13.9 million, owing to foreign exchange variations and higher interest expenses. Increased interest expenses were driven by higher net debt during the year as a result of the payment of ordinary and extraordinary dividends in 2011 of CHF 249.0 million, acquisitions in 2011 and 2012 and higher working capital requirements. The effective tax rate decreased from 33.6% in 2011 to 27.4% in 2012, due to lower statutory taxes in Thailand. The Thai government reduced statutory taxes to offset the cost increase from higher minimum wages and to counter the aftermath of the flooding in 2011. Both 2011 and 2012 contained extraordinary tax-free income as described above under "Extraordinary items".

Return On Equity (ROE) reached a strong 17.2%. Earnings per share increased by 34.2% to CHF 3.18. In view of DKSH's strong financial performance, the Board of Directors will propose an ordinary dividend of CHF 0.80 per share (CHF +0.15 or +23.1%) at the Annual General Meeting in April 2013, in line with its long-term policy of paying out 25%-35% of profit after tax.

Furthermore, the Board of Directors will propose that shareholders participate in the form of an extraordinary dividend of CHF 0.15 per share in the successful divestment of OLIC.

Consolidated statement of financial position

Total assets grew 9.4% to CHF 3.4 billion. Tight working capital management resulted in working capital growing slower than sales. Cash and cash equivalents increased by 31.5% to CHF 253.6 million while net cash increased in 2012 by CHF 132.2 million to CHF 54.2 million. High profit and moderate working capital increases supported these achievements. Compared to year-end 2011, total equity increased 17.8% to CHF 1.2 billion, translating into an equity ratio of 35.9%.

Average Net Operating Capital (NOC) for 2012 amounted to CHF 1.1 billion. This represents the average of the levels at the end of 2011 and 2012. Return On Net Operating Capital (RONOC) reached 25.2%.

Cash flow

Despite strong sales growth, free cash flow reached a high level of CHF 249.5 million as a result of a strong EBITDA of CHF 320.0 million and investments in working capital of CHF 17.0 million and capital expenditures of CHF 53.5 million.

Net cash from operations was CHF 190.2 million, up CHF 56.2 million compared to 2011. For investing activities the company had a net outflow of CHF 36.0 million. Cash inflow from divestments (OLIC) amounted to CHF 39.4 million, while cash outflow for acquisitions was 15.0 million. Cash outflow from financing activities was CHF 93.2 million, including CHF 42.9 million for dividend payments. Cash and cash equivalents at year-end 2012 was CHF 253.6 million, an increase of CHF 60.8 million compared to year-end 2011.

Outlook

DKSH's main markets are expected to remain favorable thanks to the rapid growth of Asia's middle classes, growing trade flows to and within Asia, and the trend for manufacturers to outsource non-core activities including market research, product registration, sales and marketing and distribution. DKSH expects to grow net sales at least in line with the projected addressable market growth of 8.3%. As the leading Market Expansion Services provider with a focus on Asia, from today's perspective DKSH is set to continue its course of sustainable, profitable growth and to achieve double-digit profit growth for the full-year 2013.

Consolidated financial statements DKSH Group

Consolidated income statement

in CHF millions [1]	Notes	2012	2011
Net sales	4	8,834.1	7,340.0
Other income	5	44.4	53.9
Goods and material purchased and consumables used		(7,489.1)	(6,191.6)
Employee benefit expenses	6	(519.7)	(457.3)
Depreciation, amortization and impairments	14/16	(42.7)	(37.8)
Other operating expenses	7	(549.7)	(469.6)
Operating profit (EBIT)		**277.3**	**237.6**
Net finance costs	8	(13.9)	(8.8)
Gain on sale of shareholding	28	24.9	0.1
Share of profit of associates	17	0.1	0.3
Profit before tax		**288.4**	**229.2**
Income tax expenses	9	(79.0)	(76.9)
Profit after tax		**209.4**	**152.3**
Attributable to:			
Shareholders of the Group		201.2	147.1
Non-controlling interest		8.2	5.2
Earnings per share for profit attributable to the shareholders of the Group			
Basic earnings per share	26	3.18	2.37
Diluted earnings per share	26	3.11	2.31

[1] Except for earnings per share (in CHF)
The accompanying notes on pages 80 to 128 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

in CHF millions	Notes	2012	2011
Profit after tax		**209.4**	**152.3**
Other comprehensive income			
Net gains/(losses) on available-for-sale financial assets, net of tax		-	(0.8)
Net investment hedges, net of tax		2.4	5.9
Recycling of currency translation losses	28	7.1	-
Currency translation differences		(8.7)	(14.0)
Total comprehensive income, net of tax		**210.2**	**143.4**
Attributable to:			
Shareholders of the Group		201.9	138.7
Non-controlling interest		8.3	4.7

The accompanying notes on pages 80 to 128 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

in CHF millions	Notes	2012	2011
Cash and cash equivalents	10	253.6	192.8
Trade receivables	11	1,623.4	1,511.9
Inventories	13	848.8	792.4
Prepaid expenses		26.9	20.5
Other receivables	15	221.5	196.1
Current income tax receivable		3.8	3.6
Current assets		**2,978.0**	**2,717.3**
Intangible assets	14	130.0	119.5
Other receivables	15	3.5	6.1
Property, plant and equipment	16	143.8	147.7
Financial assets	12	25.1	25.6
Investments in associates	17	23.6	3.9
Retirement benefit assets	24	21.5	20.9
Deferred tax assets	19	29.5	27.1
Non-current assets		**377.0**	**350.8**
Total assets		**3,355.0**	**3,068.1**
Borrowings	20	118.5	226.6
Trade payables		1,505.6	1,354.7
Current income tax liabilities		34.0	29.4
Other payables and accrued expenses	21	344.9	320.5
Current provisions	22	3.7	7.3
Current liabilities		**2,006.7**	**1,938.5**
Borrowings	20	80.9	44.2
Other non-current liabilities	23	18.7	18.3
Deferred tax liabilities	19	18.7	20.6
Non-current provisions	22	4.1	5.4
Retirement benefit obligations	24	21.5	18.4
Non-current liabilities		**143.9**	**106.9**
Total liabilities		**2,150.6**	**2,045.4**
Share capital		6.4	6.3
Reserves and retained earnings		1,164.6	989.2
Equity attributable to the shareholders of the Group		**1,171.0**	**995.5**
Non-controlling interest		**33.4**	**27.2**
Total equity		**1,204.4**	**1,022.7**
Total equity and liabilities		**3,355.0**	**3,068.1**

The accompanying notes on pages 80 to 128 form an integral part of these consolidated financial statements.

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, 2011	**6.0**	**(111.1)**	**236.9**	**903.7**	**1,035.5**	**18.2**	**1,053.7**
Profit after tax	-	-	-	147.1	147.1	5.2	152.3
Other comprehensive income	-	(7.6)	-	(0.8)	(8.4)	(0.5)	(8.9)
Total comprehensive income	**-**	**(7.6)**	**-**	**146.3**	**138.7**	**4.7**	**143.4**
Capital increase for incentive plans	0.1	-	-	21.1	21.2	-	21.2
Shares to replace former IAS 19 incentive plans	0.2	-	-	32.6	32.8	-	32.8
Share-based payment transactions	-	-	-	14.3	14.3	-	14.3
Treasury shares	-	-	-	0.2	0.2	-	0.2
Dividend	-	-	-	(247.2)	(247.2)	(1.8)	(249.0)
Acquisition of a subsidiary	-	-	-	-	-	5.7	5.7
Increase of non-controlling interest	-	-	-	-	-	0.4	0.4
As of December 31, 2011	**6.3**	**(118.7)**	**236.9**	**871.0**	**995.5**	**27.2**	**1,022.7**
Profit after tax	-	-	-	201.2	201.2	8.2	209.4
Other comprehensive income	-	0.7	-	-	0.7	0.1	0.8
Total comprehensive income	**-**	**0.7**	**-**	**201.2**	**201.9**	**8.3**	**210.2**
Change in ownership	-	-	(2.7)	2.7	-	-	-
Capital increase for incentive plans	0.1	-	-	(0.1)	-	-	-
Share-based payment transactions	-	-	-	13.9	13.9	-	13.9
Treasury shares	-	-	-	0.5	0.5	-	0.5
Dividend	-	-	-	(40.8)	(40.8)	(2.1)	(42.9)
As of December 31, 2012	**6.4**	**(118.0)**	**234.2**	**1,048.4**	**1,171.0**	**33.4**	**1,204.4**

The accompanying notes on pages 80 to 128 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

in CHF millions	Notes	2012	2011
Profit before tax		**288.4**	**229.2**
Non-cash adjustments			
Depreciation, amortization and impairments on			
Property, plant and equipment	16	31.3	24.3
Intangible assets	14	11.4	13.5
Recycling of currency translation losses of business disposed	28	7.1	-
Share-based payment transaction expense	27	13.9	23.9
Gain on sale of tangible and intangible assets	5/7	(7.4)	(0.3)
Net finance costs	8	13.9	8.8
Share of profit of associates	17	(0.1)	(0.3)
Gain on bargain purchase	28	(1.4)	(22.2)
Gain on sale of shareholding	28	(32.0)	-
Gain on remeasuring the previous interest to fair value		-	(3.7)
Change in provisions and other non-current liabilities		(3.2)	0.9
Change in other non-current assets		1.9	10.8
Working capital adjustments			
Increase in trade and other receivables and prepayments		(173.2)	(101.8)
Increase in inventories		(61.1)	(111.5)
Increase in trade and other payables		184.6	147.0
Interest received		1.0	2.0
Interest paid		(8.5)	(8.3)
Taxes paid		(76.4)	(78.3)
Net cash flows from operations		**190.2**	**134.0**
Proceeds from sale of property, plant and equipment		12.3	3.1
Purchase of property, plant and equipment		(47.7)	(39.0)
Proceeds from sale of intangible assets		0.5	2.1
Purchase of intangible assets		(5.8)	(9.7)
Proceeds from sale of financial assets		1.2	-
Purchase of financial assets and investments in associates		(20.9)	(0.3)
Acquisition of subsidiary net of cash	28	(15.0)	(24.2)
Disposal of subsidiary net of cash	28	39.4	-
Net cash flows used in investing activities		**(36.0)**	**(68.0)**

in CHF millions	Notes	2012	2011
Proceeds from current and non-current borrowings		395.2	360.7
Repayment of current and non-current borrowings		(453.1)	(275.2)
Dividend paid	25	(40.8)	(247.2)
Net proceeds from net investment hedges		7.6	7.0
Proceeds from sale of treasury shares		-	0.2
Dividend paid to non-controlling interest		(2.1)	(1.8)
Net cash flows from financing activities		**(93.2)**	**(156.3)**
		-	
Cash and cash equivalents, as of January 1		**192.8**	**287.6**
Effect of exchange rate changes		(0.2)	(4.5)
Net increase/(decrease) in cash and cash equivalents		61.0	(90.3)
Cash and cash equivalents, as of December 31		**253.6**	**192.8**

The accompanying notes on pages 80 to 128 form an integral part of these consolidated financial statements.

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 approximately 25,900 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.

These consolidated financial statements include the consolidated financial statements of the Group and its subsidiaries as of December 31, 2012. They were approved by the Board of Directors on March 8, 2013.

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 accruals basis and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. 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 financial and operating policies or otherwise has an interest of more than 50% of the voting rights, have been consolidated. The cost of an acquisition is measured as the fair value of the consideration given including contingent consideration and the fair value of any previous equity interest. Acquisition-related costs are expensed as incurred.

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.

Non-controlling interest is shown as a component of equity in the statement of financial position and the share of the profit attributable to non-controlling interest is shown separately on the face of the income statement.

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

A listing of the Group's principal subsidiaries is set out in Note 34. The financial effect of the acquisitions and disposals is shown in Note 28.

Business combinations and related goodwill

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 operating 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 (j) of these policies.

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.

(b) Investments in associates

Investments in associates are accounted for using the equity method. Associates are entities over which the Group has significant influence, but which it does not control, and in relation to which the Group generally has voting rights of between 20% and 50%.

Under the equity method of accounting the Group's interest in the associate is carried in the statement of financial position at an amount that reflects its share of the net assets of the associate and, where applicable, includes goodwill on acquisition. This value is adjusted every year, by recognizing the Group's share of the associates' profit or loss for the year in the income statement. On transactions between the Group and associates intercompany eliminations are reflected.

(c) Joint ventures

The Group's interest in jointly controlled entities is accounted for using the proportionate consolidation method. The Group therefore includes its share of the joint venture's individual income and expenses, assets and liabilities in the relevant line items of the Group's financial statements. The Group determines joint ventures based on the contractual agreements in cases where joint control is indicated. On transactions between the Group and the joint ventures intercompany eliminations are reflected.

(d) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates such designation at every reporting date.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the near term. This category includes derivative financial instruments as discussed in section (e). All purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months of the financial reporting date. Any changes in fair value are recognized in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets. These loans and receivables have fixed or determinable payments that are not quoted in an active market and are recognized at the respective settlement date. They are included in current assets, except for maturities greater than twelve months after the financial reporting date. These are classified as non-current assets.

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties, lack of creditworthiness of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (country specific: between three to nine months overdue) are considered indicators that a trade receivable is impaired.

The carrying amount of the asset is reduced by the use of an allowance account, and the amount of the loss is recognized in the income statement within other expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. All purchases and sales of available-for-sale financial assets are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income in the period in which they arise, until the asset is disposed of at which date the cumulative gains or losses are realized and transferred from other comprehensive income to the income statement.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss, while translation differences on non-monetary securities are recognized in other comprehensive income. Changes in the fair value of monetary and nonmonetary securities classified as available-for-sale are recognized in other comprehensive income. Impairments made on available-for-sale monetary assets are recognized in the income statement upon obtaining objective evidence that the decline in fair value is significant and not temporary.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the financial asset within twelve months of the financial reporting date.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of interest income.

(e) 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. The full fair value of a derivative is classified as a non-current asset or liability when it matures more than twelve months after the reporting date; it is classified as a current asset or liability when it matures within twelve months of the reporting date. Any gains or losses arising from changes in fair value on derivatives during the year are taken directly 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. Effectiveness for the forward contracts is measured monthly using the forward basis. Each month the cumulative movement in intrinsic value is compared to the movement in the notional underlying value.

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

Derivative assets are included in other receivables and derivative liabilities are included in other payables and accrued expense in the statement of financial position.

(f) 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, whilst 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 which 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.

(g) Research and development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects are capitalized to the extent that such expenditure is expected to create future economic benefits.

(h) 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).

(i) 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 – 35 years
Machinery/tools, furniture/fixtures	5 – 10 years
IT/communication	3 – 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.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized as part of the cost of the asset, during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Where the carrying amount of an asset 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.

(j) Impairment of assets

Goodwill and indefinite-life intangible assets and intangible assets under development

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 to sell 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 after-tax rate of return. The free cash flows correspond to estimates made by Group Management in financial plans and business strategies covering a period of five years. 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 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 to sell 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.

(k) 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.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Rental payments are charged to the income statement on a straight-line basis over the period of the lease.

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income disclosed under other receivables. Interest income is recognized over the term of the lease so as to yield a constant interest rate of return on the net investment of the lease.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recorded over the term of the lease and recorded along the nature of the income in the income statement on a straight-line basis over the lease term.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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 equity-settled payments are measured at the dates of share grant using a Discounted Cash Flow (DCF) pricing model.

(q) Retirement benefit assets and obligations

In most countries the Group's employees participate in state-controlled pension schemes, especially through Provident Funds in many Asian countries. However, the Group operates a number of defined benefit and defined contribution plans throughout the world. The assets relating to such plans are either held in separate trustee-administered funds or, in some cases, in the respective company. The pension plans are generally funded by payments from employees and the relevant Group companies.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans on an annual basis. The retirement benefit obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities, with terms to maturity approximating the terms of the related pension liability. Differences between the amounts charged to the income statement and payments made to external funds are recognized in the statement of financial position in the year to which they relate to. In measuring its defined benefit liability, the Group recognizes a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- 10% of the fair value of any plan assets at that date

Actuarial gains and losses are recognized over the average remaining service lives of employees. Gains or losses on the curtailment or settlement of a defined benefit plan are recognized in the income statement when the curtailment or settlement occurs.

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. Multiemployer plans that qualify as defined benefit plans are accounted for as defined contribution plans if sufficient information is not available.

A surplus in a defined benefit plan is recognized to the extent that economic benefit is available for the Group as an unconditional right to refund or as a reduction in future contributions. The economic benefit from reduction in future contributions is determined by comparing future service cost and the Group's minimum funding requirements over the expected life of the respective plan.

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 redundancy. Benefits falling due more than twelve months after financial reporting date are discounted to present value.

(r) 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.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets, provisions for pensions and other post-retirement benefits.

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 against which the unused tax losses can be utilized.

Deferred tax liabilities for withholding taxes 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. The Group does not provide for deferred tax on undistributed earnings of subsidiaries where the Group is able to control the timing of the distribution and the temporary difference created is not expected to reverse in the foreseeable future.

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.

(s) Revenue recognition

Sales are recognized as revenue if the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. In most cases this occurs upon delivery of products and customer acceptance. Significant risks and rewards are deemed to be dependent upon DKSH being the primary obligor towards the customer assuming responsibility for:

- Physical custody over the inventory in storage or during delivery
- Providing the goods and services in its own name to the customer
- Processing orders and arranging fulfillment of those orders to the customers
- Collections and credit risk associated with the sale of goods to the supplier

In cases where the above parameters are not met, only the margin on sale, fee or commission earned is reported in net sales.

Income from services (i.e. from warehousing and distribution, indent sales) is recognized when the services are performed and is recorded as service income. A part of the service income is commission income.

(t) 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 Group Management that makes strategic and key operating decisions. No segments have been aggregated to a reporting segment.

(u) Reclassifications

Certain reclassifications have been made to the comparative financial information to conform to the current year presentation. "Revenues" as reported in the Group's annual financial statements for the year ended December 31, 2011 have been renamed to "Net sales".

(v) Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRS as of January 1, 2012

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations that need to be applied for annual periods beginning January 1, 2012:

IAS 1 (amendment) "Presentation of Items of Other Comprehensive Income": The amendment of IAS 1 changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

IAS 12 (amendment) "Income Taxes – Recovery of Underlying Assets": The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012. This amendment is not relevant as the Group does not own investment property.

New standards and interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group

IAS 19 (revised) "Employee Benefits": The IASB has issued numerous amendments to IAS 19. In particular, actuarial gains and losses will no longer be treated according to the corridor approach and will, instead be recognized immediately in other comprehensive income. In addition, the calculation of pension cost is including the interest component on a net funding basis. Previously, the expected return on plan assets and the interest on the defined benefit obligation were calculated separately. The revised standard becomes effective for annual periods beginning on or after January 1, 2013. The Group will adopt the revised standard as of January 1, 2013, with related retrospective application. The financial impact on its application on the current period presented (which will be the comparable period in the financial statements as of December 31, 2013) is expected to be a reduction of profit after tax of CHF 1.0 million and reduction of equity of CHF 16.4 million, net of deferred tax of CHF 4.1 million.

IAS 27 (revised) "Separate Financial Statements": As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The revised standard becomes effective for annual periods beginning on or after January 1, 2013. The Group will not present separate financial statements. Hence, the adoption of this amendment will not have any impact on the financial position or performance of the Group.

IAS 28 (revised) "Investments in Associates and Joint Ventures": As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The revision of this standard includes renaming only and therefore has no impact on the financial position or performance of the Group.

IFRS 9 "Financial Instruments": The standard will replace IAS 39 and introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2015, with early adoption permitted. The Group has not early adopted IFRS 9. The Group is currently assessing the impact that this standard will have on the financial position and performance.

IFRS 10 "Consolidated financial statements" (effective from January 1, 2013): IFRS 10 replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues addressed in SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of this standard is not expected to have an impact on the financial position or performance of the Group.

IFRS 11 "Joint Arrangements": IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures". IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This standard becomes effective for annual periods beginning on or after January 1, 2013. Upon adoption of this standard the Group expects to cease proportionate method of consolidation for joint ventures and to apply equity method of accounting. The financial impact on the adoption of this new standard on the current period presented (which will be the comparative period in the financial statements as of December 31, 2013) is expected to be a reduction of revenue of CHF 25.3 million and total assets and total liabilities of CHF 9.8 million.

IFRS 12 "Disclosure of Involvement with Other Entities": IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013. The amendment affects disclosure only and has no impact on the financial position or performance of the Group.

IFRS 13 "Fair Value Measurement": IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of this standard is not expected to have an impact on the financial position or performance of the Group.

(w) Critical accounting estimates and assumptions

The presentation of the consolidated financial statement in accordance with IFRS requires the use of estimates. Certain areas, which are particularly subject to evaluation and where management's assumptions and estimates are of vital importance for the consolidated financial statements are mentioned below:

(i) Estimated impairment of goodwill

The Group tests goodwill annually for impairment (Note 14), in accordance with the accounting policy for impairment of assets (j). 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 income tax and deferred tax provisions in the period in which such determination is made (Note 9).

(iii) Provisions

Provisions are recognized when there are obligations to third parties which results from an event in the past and the amount of the obligation can be reliably estimated. Provisions are created for a variety of possible events and are explained in detail in Note 22. However, by definition, provisions contain a greater degree of estimate than other items in the statement of financial position since the estimated obligations can cause a greater or lesser cash expense depending on future events.

(iv) 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 (see Note 24).

(v) Share-based payment

The Group maintains share-based payment plans for key management personnel according to IFRS 2. The expenses recorded for these plans are based on the valuation of the shares applying a discounted cash flow pricing model which includes management's assessment of future performance of the Group (see Note 27).

(vi) Fair value of financial instruments

When the fair value of financial asset and liabilities recorded in the statement of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(x) 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 to translate the foreign currencies of major importance to the Group.

	Statement of financial position year-end rates	Statement of financial position year-end rates	**Income statement average rates**	Income statement average rates
Currency	**2012**	**2011**	**2012**	**2011**
1 AUD	0.95	0.96	0.97	0.91
100 CNY	14.69	14.95	14.87	13.72
1 EUR	1.21	1.22	1.21	1.24
1 GBP	1.48	1.45	1.49	1.42
100 HKD	11.81	12.11	12.09	11.39
100 JPY	1.06	1.21	1.18	1.11
100 KRW	0.09	0.08	0.08	0.08
100 MYR	29.92	29.70	30.37	28.99
100 PHP	2.23	2.15	2.22	2.05
1 SGD	0.75	0.72	0.75	0.71
100 THB	2.99	2.98	3.02	2.91
1 USD	0.92	0.94	0.94	0.89

Risk Management

(a) Risk management

Risks are assessed, monitored and mitigated in a decentralized manner, directly by respective risk owners in operational or support functions. From a Group perspective, we focus on major risks potentially threatening our ability to achieve our strategic objectives. An annual risk assessment is conducted by Group Management, whereby risks are surveyed and assessed. All key risks are ranked according to their significance, their likelihood of occurrence and the effectiveness of how these risks are mitigated. An annual risk report is issued for the attention of the Board of Directors. Risk owners are assigned to each of the identified top risks, and these risk owners in close cooperation with the Group's risk management function determine and implement adequate risk mitigation strategies and actions. Similar systematic risk assessments are conducted on annual or semi-annual basis for the Group's business units and all major countries. The Group provides guidance and support on risk assessment methodologies and processes, ensures that appropriate risk mitigation plans are established, and regularly follows up on the status of mitigation plans and actions.

DKSH Holding Ltd. furthermore has established an internal control system in line with Swiss regulatory requirements. The internal control system focuses primarily on financial reporting risks and the respective mitigating controls and is subject to regular reviews by risk management and Internal Audit.

(b) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency 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.

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, 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 the Thailand Baht, Japanese Yen, Singapore Dollar, Chinese Yuan Renminbi, Taiwan Dollar, Vietnam Dong, Hong Kong Dollar, the Malaysian Ringgit, US Dollar and Euro. Foreign exchange risk arises from commercial transactions, recognized assets and liabilities and net investments in foreign operations.

a) 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 entity's functional currency. The Group companies are required to hedge their foreign exchange risk exposure arising from foreign currency cash flows, which is not naturally offset by a simultaneous opposite commercial transaction in the same currency or mitigated in another way, against their functional currency.

The Group's hedging policy seeks to mitigate the economic effect of adverse movements in foreign currency rates on the profitability, the assets or liabilities and cash flows of the local subsidiary in local 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 cash flows are hedged by the subsidiary entering into financial derivative contracts either with Group Treasury or a local external financial counterparty. Group Treasury in turn covers its net exposure from these transactions with external financial counterparties.

b) 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.

This hedging policy seeks to mitigate the economic effect of adverse movements in foreign currency rates on the profitability, assets or liabilities, and cash flows of the local subsidiary in local currency. The cash flows are hedged by the subsidiary entering into financial derivative contracts either with Group Treasury or a local external financial counterparty. Group Treasury in turn covers its net exposure from these transactions with external financial counterparties.

c) Foreign exchange risk on financial assets and liabilities

Foreign exchange risk arises when recognized financial 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.

This policy seeks to mitigate the effect of adverse currency movements on the carrying value of financial assets and liabilities of the local subsidiary in local currency.

d) Foreign exchange risk on investment in foreign operations

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Other than in selective cases where movements in exchange rates potentially have a substantial adverse impact at a Group level, the Group's policy is not to hedge the net investment value.

The most important currencies with regards to profitability and net investment translation impact are Japanese Yen and Thailand Baht. The Group has hedged, selectively, its net investment in these two currencies as well as the Singapore Dollar and the Malaysian Ringgit through derivative financial instruments in 2011 and 2012. These foreign currency derivative transactions have been designated as net investment hedges and the changes in fair values have been recorded in other comprehensive income.

The following paragraphs demonstrate the sensitivities of the Group's financial instruments to a reasonably possible change in the THB, MYR, CNY and JPY exchange rates:

As of December 31, 2012 (2011), a strengthening or weakening of the THB by 10% against the CHF would have a translation impact ceteris paribus of –/+ CHF 6.2 million (CHF 0.4 million) on equity.

As of December 31, 2012 (2011), a strengthening or weakening of the MYR by 10% against the CHF would have a translation impact ceteris paribus of –/+ CHF 2.0 million (CHF 3.7 million) on equity.

As of December 31, 2012 (2011), a strengthening or weakening of the CNY by 10% against the CHF would have a translation impact ceteris paribus of –/+ CHF 5.2 million (CHF 5.4 million) on equity.

As of December 31, 2012 (2011), a strengthening or weakening of the JPY by 10% against the CHF would have a translation impact ceteris paribus of –/+ CHF 1.5 million (CHF 0.6 million) on equity.

The impact on the Group's equity is due to changes in the fair value of financial instruments which are denominated in a currency other than the functional currency of the Group. A change in the above currencies' exchange rates has no material impact on profit before tax.

(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 rate. 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 a minimum of two-thirds of net debt is held in instruments with a remaining maturity of over one year. Of the long-term debt, at least one-third has to be held in fixed interest instruments. The Group also has the ability to enter into interest rate swaps to actively hedge its interest rate risk.

As of December 31, 2012, if interest rates on interest-bearing borrowings had been 0.5% higher with all other variables held constant which the Group assumes to be reasonably possible, and the higher interest rates are applied to the borrowings as of December 31, post-tax profit for the year would have been CHF 0.7 million (2011: CHF 0.9 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 post-tax profit for the year will be partially 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, post-tax profit for the year would have been CHF 0.8 million (2011: CHF 0.6 million) higher.

(iii) Credit risk

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

a) Cash and cash equivalents

As of December 31, 2012, total cash and cash equivalents was CHF 253.6 million (2011: CHF 192.8 million).

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 %	2012	2011
AA- or higher	66.7	36.4
A+, A or A-	170.6	49.7
BBB+, BBB or BBB-	10.6	8.8
Non-investment grade/unrated	5.7	5.1

b) Financial derivatives

Group treasury policy requires working with established financial institutions for any 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
	2012	2011	2012	2011
AA- or higher	8.8	194.2	0.1	0.6
A+, A or A-	553.7	404.5	14.5	14.0
BBB+, BBB or BBB-	23.0	7.8	0.1	0.1

c) Committed borrowings

On November 21, 2011, the Group entered into a CHF 200 million five-year committed credit facility with Deutsche Bank AG, UBS AG, Zürcher Kantonalbank, The Hongkong and Shanghai Banking Corporation Limited, Sumitomo Mitsui Banking Corporation and Raiffeisen Schweiz Genossenschaft. CHF 16 million are drawn under this facility as of December 31, 2012 (2011: CHF 60 million). The facility also acts as a liquidity back-up for the Group.

The ratings of the banks as of December 31, 2012, are:

Deutsche Bank AG	A+
The Hongkong and Shanghai Banking Corporation Limited	A+
Raiffeisen Schweiz Genossenschaft	Aa2
Sumitomo Mitsui Banking Corporation	A
UBS AG	A
Zürcher Kantonalbank	AAA

The banks participating in the committed credit facility are considered solid counterparties in this context.

d) Credit risk on 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 which are mainly based in Asia. Customer specific credit limits are set and monitored on an ongoing basis. As of December 31, 2012, nine (2011: eleven) mainly internationally acting debtors 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. 56% (2011: 60%) of all trade accounts receivable 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 policy that Corporate Center holds a strategic liquidity reserve consisting of either cash and/or undrawn committed credit facilities. As of December 31, 2012, this strategic reserve amounted to CHF 328.5 million (2011: CHF 212.6 million) consisting of cash held at Corporate Center and the undrawn portion of the CHF 200 million five-year committed credit facility closed on November 21, 2011.

in CHF millions	2012	2011
Centrally held cash and cash equivalents	144.5	72.6
Committed credit facility	184.0	140.0
Total	**328.5**	**212.6**

The table below analyzes the Group's financial liabilities and guarantees 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 expected interest payments and dividends).

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, 2012						
Borrowings	65.7	39.9	12.5	80.8	-	198.9
Other non-current liabilities	-	-	-	15.7	-	15.7
Financial guarantees	12.7	-	-	-	-	12.7
Trade and other payables	1,067.5	506.6	116.7	0.2	-	1,691.0
Lease obligation	-	0.1	0.3	0.1	-	0.5
As of December 31, 2011						
Borrowings	105.0	19.2	102.1	40.6	2.7	269.6
Other non-current liabilities	-	-	-	15.2	-	15.2
Financial guarantees	6.6	-	-	-	-	6.6
Trade and other payables	983.1	467.5	80.8	0.7	0.6	1,532.7
Lease obligation	-	-	0.1	0.9	-	1.0

The table below analyzes 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 which 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, 2012						
Forward FX contracts						
Outflow	(187.1)	(235.3)	(160.9)	-	-	(583.3)
Inflow	190.5	235.2	159.7	-	-	585.4
As of December 31, 2011						
Forward FX contracts						
Outflow	(310.3)	(178.4)	(119.0)	-	-	(607.7)
Inflow	314.5	175.4	116.6	-	-	606.5

(v) Fair value estimation

The fair value of over-the-counter (OTC) or publicly traded derivatives and available-for-sale marketable securities is based on quoted market prices at the financial reporting date. The fair value of forward foreign exchange contracts and FX swaps is determined by the discounting method using the zero-coupon curve at the financial reporting date. Currently the Group is not using non-traded derivatives and other financial instruments for which there is no active market.

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

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been 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)

Assets and liabilities by level of fair value measurements as of December 31, 2012, are as follows:

in CHF millions	Level 1	Level 2	Level 3	Total
Derivatives	-	14.8	-	14.8
Available-for-sale financial assets	2.1	-	-	2.1
Total assets	**2.1**	**14.8**	**-**	**16.9**
Derivatives	-	5.1	-	5.1
Total liabilities	**-**	**5.1**	**-**	**5.1**

Assets and liabilities by level of fair value measurements as of December 31, 2011, are as follows:

in CHF millions	Level 1	Level 2	Level 3	Total
Derivatives	-	14.7	-	14.7
Available-for-sale financial assets	2.4	-	-	2.4
Total assets	**2.4**	**14.7**	**-**	**17.1**
Derivatives	-	14.8	-	14.8
Total liabilities	**-**	**14.8**	**-**	**14.8**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. 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 forward foreign exchange contracts and swaps is determined using quoted exchange rates and interest rates at the financial reporting date to derive the discounted cash flows of the contracts.

(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, 2012, is CHF 1,370.4 million (2011: CHF 1,266.4 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 leverage ratio and debt to total capitalization ratio. The leverage ratio is calculated as total assets divided by total equity. The debt to total capitalization ratio is calculated as total borrowings divided by the sum of borrowings and equity. The ratios as of December 31, 2012 and 2011, were as follows:

	2012	2011
Leverage ratio	2.8	3.0
Debt to total capitalization	14.2%	20.9%

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, 2012, and for the entire financial year 2012 the Group did not have any breaches of such loan agreements.

3. Segment information

2012 by Business Unit

in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Other	Eliminations	Group Total
Net sales third parties	3,946.4	3,697.4	750.9	440.9	(1.5)	-	8,834.1
Net sales intersegment	1.0	1.4	0.1	0.4	0.2	(3.1)	-
Net sales	**3,947.4**	**3,698.8**	**751.0**	**441.3**	**(1.3)**	**(3.1)**	**8,834.1**
EBIT	161.0	81.9	58.0	22.6	(46.2)	-	277.3
Additions of property, plant and equipment	17.1	18.1	1.5	4.8	6.2	-	47.7
Additions of intangible assets	0.7	0.7	0.6	-	3.8	-	5.8
Depreciation and amortization	16.5	12.6	2.0	3.1	8.5	-	42.7
Investments in associated companies	20.0	-	-	1.4	2.2	-	23.6
Share in profit of associated companies	(0.1)	-	-	-	0.2	-	0.1
Total employees	13,903	8,267	952	1,342	1,418	-	25,882

2012 by region

in CHF millions	Thailand	Greater China	Malaysia/ Singapore	Other	Group Total
Net sales third parties	3,216.9	2,317.3	1,905.7	1,394.2	8,834.1
Non-current assets	42.5	29.5	27.8	201.1	300.9

2012 country information

in CHF millions	Net sales third parties	Non-current assets
Switzerland (domicile)	126.6	117.8
Malaysia	1,455.1	24.8

Non-current assets exclude financial assets, deferred tax assets and retirement benefit assets.
Net sales of an individual region or country are allocated based on the entities located in the respective country.

2011 by Business Unit

in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Other	Eliminations	Group Total
Net sales third parties	3,326.0	2,905.2	696.8	412.1	(0.1)	-	7,340.0
Net sales intersegment	0.9	1.7	0.1	0.5	0.2	(3.4)	-
Net sales	**3,326.9**	**2,906.9**	**696.9**	**412.6**	**0.1**	**(3.4)**	**7,340.0**
EBIT	159.5	62.1	54.3	21.7	(60.0)	-	237.6
Additions of property, plant and equipment	8.4	7.7	1.9	3.5	17.5	-	39.0
Additions of intangible assets	0.3	3.2	-	0.3	5.9	-	9.7
Depreciation and amortization	11.6	10.9	1.7	3.0	10.6	-	37.8
of which impairment	-	-	-	0.2	-	-	0.2
Investments in associated companies	-	-	-	1.9	2.0	-	3.9
Share in profit of associated companies	-	-	-	-	0.3	-	0.3
Total employees	12,627	8,035	1,078	1,296	1,306	-	24,342

2011 by region

in CHF millions	Thailand	Greater China	Malaysia/ Singapore	Other	Group Total
Net sales third parties	2,670.9	1,861.9	1,609.8	1,197.4	7,340.0
Non-current assets	42.0	32.1	32.4	170.7	277.2

2011 country information

in CHF millions	Net sales third parties	Non-current assets
Switzerland (domicile)	125.1	91.5
Malaysia	1,252.1	29.0

Non-current assets exclude financial assets, deferred tax assets and retirement benefit assets.
Net sales of an individual region or country are allocated based on the entities located in the respective country.

As of December 31, 2012, the Group is organized on a worldwide basis into four main Business Units which reflect the business segments according to IFRS 8:

The Business Unit Consumer Goods is a leading market expansion services provider in Asia with a focus on fast moving consumer goods, food services, and luxury and lifestyle products.

The Business Unit Healthcare is a leading provider of market expansion services for healthcare companies seeking to grow their business in Asia. Its particular strength is value-added healthcare alliances. Specialized services include medical detailing and unique marketing programs to enhance product performance, with emphasis on improved time to market.

The Business Unit Performance Materials offers instant access to the highest-quality raw materials all around the world serving the chemical, pharmaceutical, food, beverage and personal care industries. Its experienced industry specialists provide indispensable support services, including global sourcing, brokering of toll manufacturing to marketing and sales, logistics and distribution. In addition, Performance Materials assists its customers with project management, R&D, quality assurance, finance and insurance management.

The Business Unit Technology offers its customers a wide range of leading technologies from renowned European, American and Asian manufacturers with a focus on advanced machinery for industry and construction, analytical and scientific instruments, components and consumables. All markets are supported by specialized application engineering and reliable, efficient after-sales services.

"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 the Business Unit "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 is directly incurred by the segment/region to which they relate, with the exception of the Corporate Center cost, country central cost and IT cost.

4. Net sales

in CHF millions	2012	2011
Gross sales	9,731.4	8,125.9
Sales deductions	(897.3)	(785.9)
Net sales	**8,834.1**	**7,340.0**

Net sales by category:

in CHF millions	2012	2011
Sale of goods	8,571.0	7,114.4
Other services	263.1	225.6
Net sales	**8,834.1**	**7,340.0**

5. Other income

in CHF millions	2012	2011
Gain on sale of tangible and intangible assets	7.9	1.1
Insurance claims	6.5	3.0
Supplier compensation	6.1	8.0
Commission income	1.6	1.4
Gain of bargain purchase	1.4	22.2
Rental income	0.9	0.9
Hire purchase interest	0.5	0.8
Terminated contracts/business	-	0.2
Gain of remeasuring the previous interest to fair value	-	3.7
Fees and royalties income	-	0.2
Other	19.5	12.4
Total other income	**44.4**	**53.9**

Insurance claims principally relate to incidences of business interruption caused by the flooding in Thailand in October 2011.

6. Employee benefit expenses

in CHF millions	2012	2011
Salaries and bonuses	393.6	345.2
Sales and other commissions	45.5	40.3
Termination benefit costs	0.6	0.8
Expenses for defined contribution pension plans	13.0	10.9
Expenses for defined benefit pension plans (see Note 24)	4.9	6.7
Temporary staff	16.2	15.9
Staff training costs	3.0	3.2
Other personnel expenses	42.9	34.3
Total employee benefit expenses	**519.7**	**457.3**
Total employees	**25,882**	**24,342**

Total employees in 2012 includes 3,084 (2011: 1,756) employees for which the Group is reimbursed by suppliers. The respective cost is offset in the income statement.

7. Other operating expenses

in CHF millions	2012	2011
Selling costs	141.7	119.7
Logistics and distribution costs	163.1	138.8
Rent	75.3	63.5
Travel and entertainment	53.3	48.0
Information technology	15.8	13.3
Utilities	13.1	11.3
Communication	11.0	10.4
Stationery and office supplies	10.4	9.4
Maintenance and repairs	9.9	8.4
Fees and royalties	9.7	8.4
Insurance	9.4	5.8
Consulting services	9.1	11.5
Bank charges	3.9	3.9
Legal services	3.7	3.4
Professional fees	2.5	2.8
Research and development	2.5	2.2
Loss on sale of tangible and intangible assets	0.5	-
Other	14.8	8.8
Total other operating expenses	**549.7**	**469.6**

8. Net finance costs

in CHF millions	2012	2011
Interest income		
Interest income on bank deposits	1.0	1.8
Interest income from ultimate parent and its subsidiaries	-	0.3
Income from financial assets	0.1	-
Financial income	**1.1**	**2.1**
Net foreign exchange transaction losses	(5.6)	(2.2)
Interest expenses		
Interest expenses on bank borrowings	(9.3)	(8.6)
Interest expenses on finance leases	(0.1)	(0.1)
Financial expenses	**(15.0)**	**(10.9)**
Net finance costs	**(13.9)**	**(8.8)**

9. Income tax expenses

in CHF millions	2012	2011
Current income tax	85.2	72.7
Adjustments in respect of current income tax of previous years	(2.7)	0.1
Deferred tax	(3.5)	4.1
Total income tax expenses	**79.0**	**76.9**

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	2012	2011
Profit before tax	288.4	229.2
Applicable income tax based on 24.9% (27.2% in 2011)	71.7	62.3
Different tax rate impact on income tax	0.1	0.4
Tax releases relating to prior years	(2.8)	(0.1)
Impact of tax rate changes	0.8	3.6
Tax effects of WHT/foreign tax not deductible	9.5	8.3
Tax effect on non-deductible expenses	3.5	4.6
Tax effect of income that is not taxable	(4.2)	(3.7)
Tax effects related to tax losses and tax credits	1.5	1.0
Others	(1.1)	0.5
Total income tax expenses	**79.0**	**76.9**

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.

In 2012 and 2011, no income tax was charged/credited relating to components of other comprehensive income.

10. Cash and cash equivalents

in CHF millions	2012	2011
Cash at bank and on hand	200.1	148.6
Short-term deposits	53.5	44.2
Total cash and cash equivalents	**253.6**	**192.8**

The average effective interest rate on short-term bank deposits was 3.06% (2011: 3.01%).

11. Trade receivables

in CHF millions	2012	2011
Trade receivables - gross	1,640.7	1,528.1
Less: provision for doubtful debts	(17.3)	(16.2)
Total trade receivables	**1,623.4**	**1,511.9**

The ageing of trade receivables gross is as follows:

in CHF millions	2012	2011
Not overdue	1,390.1	1,315.9
Up to 3 months overdue	220.4	187.1
Between 3 and 6 months overdue	14.2	11.4
Between 6 and 9 months overdue	7.0	4.1
Between 9 and 12 months overdue	2.1	4.0
More than 12 months overdue	6.9	5.6
Total trade receivables - gross	**1,640.7**	**1,528.1**

The Group does not recognize impairments on receivables which are past due unless there is a recent history of default with the individual customer or there are other indications that the contractually agreed amounts might not be collectible. Movements on the Group provision for impairment of trade receivables are as follows:

in CHF millions	2012	2011
As of January 1	**16.2**	**15.9**
Impairment of accounts receivable	9.2	7.0
Receivables written off	(2.9)	(3.8)
Unused amount reversed	(4.9)	(3.8)
Acquisitions/divestments	(0.2)	1.2
Exchange differences	(0.1)	(0.3)
As of December 31	**17.3**	**16.2**

Provisions for impaired receivables are recognized in selling costs in the income statement (see Note 7).

The maximum exposure to credit risk at the reporting date is the fair value of the amount of total trade receivables. The Group does not hold any collateral as security.

The Group does not hold any pledged trade receivables as per end of 2012 and 2011.

12. Financial assets

in CHF millions	2012	2011
Financial assets available-for-sale at fair value	2.1	2.4
Financial assets available-for-sale at cost	0.9	-
Deposits to third parties	16.1	16.1
Loans to third parties	6.0	7.1
Total financial assets	**25.1**	**25.6**

Details of available-for-sale financial assets are as follows:

in CHF millions	Available-for-sale at fair value	Available-for-sale at cost	Group Total
As of January 1, 2011	**4.7**	**9.2**	**13.9**
Disposals	(1.0)	-	(1.0)
Revaluation	(1.4)	-	(1.4)
Reclassification	-	(9.1)	(9.1)
Exchange differences	0.1	(0.1)	-
As of December 31, 2011	**2.4**	**-**	**2.4**
Additions	-	0.9	0.9
Revaluation	-	-	-
Exchange differences	(0.3)	-	(0.3)
As of December 31, 2012	**2.1**	**0.9**	**3.0**

Financial assets available-for-sale, include principally marketable debt and equity securities and are fair valued at each financial reporting date. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. Investments not traded in active markets and for which fair value cannot be reliably measured are valued at cost. Additions in 2012 relate to the investment of 7.5% in On AG, Zollikon. Upon increase of the Group's shareholding in Maurice Lacroix Group from 19.9% to 51% in 2011, the investment of 19.9% previously classified as financial assets available-for-sale was reclassified to investment in group companies in prior year (see Note 28).

All financial assets available-for-sale are subject to review for impairment at each financial reporting date with any impairment losses being recognized in the income statement. No impairment was recorded in 2012 and 2011.

13. Inventories

in CHF millions	2012	2011
Raw materials	40.7	47.1
Work in progress	7.8	7.1
Finished goods	834.6	775.7
Total inventories - gross	**883.1**	**829.9**
Less: Provision for obsolete and slow moving stock	(34.3)	(37.5)
Total inventories	**848.8**	**792.4**

Details of change in impairment for inventories:

in CHF millions	2012	2011
As of January 1	**37.5**	**34.1**
Acquisitions and disposals	1.0	13.9
Increase in provision for inventories	7.2	4.0
Unused amount reversed	(9.8)	(9.0)
Utilized during the year	(1.3)	(5.0)
Exchange differences	(0.3)	(0.5)
As of December 31	**34.3**	**37.5**

Reversal of inventory write-downs is related to goods carried at fair value less cost to sell that have been sold above their book value during 2012 and 2011.

Details to the basis of valuation:

in CHF millions	2012	2011
Inventories carried at cost	669.3	629.8
Inventories carried at fair value less cost to sell	179.5	162.6
Total inventories	**848.8**	**792.4**

As of December 31, 2012, no inventories have been pledged as security for borrowings (2011: CHF 8.3 million).

14. Intangible assets

in CHF millions	Trademarks [1]	Other intangible assets [2]	Goodwill	Total
As of January 1, 2011	**34.3**	**54.2**	**50.9**	**139.4**
Additions	-	9.7	-	9.7
Reclassifications	(0.2)	0.2	-	-
Acquisitions/divestments	22.5	3.8	9.1	35.5
Disposals	(0.1)	(2.3)	-	(2.4)
Exchange differences	(0.2)	(1.7)	(0.4)	(2.3)
As of December 31, 2011	**56.3**	**64.0**	**59.6**	**179.9**
Accumulated amortization and impairments				
As of January 1, 2011	**(12.0)**	**(35.3)**	**(0.6)**	**(47.9)**
Amortization	(2.3)	(11.2)	-	(13.5)
Reclassifications	0.2	(0.2)	-	-
Acquisitions/divestments	-	(0.3)	-	(0.3)
Disposals	-	0.3	-	0.3
Exchange differences	0.1	0.9	-	1.0
As of December 31, 2011	**(14.0)**	**(45.8)**	**(0.6)**	**(60.4)**
Net book value				
As of January 1, 2011	**22.3**	**18.9**	**50.3**	**91.5**
As of December 31, 2011	**42.3**	**18.2**	**59.0**	**119.5**
As of January 1, 2012	**56.3**	**64.0**	**59.6**	**179.9**
Additions	0.1	5.7	-	5.8
Acquisitions/divestments	-	(0.2)	15.9	15.7
Disposals	(0.8)	(2.1)	-	(2.9)
Exchange differences	0.1	(0.2)	0.1	-
As of December 31, 2012	**55.7**	**67.2**	**75.6**	**198.5**
Accumulated amortization and impairments				
As of January 1, 2012	**(14.0)**	**(45.8)**	**(0.6)**	**(60.4)**
Amortization	(2.9)	(8.5)	-	(11.4)
Acquisitions/divestments	-	0.2	-	0.2
Disposals	0.6	2.1	-	2.7
Exchange differences	(0.1)	0.6	(0.1)	0.4
As of December 31, 2012	**(16.4)**	**(51.4)**	**(0.7)**	**(68.5)**
Net book value				
As of January 1, 2012	**42.3**	**18.2**	**59.0**	**119.5**
As of December 31, 2012	**39.3**	**15.8**	**74.9**	**130.0**

[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.

Impairment tests for goodwill

Goodwill impairment reviews have been conducted for all goodwill items. Goodwill of CHF 33.6 millions relates to the reverse acquisition of SiberHegner Group in 2002 which resulted in the formation of DKSH. It has been allocated to the Group's cash-generating units (CGUs) identified according to country of operation and Business Unit as per date of acquisition. As a result, goodwill of CHF 6.4 million has been allocated to Switzerland, CHF 2.3 million to France, CHF 1.7 million to Germany, CHF 1.2 million to Great Britain, CHF 1.1 million to Malaysia, CHF 4.9 million to Hong Kong and CHF 16.0 million to Japan.

Goodwill from other acquisitions has a net book value of CHF 41.3 million in 2012 (2011: CHF 25.4 million). An amount of CHF 7.8 million (2011: CHF 7.6 million) relates to Malaysia, CHF 6.0 million (2011: CHF 5.9 million) to New Zealand, CHF 11.7 million (2011: CHF 4.3 million) to Australia, CHF 2.3 million (2011: CHF 2.3 million) to Denmark, CHF 1.5 million (2011: CHF 1.6 million) to India, CHF 9.4 million (2011: CHF 0.0 million) to Switzerland and CHF 1.1 million (2011: CHF 1.3 million) to Taiwan. Goodwill in other countries amounts to CHF 1.5 million in 2011 (2011: CHF 2.4 million).

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 or mid-range plans approved by management.

Key assumptions used for value-in-use calculations by regions (grouped as in the segment information note):

in %	Greater China	Malaysia/ Singapore	Others
Net sales growth rate CAGR (2013 - 2017)	5 - 8	5 - 27	7 - 24
Country specific WACC (pre tax)	12 - 14	19	12 - 29
Country specific growth rate terminal value	2 - 3	3	1 - 5

Following the goodwill impairment review based on the above assumptions, no impairment on goodwill was recognized in 2012. Reasonable possible changes to the key assumptions would not result in an impairment.

Regarding items included in other intangible assets no impairments indicators have been identified.

The Group has no intangible assets with indefinite useful lives as of December 31, 2012 and December 31, 2011, other than goodwill.

15. Other receivables

in CHF millions	2012	2011
Current		
Supplier accounts	119.7	93.7
Advances and deposits	36.7	33.8
VAT and other taxes receivable	16.8	15.1
Derivative financial instruments	14.8	14.8
Other current receivables	33.5	38.7
Total other receivables current	**221.5**	**196.1**
Non-current		
Other non-current receivables	3.5	6.1
Total other receivables non-current	**3.5**	**6.1**

All non-current receivables are due within five years from the financial reporting date.

16. Property, plant and equipment

in CHF millions	Land, buildings/ leasehold	Machinery/ tools	Furniture/ fixtures	IT/ comm- unication	Vehicles	Assets under construction	Total
As of January 1, 2011	**80.8**	**61.0**	**74.1**	**55.9**	**15.2**	**2.6**	**289.6**
Additions	10.6	8.7	12.8	0.8	1.3	4.8	39.0
Acquisitions/divestments	16.9	3.1	1.3	-	0.1	-	21.4
Disposals	-	(5.9)	(8.7)	(3.1)	(2.9)	-	(20.6)
Exchange differences	1.7	(1.7)	(1.2)	(0.9)	(0.5)	-	(2.6)
As of December 31, 2011	**110.0**	**65.2**	**78.3**	**52.7**	**13.2**	**7.4**	**326.8**
Accumulated depreciation and impairments							
As of January 1, 2011	**(29.3)**	**(39.7)**	**(48.4)**	**(43.8)**	**(12.3)**	**-**	**(173.5)**
Depreciation	(3.7)	(7.7)	(9.3)	(2.4)	(1.0)	-	(24.1)
Impairments	-	(0.2)	-	-	-	-	(0.2)
Acquisitions/divestments	-	(0.2)	-	(0.1)	-	-	(0.3)
Disposals	-	4.3	7.9	3.1	2.5	-	17.8
Exchange differences	(2.1)	1.3	0.7	0.9	0.4	-	1.2
As of December 31, 2011	**(35.1)**	**(42.2)**	**(49.1)**	**(42.3)**	**(10.4)**	**-**	**(179.1)**
Net book value							
As of January 1, 2011	**51.5**	**21.3**	**25.7**	**12.1**	**2.9**	**2.6**	**116.1**
As of December 31, 2011	**74.9**	**23.0**	**29.2**	**10.4**	**2.8**	**7.4**	**147.7**
As of January 1, 2012	**110.0**	**65.2**	**78.3**	**52.7**	**13.2**	**7.4**	**326.8**
Additions	10.5	10.2	13.7	6.1	1.2	6.0	47.7
Reclassifications	4.3	1.1	0.2	1.2	0.1	(6.9)	-
Acquisitions/divestments	(13.6)	(23.0)	(0.8)	(0.8)	0.4	(1.1)	(38.9)
Disposals	(4.5)	(4.2)	(8.4)	(7.3)	(0.9)	-	(25.3)
Exchange differences	(7.4)	(0.2)	(0.4)	0.1	-	(0.3)	(8.2)
As of December 31, 2012	**99.3**	**49.1**	**82.6**	**52.0**	**14.0**	**5.1**	**302.1**
Accumulated depreciation and impairments							
As of January 1, 2012	**(35.1)**	**(42.2)**	**(49.1)**	**(42.3)**	**(10.4)**	**-**	**(179.1)**
Depreciation	(4.5)	(7.7)	(11.8)	(6.2)	(1.1)	-	(31.3)
Acquisitions/divestments	5.8	18.7	0.5	0.7	(0.2)	-	25.5
Disposals	1.9	3.1	7.1	7.3	0.7	-	20.1
Exchange differences	6.1	0.1	0.4	-	(0.1)	-	6.5
As of December 31, 2012	**(25.8)**	**(28.0)**	**(52.9)**	**(40.5)**	**(11.1)**	**-**	**(158.3)**
Net book value							
As of January 1, 2012	**74.9**	**23.0**	**29.2**	**10.4**	**2.8**	**7.4**	**147.7**
As of December 31, 2012	**73.5**	**21.1**	**29.7**	**11.5**	**2.9**	**5.1**	**143.8**

No bank borrowings are secured with assets of property, plant and equipment as of December 31, 2012 and December 31, 2011.

During 2012 and 2011 constructions of property, plant and equipment were entirely financed internally and therefore no interest cost on borrowings was capitalized.

Assets under finance lease

in CHF millions	Machinery	Furniture/ fixtures	IT/ communi- cation	Vehicles	Total
As of December 31, 2011					
Cost	1.1	0.2	0.4	0.3	2.0
Accumulated depreciation	(0.3)	(0.1)	(0.1)	(0.2)	(0.7)
Net book value	**0.8**	**0.1**	**0.3**	**0.1**	**1.3**
As of December 31, 2012					
Cost	1.3	-	-	0.1	1.4
Accumulated depreciation	(0.8)	-	-	(0.1)	(0.9)
Net book value	**0.5**	**-**	**-**	**-**	**0.5**

17. Investments in associates

in CHF millions	2012	2011
As of January 1	**3.9**	**2.0**
Additions	20.0	1.5
Income from associates	0.1	0.3
Exchange differences	(0.4)	0.1
As of December 31	**23.6**	**3.9**

The additions in 2012 relate to the Group's investments in Bovet Fleurier SA and Glycine Watch S.A.

The principal investments in associates are:

Company in %	Country of incorporation	2012	2011
Agrofert Norden A/S, Birkerod	Denmark	50.0	50.0
Bovet Fleurier SA, Môitiers	Switzerland	20.0	-
Glycine Watch S.A., Biel	Switzerland	20.2	-
Trumpf China (Hong Kong) Ltd., Hong Kong	Hong Kong	25.1	25.1
ZD Luxury Watches and Accessories Ltd., Basel	Switzerland	50.0	50.0

The investments in Agrofert Norden A/S and ZD Luxury Watches and Accessories Ltd. were classified as investment in associates since the Group only has significant influence due to the specific setup of agreements with the other shareholder.

The following financial information reflects the financial position and performance of the associates. The income the company receives from Trumpf China (Hong Kong) Ltd. reflects a transaction-based fee which is calculated based on net sales. Therefore the income relating to this investment is included in other income. The result the company receives from ZD Luxury Watches and Accessories Ltd. is limited to the joint ventures activity in Asia.

in CHF millions	2012	2011
Assets	96.0	44.7
Liabilities	(60.3)	(24.5)
Equity	35.7	20.2
Net sales	150.4	59.2
Profit	13.5	5.8

18. Interest in joint ventures

The Group has a joint interest in the companies mentioned below:

Company in %	**Country of incorporation**	**2012**	**2011**
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
DKSH Klingelnberg Service Ltd., Shanghai	China	50.0	-
Swisstec Sourcing Ltd., Hong Kong	Hong Kong	50.0	-

In 2012 the Group established Swisstec Sourcing Ltd., a joint venture incorporated in Hong Kong for an investment of CHF 1.4 million and DKSH Klingelnberg Service Ltd. in Shanghai for an investment of CHF 0.4 million.

The following amounts represent the Group’s share of the assets and liabilities and net sales and expenses of the joint ventures as included in the consolidated statement of financial position and income statement:

in CHF millions	2012	2011
Current assets	15.8	11.0
Non-current assets	0.4	0.2
	16.2	**11.2**
Current liabilities	(9.7)	(6.9)
Non-current liabilities	(0.1)	(0.1)
	(9.8)	**(7.0)**
Net assets	**6.4**	**4.2**
Net sales	25.3	22.9
Expenses	(24.0)	(21.8)
Profit after tax	**1.3**	**1.1**

19. Deferred income tax

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

in CHF millions	2012	2011
Deferred tax assets (net)	29.5	27.1
Deferred tax liabilities (net)	(18.7)	(20.6)
Net deferred tax assets	**10.8**	**6.5**

Deferred tax assets (gross):

in CHF millions	2012	2011
As of January 1	**46.2**	**44.9**
Charged to the income statement	(0.7)	(1.7)
Acquisitions/divestments	(0.1)	3.7
Reclassification	-	0.1
Exchange difference	0.6	(0.8)
As of December 31	**46.0**	**46.2**

Deferred tax assets (gross) relating to:

in CHF millions	2012	2011
Trade receivables	18.8	18.0
Inventories	6.2	5.7
Property, plant and equipment	0.9	1.1
Intangible assets	0.5	0.8
Other assets	0.8	0.7
Provisions	0.9	1.3
Tax loss carryforwards	7.6	9.1
Other liabilities	10.3	9.5
Total deferred tax assets	**46.0**	**46.2**

Deferred tax liabilities (gross):

in CHF millions	2012	2011
As of January 1	**39.7**	**29.3**
Charged/(credited) to the income statement	(4.2)	2.4
Acquisitions/divestments	(0.3)	8.3
Exchange difference	-	(0.3)
As of December 31	**35.2**	**39.7**

Deferred tax liabilities (gross) relating to:

in CHF millions	2012	2011
Financial assets	0.3	0.4
Inventories	10.2	10.8
Property, plant and equipment	4.0	5.1
Intangible assets	4.3	5.4
Other assets	1.2	0.8
Provisions	9.1	11.2
Employee benefits	3.7	4.8
Other liabilities	2.4	1.2
Total deferred tax liabilities	**35.2**	**39.7**

Deferred tax assets relating to tax loss carryforwards are recognized to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred income tax assets related to accumulated losses amounting to CHF 79.5 million (2011: CHF 72.5 million) which can be carried forward against future taxable income. These tax losses will expire as follows:

in CHF millions	2012	2011
Expiring next year	7.8	5.6
Expiring in 2 years	9.6	7.7
Expiring in 3 years	7.3	9.5
Expiring in 4 years	21.5	7.2
Expiring in 5 years	11.3	22.7
Expiring later than 5 years	22.0	19.8
Total unrecognized tax losses	**79.5**	**72.5**

20. Borrowings

in CHF millions	2012	2011
Current		
Bank overdraft	5.4	4.5
Bank borrowings	87.6	177.3
Bankers acceptance and promissory notes	25.1	44.7
Lease liabilities	0.4	0.1
Total borrowings current	**118.5**	**226.6**
Non-current		
Bank loans	80.8	43.3
Lease liabilities	0.1	0.9
Total borrowings non-current	**80.9**	**44.2**
Weighted average effective interest rates on borrowings	3.6%	3.7%
Non-current borrowings per maturity		
Between 1 and 5 years	80.9	41.5
Over 5 years	-	2.7
Total borrowings non-current	**80.9**	**44.2**

As of December 31, 2012 the Group has undrawn committed and uncommitted bank borrowings and guarantee facilities amounting to CHF 812.0 million (2011: CHF 612.4 million).

Bank loans and borrowings are entered into locally by individual subsidiaries. As of December 31, 2012 and 2011, besides a five-year CHF 200 million committed credit facility, no single borrowing is individually significant to the Group. Such borrowings are available at commercial terms prevailing in the local environment and are, in instances, subject to standard financial and non-financial covenants.

21. Other payables and accrued expenses

in CHF millions	2012	2011
Accrued expenses third parties	127.5	113.1
Accrued expenses and payables employees	52.9	52.2
VAT and other tax payable	36.2	29.9
Prepayments and deposits received	35.5	37.4
Accrued expenses and payables advertising and promotion suppliers	19.9	15.8
Payables distribution and logistics suppliers	17.7	15.3
Payables for rent, repair and maintenance and tangible assets	8.6	11.4
Derivative liability	5.1	14.8
Prepaid income	2.1	0.8
Other non-trade payables	39.4	29.8
Total other payables and accrued expenses	**344.9**	**320.5**

22. Provisions

in CHF millions	Product warranty	Employee entitlements	Others	Total
Current				
As of January 1, 2011	**1.5**	**0.2**	**4.5**	**6.2**
Additions	0.8	5.7	3.2	9.7
Unused amount reversed	-	-	(1.9)	(1.9)
Utilized in current year	(0.4)	(5.4)	(2.9)	(8.7)
Acquisitions/divestments	0.2	1.9	-	2.1
Exchange differences	-	(0.1)	-	(0.1)
As of December 31, 2011	**2.1**	**2.3**	**2.9**	**7.3**
Additions	3.9	2.0	1.0	6.9
Unused amount reversed	(3.4)	(0.4)	(0.6)	(4.4)
Utilized in current year	(0.5)	(2.3)	(1.9)	(4.7)
Reclassified	-	(1.5)	(0.1)	(1.6)
Exchange differences	0.1	-	0.1	0.2
As of December 31, 2012	**2.2**	**0.1**	**1.4**	**3.7**

in CHF millions	Product warranty	Employee entitlements	Others	Total
Non-current				
As of January 1, 2011	**-**	**3.0**	**2.7**	**5.7**
Additions	-	0.5	0.2	0.7
Unused amount reversed	-	-	(0.2)	(0.2)
Utilized in current year	-	(1.3)	(0.3)	(1.6)
Acquisitions/divestments	-	0.2	0.7	0.9
Exchange differences	-	(0.1)	-	(0.1)
As of December 31, 2011	**-**	**2.3**	**3.1**	**5.4**
Additions	-	-	0.3	0.3
Unused amount reversed	-	-	(0.1)	(0.1)
Utilized in current year	-	(0.5)	(0.5)	(1.0)
Reclassified	-	-	(0.3)	(0.3)
Acquisitions/divestments	-	0.3	-	0.3
Exchange differences	-	(0.3)	(0.1)	(0.4)
As of December 31, 2012	**-**	**1.7**	**2.4**	**4.1**

Product warranty
The Group issues warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision of CHF 2.2 million (2011: CHF 2.1 million) 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 principally relate to litigation cases in various countries. The timing of cash outflow is uncertain.

23. Other non-current liabilities

in CHF millions	2012	2011
Deferred purchase consideration, non-current	15.7	15.2
Other non-current liabilities	3.0	3.1
Total other non-current liabilities	**18.7**	**18.3**

The deferred purchase consideration relates to an acquisition of a business in 2011.

24. Retirement benefit assets and obligations

The Group has defined benefit plans in Switzerland, Japan, Thailand, Taiwan and in the Philippines.

in CHF millions	2012	2011
Present value of funded obligations	(180.1)	(155.4)
Fair value of plan assets	169.5	156.6
(Deficit)/Surplus	**(10.6)**	**1.2**
Present value of unfunded obligations	(10.9)	(11.7)
Unrecognized actuarial losses	21.5	13.0
Net retirement benefit assets recognized in the statement of financial position	**-**	**2.5**
Retirement benefit assets recognized in the statement of financial position	21.5	20.9
Retirement benefit obligations recognized in the statement of financial position	(21.5)	(18.4)

The amounts recognized in the income statement are as follows:

in CHF millions	2012	2011
Current service costs	6.7	5.3
Interest costs	4.2	3.9
Expected return on plan assets	(5.2)	(4.3)
Net actuarial (gain)/loss recognized in year	(0.7)	1.1
Past service costs	(0.1)	0.7
Expense for defined benefit pension plans	**4.9**	**6.7**

As of December 31, 2012, pension plans in Switzerland, Japan and the Philippines were in a surplus situation. The pension plans in Thailand do not foresee a funding requirement and the plans in Taiwan foresee only partial funding.

Actual return on plan assets:

in CHF millions	2012	2011
Expected return on plan assets	5.2	4.3
Actuarial gain/(loss) on plan assets	4.9	(8.3)
Actual return on plan assets	**10.1**	**(4.0)**

The movement in the defined benefit obligation over the year is as follows:

in CHF millions	2012	2011
At the beginning of the year	**167.1**	**149.9**
Current service cost	6.7	5.3
Interest cost	4.2	3.9
Contributions by plan participants	2.8	1.9
Actuarial (gain)/loss	12.9	(1.0)
Benefits paid	(13.0)	(9.9)
Acquisitions/divestments	10.4	16.6
Exchange differences	(0.1)	0.4
At the end of the year	**191.0**	**167.1**

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

in CHF millions	2012	2011
At the beginning of the year	**156.6**	**144.0**
Expected return on plan assets	5.2	4.3
Actuarial gain/(loss)	4.9	(8.3)
Employer contributions	5.4	3.8
Employee contributions	2.8	1.9
Acquisitions/divestments	8.1	19.3
Benefits paid	(12.5)	(8.9)
Exchange differences	(1.0)	0.5
At the end of the year	**169.5**	**156.6**

The Group expects to contribute CHF 5.5 million to its defined benefit pension plans in 2013 (2012: CHF 4.9 million).

Plan assets are composed as follows:

in CHF millions	2012	2011
Cash	1.2	1.9
Equity instruments	47.0	42.1
Debt instruments	95.5	67.6
Real estate	19.1	15.7
Other assets	6.7	29.3
Total	**169.5**	**156.6**

Pension plan assets do not include buildings occupied by the Group, beside one property with a market value of CHF 2.0 millions in the Philippines.

The principal actuarial assumptions used for accounting purposes were:

in %	2012	2011
Discount rate	0.7 - 6.4	1.0 - 7.0
Expected return on plan assets	0.0 - 8.0	1.8 - 8.0
Future salary increases	1.5 - 7.0	1.5 - 7.0
Future pension increases	0.0	0.0 - 2.5

The expected return on assets is calculated based on the strategic asset allocation and the expected return as per asset category.

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

The life expectancy of a pensioner retiring between 62 and 65 on the financial reporting date is as follows:

in years	2012	2011
Male	11.0 - 21.2	11.0 - 21.1
Female	18.0 - 23.9	18.0 - 24.4

Amounts for the current and previous period are as follows:

in CHF millions	2012	2011	2010	2009	2008
Present value of defined benefit obligation	(191.0)	(167.1)	(149.9)	(133.8)	(131.7)
Fair value of plan assets	169.5	156.6	144.0	145.0	137.5
(Deficit)/surplus	**(21.5)**	**(10.5)**	**(5.9)**	**11.2**	**5.8**
Experience adjustments on plan liabilities - (gains)/losses	(0.6)	0.2	4.1	1.4	(3.2)
Experience adjustments on plan assets - gains/(losses)	4.9	(1.6)	2.7	9.4	(27.6)

25. Equity, share capital and treasury shares

	Nominal value in CHF	Common registered shares	Preferred registered shares	Total number of shares
As of January 1, 2011	**10**	**230,451**	**374,341**	**604,792**
Reclassification of IAS 19 shares into IFRS 2	10	13,463	-	13,463
Share split 1:100	0.1	24,391,400	37,434,100	61,825,500
Change preferred shares into common shares	0.1	37,434,100	(37,434,100)	-
Issue of new shares 2011	0.1	921,200	-	921,200
As of December 31, 2011, and January 1, 2012	**0.1**	**62,746,700**	**-**	**62,746,700**
Issue of new shares 2012	0.1	753,215	-	753,215
As of December 31, 2012	**0.1**	**63,499,915**	**-**	**63,499,915**

In 2012, the Group increased its capital by 753,215 shares (2011: 921,200) to serve its share-based long-term incentive plans (LTIPs).

A dividend of CHF 0.65 per common share was paid in 2012 (2011: CHF 4.32 per preferred share and CHF 3.50 per common share). Total dividend payments amounted to CHF 40.8 million (2011: CHF 247.2 million).

The total authorized number of shares (fully paid in) as of December 31, 2012 of DKSH Holding Ltd. is 63,499,915 (2011: 62,746,700) with a par value of CHF 0.10 per share. All issued shares are fully paid in. The Group holds 778 treasury shares as of December 31, 2012 (2011: 13,600).

The Annual General Meeting held on May 17, 2011 approved the Board of Director's proposal to increase conditional share capital by 3,000,000 shares or CHF 0.3 million. As of December 31, 2012, the Company's conditional share capital amounts to 1,325,585 shares (2011: 2,078,800 shares) or CHF 0.1 million (2011: CHF 0.2 million).

The Annual General Meeting held on May 17, 2011 approved to create an authorized share capital of CHF 0.6 million which may be utilized by the Board of Director's at any time until May 17, 2013 by issuing up to 6,000,000 shares. As of December 31, 2012, the Company's authorized share capital amounts to 6,000,000 shares (2011: 6,000,000 shares) or CHF 0.6 million (2011: CHF 0.6 million).

At the Annual General Meeting scheduled for April 16, 2013, a CHF 0.95 (CHF 0.80 ordinary dividend per common registered share and CHF 0.15 extraordinary dividend per common registered share) dividend is to be proposed in respect of 2012 (2011: CHF 0.65). 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, 2013. Dividends payable are not accounted for until they have been ratified at the Annual General Meeting.

At the Annual General Meeting held on May 17, 2011, the shareholders of the Group approved a 100-for-1 share split with a change of nominal value per share from CHF 10 to CHF 0.10 as well as the one-to-one conversion of the preferred shares into common shares.

In addition, the Group transferred its existing IAS 19 LTIP plans to new plans classified under IFRS 2 in 2011. For the plans previously recorded under IAS 19 the Group had solely established a liability to repurchase the issued statutory shares. The transfer of the plans resulted in the elimination of the relating IAS 19 liability and an increase of retained earnings of CHF 32.6 million (1.35 million shares based on nominal value after the split).

Other reserves and retained earnings include statutorily restricted reserves of CHF 133.3 million as of December 31, 2012 (2011: CHF 235.5 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:

in CHF millions	2012	2011
Profit after tax attributable to the shareholders of the Group	201.2	147.1
Weighted average number of shares during the year[1)]	63,296,469	62,204,800
Dilutive shares	1,442,695	1,116,321
Adjusted weighted number of shares applicable to diluted earnings per share	64,739,164	63,321,121

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

[1)] After effect of the share split in 2011 (see Note 25)

27. Share-based payments

Long-Term Incentive Plan (LTIP)

The LTIP provides eligible senior executives with an opportunity to become shareholders of the Group and participate in the future long-term success of the Group. The eligibility to the plan is annually defined by the Nomination & Compensation Committee based on an overall qualitative assessment of the individual's performance.

The LTIP provides the participants with the possibility to receive up to 50% of their annual bonus in restricted shares with a three-year blocking period. For every restricted share, the participant is in addition entitled to receive a certain number of "Performance Share Unit"s (PSU). At vesting date (three years after allocation of the restricted shares), the Board of Directors determines the vesting multiple for the PSU at its full discretion (within the range of between 0.0 and 1.0 shares to be received per PSU) based upon the achieved performance of the Group for that period. Target performance is to result in a 0.5x PSU vesting multiple. Under this plan, 22,383 (2011: 47,409) restricted shares were granted in December 2012 and 2011. For the 2011 grant a DCF pricing valuation was used to determine fair value per restricted share. Key assumptions of the DCF pricing valuation included no account of dividends and the application of an illiquidity discount of 10%.

The total fair value of the grant in 2012 was CHF 1.9 million (2011: CHF 2.4 million). Plan participants started rendering services for the award in January 2012 and 2011, therefore costs of the award have been recognized starting January. Total expense recognized for the period relating to the LTIP amounted to CHF 1.8 million (2011: CHF 1.4 million).

In March 2011, mainly to simplify the incentive structure, the Group decided together with the plan participants to terminate the existing long-term incentive plan and to replace it with fully vested and owned shares. The termination of the existing plan, previously accounted for under IAS 19, immediately lifted the blocking periods on all 1.6 million shares granted under this plan in March 2011. The fair value of the shares vested as per termination date was a total of CHF 38 million, determined by using a valuation model (DCF, no dividends taken into account, illiquidity discount of 24%). The termination led to an increase of share capital of CHF 0.1 million and to an increase in retained earnings of CHF 32.6 million. Total expense recognized in 2011 relating to the termination was CHF 4.3 million.

Within the course of the settlement of the old share-based plans in 2011 and in preparation of the initial public offering (IPO), the Group established restricted shares to retain selected individuals of senior management and to align them with the long-term performance of the Group. It is a one-time grant of immediately fully vested shares which are blocked for a period of five years. This plan is an equity-settled share-based payment transaction. Under this plan, 300,000 shares were granted in June 2011. The valuation was based on a discounted cash flow pricing (DCF) model (no dividends taken into account, with an illiquidity discount of 24%) resulting in a charge in 2011 of CHF 7.1 million.

IPO Execution and Retention Award

In January 2011, the Group established the IPO Execution and Retention Award to provide selected managers with an opportunity to receive shares of DKSH if certain share prices and EBIT targets are achieved, thus providing an incentive for these managers to contribute to the long-term development of share price and Group EBIT. The plan is equity-settled. At grant date (January 2011), a total of 1,134,200 PSUs have been granted. A PSU represents the right to the future transfer of shares. The amount of shares to be received for each PSU ("vesting multiple") depends on the development of share price and EBIT during the vesting period and can be between 0.0 and 2.0 shares per PSU. The awarded PSUs are to vest in three portions; one-third at the time of the IPO, one-third a year after the IPO and one-third two years after the IPO. The vesting multiple depends 50% weighted on the share price multiple and 50% weighted on the EBIT multiple. Vesting of each installment is subject to continued employment. Vesting for the first installment was on 22 March 2012, the lock-up for the installment was 180 days. A DCF pricing valuation was used to determine the fair value per underlying share at grant date. Key assumptions of the DCF pricing valuation included no account of dividends and the application of an illiquidity discount of 36%. The fair value at grant was a total of CHF 17.4 million. Total expense recognized for the period relating to the IPO Execution and Retention Award (equity-settled), was CHF 12.0 million (2011: CHF 10.5 million).

Restricted shares of Board of Directors

Members of Board of Directors received up to 50% of their total compensation (salary, base fees and committee retainers) in restricted shares. The restricted shares are fully vested shares with a blocking period of three years. At the end of February 2012 the Group decided together with the plan participants to cease equity settled compensation for the members of Board of Directors. Since March 2012 the member of Board of Directors receive compensation fully in cash. In March 2012, 12,822 shares (June 2011: 26,300 shares) were granted to the members of the Board of Directors as compensation. To determine the fair value per restricted share with the grant in 2012 and 2011, a discounted cash flow pricing model with an illiquidity discount of 10% (2011: 24%) has been used. The total fair value at grant was CHF 0.4 million (2011: CHF 0.6 million). Total expense recognized for the period related to the restricted shares was CHF 0.1 million (2011: CHF 0.6 million).

Total expense

Total expense recognized for the period relating to share-based payment transactions (all of them equity-settled) amounted to CHF 13.9 million (2011: CHF 23.9 million).

28. Acquisitions and disposals

Acquisitions

During the business year 2012, the Group acquired shares in the following companies:

Company	Country of in-corporation	Legal ownership	Effective date	Consolidation method	Employees
ElectCables Pty. Ltd., Brisbane	Australia	100%	July 1, 2012	Full	25
Clay and Company Limited, Tokyo	Japan	100%	July 10, 2012	Full	16
Staerkle & Nagler AG, Zollikon	Switzerland	100%	November 20, 2012	Full	14

Effective July 1, 2012 the Group acquired 100% of the shares of ElectCables Pty. Ltd., a privately held company based in Australia. ElectCables Pty. Ltd. represents an independent distributor of high quality flexible cables for major industrial applications, including electrical, data, contracting, mining and manufacturing.

Effective July 10, 2012 the Group acquired 100% of the shares of Clay and Company Limited (Clay), a privately held company based in Japan. Clay offers sales and services for technology and lifestyle products in Japan.

Effective November 20, 2012 the Group acquired 100% of the shares of Staerkle & Nagler AG, a privately held company based in Switzerland. Staerkle & Nagler AG is a distributor of a wide range of raw materials mainly used in chemical and food industries.

Total consideration for the companies acquired was CHF 19.0 million.

From the date of acquisition acquired businesses contributed net sales amounting to CHF 15.3 million and a combined profit after tax of CHF 0.5 million. Assuming the businesses had been acquired as of January 1, 2012, the contribution for net sales would have been CHF 49.3 million with a corresponding combined profit after tax of CHF 2.1 million as of December 31, 2012.

The fair value of the identifiable assets and liabilities acquired in 2012 as of the dates of acquisition are:

in CHF millions	**Fair value recognized on acquisition**
Assets	
Cash and cash equivalents	4.0
Trade receivables	8.1
Inventories	4.5
Other current assets	0.5
Property, plant and equipment	0.4
Deferred tax assets	0.8
Other non-current assets	0.3
Liabilities	
Trade payables	(4.7)
Current borrowings	(0.9)
Other current liabilities	(2.8)
Non-current borrowings	(1.0)
Provisions	(0.3)
Deferred tax liabilities	-
Other non-current liabilities	(4.4)
Net assets acquired	**4.5**
Goodwill on acquisitions	15.9
Gain on bargain purchase	(1.4)
Purchase consideration paid in cash	**19.0**
Cash and cash equivalents acquired	(4.0)
Net cash outflow	**15.0**

The fair value of trade receivables amounts to CHF 8.1 million. The gross amount of trade receivables is CHF 8.3 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of CHF 15.9 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 gain on the bargain purchase has been recognized in the consolidated income statement as other income. The gain was due to the fact that the acquired business was in a restructuring/turnaround position.

During the business year 2011 the Group acquired shares in the following companies:

As of July 1, 2011, DKSH Holding purchased an additional 31.1% of Maurice Lacroix Holding AG, Switzerland. As of this date the Group holds 51% of the shares of Maurice Lacroix Holding AG (including the purchase of 19.9% shares in 2008). Based on the shareholder agreement between the Group and the seller the Group has been granted a call option right to purchase an additional 34% (for a total of shares and voting rights of 85%) in 2016 for an agreed maximum price or at net asset value and the seller has been granted a put option right to sell the shares at net asset value at the end of each year until 2016 or for the agreed maximum price at the end of the put option period. According to the terms of these put and call options the Group has present access to the economic benefits of an additional 34% and therefore has effectively acquired an additional 65.1% interest in the subsidiary at acquisition date. Consequently the Group has consolidated the business reflecting non-controlling interest of 15%. The non-controlling interest has been measured at fair value. The fair value estimate is based on the purchase price paid by the Group at acquisition date. The business was privately held and specialized in the production of watches.

As of October 1, 2011, DKSH New Zealand Ltd. acquired 100% of the shares in Brandlines Limited, New Zealand. The business was privately held and specialized in the distribution of fast moving consumer products.

As of October 1, 2011, DKSH Australia Ltd. and DKSH New Zealand Ltd. purchased assets of Tiger Chemicals Company, in Australia and New Zealand. The business was privately held and specialized in trading specialty chemicals.

From the date of acquisition acquired businesses contributed net sales amounting to CHF 47.9 million and a combined profit after tax of CHF 2.9 million. Assuming the business had been acquired as of January 1, 2011, the contribution for net sales would have been CHF 132.4 million with a corresponding combined profit after tax of CHF 7.9 million as of December 31, 2011.

The fair value of the identifiable assets and liabilities acquired in 2011 as of the dates of acquisition are:

in CHF millions	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	5.7
Trade receivables	22.3
Inventories	59.6
Other current assets	6.5
Intangible assets	26.4
Property, plant and equipment	21.4
Deferred tax assets	3.7
Employee benefits asset	2.6
Liabilities	
Trade payables	(11.5)
Current borrowings	(23.0)
Other current liabilities	(16.4)
Non-current borrowings	(5.1)
Provisions	(1.5)
Deferred tax liabilities	(8.3)
Other non-current liabilities	(4.2)
Net assets acquired	**78.2**
Non-controlling interest at fair value	(5.7)
Goodwill on acquisitions	9.1
Previous interest	(9.1)
Gain on bargain purchase	(22.2)
Gain on remeasuring the previous interest to fair value	(3.7)
Purchase consideration	**46.6**
Deferred purchase consideration	(16.7)
Purchase consideration paid in cash	**29.9**
Cash and cash equivalents acquired	(5.7)
Net cash outflow	**24.2**

Disposals

Effective October 1, 2012 the Group disposed its shareholding in Olic (Thailand) Ltd., a contract manufacturer for pharmaceutical products.

Details on net assets disposed are as follows:

in CHF millions	Carrying value derecognized on disposal
Assets	
Cash and cash equivalents	1.2
Trade receivables	7.7
Inventories	4.6
Other current assets	3.7
Accrued income and prepaid expense	0.1
Property, plant and equipment	13.8
Deferred tax assets	0.9
Liabilities	
Trade payables	(7.8)
Current borrowings	(9.8)
Other current liabilities	(1.8)
Accrued expenses and prepaid income	(1.8)
Employee benefits - Liabilities	(0.4)
Deferred tax liabilities	(0.3)
Other non-current liabilities	(2.5)
Net assets disposed	**7.6**
Recycling of currency translation losses	**7.1**
Net gain on sale of shareholding	**24.7**
Total proceeds from disposal	**39.4**

The total proceeds were received in cash in 2012. In addition to the sale of Olic, the Group recorded gain on sale of shareholding from other transactions in the amount of CHF 0.2 million (2011: CHF 0.1 million).

29. Related party transactions

The following transactions were with related parties:

in CHF millions	2012	2011
Sales of goods and services		
Shareholders	0.2	3.7
Associates	0.3	-
Joint ventures	1.1	0.6
	1.6	**4.3**
Purchases of goods and services		
Shareholders	5.3	5.6
Associates	4.2	-
Joint ventures	0.7	0.7
	10.2	**6.3**
Interest received from related parties		
Shareholders	-	0.3
	-	**0.3**
Corporate fees & royalties		
Shareholders	0.4	0.4
	0.4	**0.4**
Year-end balances arising from related party transactions		
Trade receivables		
Associates	0.2	0.1
Joint ventures	-	0.2
	0.2	**0.3**
Other receivables and prepayments		
Shareholders	-	0.1
Associates	0.1	0.1
Joint ventures	0.5	0.2
	0.6	**0.4**
Trade payables		
Shareholders	0.2	0.4
Joint ventures	-	0.2
	0.2	**0.6**
Other payables		
Shareholders	0.1	0.8
Associates	0.2	0.1
Joint ventures	-	0.7
	0.3	**1.6**

The total remuneration recognized as an expense in the reporting period for the members of the Board of Directors and the Group Management is as follows:

in CHF millions	2012	2011
Group Management	28.3	33.7
Board of Directors	2.1	1.5

The total remuneration recognized as an expense in the reporting period for Group Management includes CHF 13.0 million (2011: CHF 11.7 million) cash-based payments including both salary and awarded incentive-based compensation, CHF 13.3 million (2011: CHF 19.6 million) share-based payments, CHF 0.8 million (2011: CHF 0.9 million) post-employment benefits, and CHF 1.2 million (2011: CHF 1.5 million) other employee benefits.

The total remuneration recognized as an expense in the reporting period for the Board of Directors includes CHF 2.0 million (2011: CHF 0.9 million) cash-based payments and CHF 0.1 million (2011: CHF 0.6 million) share-based payments.

As of December 31, 2012 and 2011, no loans or any other commitments were outstanding to members of the Board of Directors and Group Management.

See Note 27 for more details regarding share-based payments.

30. Contingencies

As of December 31, 2012, the Group has an outstanding corporate guarantee of CHF 12.7 million (2011: CHF 6.6 million) towards Vimedimex which represents a Vietnamese distribution company. The Group assesses it not to be probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Therefore no amount has been recognized in the statement of financial position with regards to this guarantee.

As of December 2010, the Group had an outstanding bank guarantee of USD 2.5 million to PT Taisho Pharmaceuticals Indonesia Tbk which covered liabilities of PT Parazelsus Indonesia. PT Parazelsus Indonesia has been sold to Parazelsus Group in 2009 and changed its name (previously PT DKSH Tunggal Indonesia) upon the transaction. The bank guarantee was counterguaranteed by the parent company of PT Parazelsus Indonesia at the time of the transaction. In 2011, the guarantee has been drawn by Taisho Group, the current owner of the business. The Group has recorded the cash payment to Taisho in other expenses in the profit and loss statement. In the same event the Group has recorded a receivable against the Parazelsus Group for the amount of the counterguarantee. The receivable was settled with a cash payment in 2012.

31. Commitments

There are no capital expenditure commitments, other than those incurred in the ordinary operating business at the financial reporting date not recognized in the financial statements.

Operating lease commitments

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

in CHF millions	2012	2011
Not later than 1 year	57.9	55.1
Later than 1 year and not later than 5 years	119.1	116.9
Later than 5 years	75.8	74.3
Total commitments under operating leases	**252.8**	**246.3**

32. Financial instruments – additional information

The Group is exposed to the market risk from changes in currency exchange rates and interest rates. To manage the volatility relating to these exposures, the Group enters into various derivative transactions according to the Group's policies in areas such as counterparty exposures and hedging practices. Counterparties to these agreements are major international financial institutions. The Group does not hold or issue derivative financial instruments for trading purposes and is not a party to leveraged instruments. The notional amount of derivatives summarized below represents the gross amount of the contracts and includes outstanding transactions as of December 31, 2012.

Net investment hedges

The Group entered into forward foreign exchange contracts which are designated as a hedge of the Group's foreign currency denominated investments in overseas operations. The fair values are calculated by discounting future cash flows arising from the forward foreign exchange contracts using market rates. The hedges are fully effective and there was no ineffectiveness that had to be recognized in the profit and loss statement.

in CHF millions	2012	2011
Net fair value	1.5	6.7
Current assets	1.6	7.2
Current liabilities	(0.1)	(0.5)
Current net assets	**1.5**	**6.7**
Swiss Franc equivalent notional amount of forward exchange contracts	37.6	55.3

Non-designated hedges

The Group entered into forward foreign exchange contract which do not qualify as hedges. The fair values are calculated by discounting future cash flows arising from the forward foreign exchange contracts using market rates. The Group recorded a net loss of CHF 2.2 million (2011: net gain of CHF 1.5 million) in the profit and loss statement, to recognize the difference between the carrying values and fair values of these derivatives.

Foreign exchange contracts

in CHF millions	2012	2011
Current assets	13.2	7.5
Current liabilities	(5.0)	(14.3)
Net fair value of foreign exchange contracts	**8.2**	**(6.8)**
Swiss Franc equivalent notional amount of derivative financial instruments	541.2	551.2

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 that best represents the Group's exposure to credit risk in connection with derivative financial instruments is CHF 14.8 million, being the amount of the derivative assets as of December 31, 2012 (2011: CHF 14.7 million).

Financial instruments by category as of December 31, 2012, are as follows:

in CHF millions	Loans and receivables	Derivatives at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
Trade receivables	1,623.4	-	-	-	1,623.4
Other receivables current	154.1	13.2	1.6	-	168.9
Other receivables non-current	3.5	-	-	-	3.5
Financial assets	22.1	-	-	3.0	25.1
Total	**1,803.1**	**13.2**	**1.6**	**3.0**	**1,820.9**

in CHF millions	Derivatives at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities measured at amortized cost	Total
Borrowings current [1]	-	-	118.1	118.1
Financial lease liabilities	-	-	0.5	0.5
Trade payables	-	-	1,505.6	1,505.6
Other payables	5.0	0.1	67.8	72.9
Other liabilities non-current	-	-	15.7	15.7
Borrowings non-current [1]	-	-	80.8	80.8
Total	**5.0**	**0.1**	**1,788.5**	**1,793.6**

[1] Excluding finance lease liabilities

Financial instruments by category as of December 31, 2011, are as follows:

in CHF millions	Loans and receivables	Derivatives at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
Trade receivables	1,511.9	-	-	-	1,511.9
Other receivables current	147.2	7.5	7.2	-	161.9
Other receivables non-current	6.1	-	-	-	6.1
Financial assets	23.2	-	-	2.4	25.6
Total	**1,688.4**	**7.5**	**7.2**	**2.4**	**1,705.5**

in CHF millions	Derivatives at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities measured at amortized cost	Total
Borrowings current [1]	-	-	226.5	226.5
Financial lease liabilities	-	-	0.1	0.1
Trade payables	-	-	1,354.7	1,354.7
Other payables	14.3	0.5	32.3	47.1
Other liabilities non-current	-	-	15.2	15.2
Borrowings non-current [1]	-	-	44.2	44.2
Total	**14.3**	**0.5**	**1,673.0**	**1,687.8**

[1] Excluding finance lease liabilities

33. Events after financial reporting date

Effective February 28, 2013 the Group acquired 100% of the shares of Miraecare Co, Ltd. (Miraecare), a privately held company based in Korea. Miraecare provides distribution and logistics services for medical device manufacturers in Korea. In 2012 Miraecare generated net sales of CHF 31.0 million. The Group is currently assessing the impact of the acquisition on the Group’s consolidated financial statements.

34. Principal subsidiaries as of December 31, 2012

Company name	Currency	Capital in thousands	Ownership
Holding and management companies			
DKSH Management Ltd., Zurich [1)]	CHF	2,000	100%
Diethelm & Co Ltd., Zurich [1)]	CHF	3,000	100%
Maurice Lacroix Holding AG, Zurich [1)]	CHF	10,000	51%
DKSH China Holding Ltd., Hong Kong [1)]	HKD	20,000	100%
DKSH Corporate Shared Services Center Sdn. Bhd., Kuala Lumpur [1)]	MYR	5,000	100%
DKSH Holdings (Asia) Sdn Bhd; Kuala Lumpur [1)]	MYR	30,000	100%
DKSH Holdings (Malaysia) Bhd., Petaling Jaya	MYR	500,000	74%
DKSH Holding (S) Pte Ltd, Singapore [1)]	SGD	23,703	100%
DKSH Management Pte Ltd, Singapore [1)]	SGD	2,000	100%
Operating companies			
Switzerland			
DKSH Switzerland Ltd., Zurich [1)]	CHF	20,000	100%
DKSH Brush and Apparel Ltd., Zurich [1)]	CHF	8,100	100%
Maurice Lacroix SA, Saignelégier	CHF	1,000	51%
DKSH International Ltd., Zurich [1)]	CHF	500	100%
Medinova AG, Zurich [1)]	CHF	250	100%
Queloz SA, Saignelégier	CHF	50	51%
Asia			
DKSH Australia Pty Ltd, Hallam [1)]	AUD	8,465	100%
DKSH Pharmaceutical (Shanghai) Ltd., Shanghai	CNY	10,000	90%
DKSH Hong Kong Ltd., Hong Kong [1)]	HKD	100,000	100%
DKSH CL (Hong Kong) Ltd. Taiwan Branch, Taipei	HKD	5,000	100%
DKSH India Pvt. Ltd., Bombay-Mumbai [1)]	INR	100,000	100%
DKSH Japan K.K., Tokyo [1)]	JPY	1,600,000	100%
DKSH (Cambodia) Ltd., Phnom Penh [1)]	KHR	4,000,000	100%
DKSH (Korea) Ltd., Seoul [1)]	KRW	30,000,000	100%
DKSH Logistics Ltd., Icheon City [1)]	KRW	900,000	100%
Diethelm & Co. Ltd., Yangon [1)]	MMK	90	100%
Diethelm Services Ltd. (Myanmar) Yangon [1)]	MMK	50	100%

Company name	Currency	Capital in thousands	Ownership
DKSH Resources Sdn. Bhd., Petaling Jaya	MYR	60,000	100%
DKSH Malaysia Sdn Bhd., Petaling Jaya	MYR	50,000	74%
DKSH Distribution (Malaysia) Sdn Bhd., Kuala Lumpur	MYR	50,000	74%
DKSH Technology Sdn. Bhd., Kuala Lumpur [1]	MYR	5,000	100%
Bio-Life Marketing Sdn Shd. Kuala Lampur	MYR	5,000	100%
The Famous Amos Chocolate Chip Cookie Corp (M) Sdn Bhd, Petaling Jaya	MYR	1,000	74%
DKSH Smollan Field Marketing (Malaysia) Sdn Bhd, Kuala Lumpur [1]	MYR	500	51%
Brandlines Limited, Palmerston North	NZD	9,145	100%
DKSH New Zealand Ltd, Mairon [1]	NZD	230	100%
Edward Keller (Philippines) Inc, Manila [1]	PHP	500,000	100%
DKSH Philippines, Inc., Manila [1]	PHP	11,500	100%
DKSH Singapore Pte Ltd, Singapore	SGD	13,998	100%
DKSH Marketing (S) Pte Ltd, Singapore	SGD	4,000	100%
DKSH (Thailand) Ltd, Bangkok [1]	THB	200,000	76%
The United Drug (1996) Co. Ltd., Bangkok [1]	THB	40,000	76%
Diethelm Keller Logistics Ltd., Bangkok	THB	6,000	100%
DKSH Supply Chain Solutions (Taiwan) Ltd., Tao Yuan County [1]	TWD	500,000	99%
DKSH Taiwan Ltd., Taipei [1]	TWD	300,000	100%
Lotus Trading, Ho Chi Minh City	VND	1,300,000	100%
DKSH (China) Co. Ltd., Shanghai	USD	16,800	100%
DKSH Vietnam Co. Ltd., Binh Duong [1]	USD	3,300	100%
Diethelm & Co. Technology Co. Ltd., Ho Chi Minh City [1]	USD	546	100%
Edward Keller (Shanghai) Ltd., Shanghai	USD	200	100%
DKSH Guam, Inc., Dededo	USD	50	100%
Europe			
Maurice Lacroix Uhren und Schmuck GmbH, Pforzheim	EUR	5,000	51%
DKSH GmbH, Hamburg [1]	EUR	3,068	100%
DKSH (France) S.A., Miribel [1]	EUR	2,400	100%
DKSH Great Britain Ltd., Beckenham [1]	GBP	500	100%
Premium Pet Products Norway A/S, Oslo [1]	NOK	100	100%

[1] Direct investments of DKSH Holding Ltd., Zurich

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To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, March 8, 2013

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of DKSH Holding Ltd., which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement and notes (pages 80 to 128), for the year ended December 31, 2012.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements for the year ended December 31, 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

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 paragraph 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 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

Andreas Bodenmann
Licensed audit expert
(Auditor in charge)

Christian Krämer
Licensed audit expert

Financial statements DKSH Holding Ltd.

Income statement

in CHF millions	2012	2011
Income		
Income from investments	132.9	122.2
Financial income	18.8	7.9
Other income	11.6	3.5
Profit from sale of shareholding	31.8	10.6
Total income	**195.1**	**144.2**
Expenses		
Financial expenses	(4.8)	(1.6)
Other operating expenses	(31.5)	(30.5)
Impairment on investments	(1.6)	(1.0)
Loan cancellation	(0.6)	(29.9)
Total expenses	**(38.5)**	**(63.0)**
Profit after tax	**156.6**	**81.2**

Balance sheet

in CHF millions	2012	2011
Assets		
Cash and cash equivalents	100.3	34.4
Treasury shares	-	0.4
Other receivables from Group companies	231.2	236.1
Other receivables from third parties	1.7	8.5
Prepaid expenses	0.9	1.0
Current assets	**334.1**	**280.4**
Investments	402.8	395.4
Loans to Group companies	20.8	22.8
Loan to third parties	6.0	7.3
Intangible assets	-	0.7
Non-current assets	**429.6**	**426.2**
Total assets	**763.7**	**706.6**
Liabilities and Equity		
Payables to third parties	17.1	60.8
Payables to Group companies	9.5	22.6
Accrued expenses	1.9	3.3
Current liabilities	**28.5**	**86.7**
Payables to Group companies	91.7	92.2
Non-current liabilities	**91.7**	**92.2**
Total liabilities	**120.2**	**178.9**
Share capital	6.4	6.3
Legal reserves		
Ordinary legal reserve	96.6	96.6
Reserve from capital contribution [1]	98.5	102.4
Reserve for treasury shares	-	0.4
Retained earnings	285.4	240.8
Profit after tax	156.6	81.2
Total equity	**643.5**	**527.7**
Total equity and liabilities	**763.7**	**706.6**

[1] Includes reserves which are not yet approved by the Swiss tax authorities.

Notes to the financial statements

1. General information

The financial statements of DKSH Holding Ltd. are prepared in accordance with the requirements of the Swiss law (Swiss Code of Obligations).

2. Personnel

The company does not directly employ staff as such services are provided by DKSH Management Ltd., Zurich. The cost charged by DKSH Management Ltd. is recognized in other operating expenses.

3. Contingent liabilities

The total of guarantees and warranties in favor of third parties amounted to CHF 246.6 millions (2011: CHF 240.3 millions) as of December 31, 2012.

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

4. Fire insurance value of property plant and equipment

DKSH Holding Ltd. does not own any property and equipment.

5. Investments

in CHF millions	2012	2011
As of January 1	**395.4**	**370.6**
Net increase/(decrease)	7.4	24.8
As of December 31	**402.8**	**395.4**

The principal direct and indirect subsidiaries held by DKSH Holding Ltd. are included in Note 34 to the Group's consolidated financial statements.

6. Equity

Share capital

	Nominal value in CHF	Common registred shares	Nominal value CHF millions
Balance as of January 1, 2012	**0.1**	**62,746,700**	**6,274,670**
Capital increase	0.1	753,215	75,322
Balance as of December 31, 2012	**0.1**	**63,499,915**	**6,349,992**

Conditional share capital

The Annual General Meeting held on May 17, 2011 approved the Board of Director's proposal to increase conditional share capital by 3,000,000 shares or CHF 0.3 million. As of December 31, 2012, the Company's conditional share capital amounts to 1,325,585 shares (2011: 2,078,800 shares) or CHF 0.1 million (2011: CHF 0.2 million).

Authorized share capital

The Annual General Meeting held on May 17, 2011 approved to create an authorized share capital of CHF 0.6 million which may be utilized by the Board of Director's at any time until May 17, 2013 by issuing up to 6,000,000 shares. As of December 31, 2012, the Company's authorized share capital amounts to 6,000,000 shares (2011: 6,000,000 shares) or CHF 0.6 million (2011: CHF 0.6 million)

Treasury shares

	Number of shares	Total carrying amount[1]
Balance as of January 1, 2011	129,800	0.3
Purchases/Disposals	(116,200)	0.1
Balance as of December 31, 2011	**13,600**	**0.4**
Disposals	(12,822)	(0.4)
Balance as of December 31, 2012	**778**	**-**

[1] In CHF millions.

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.:

Shareholder in %	**2012**
Diethelm Keller Holding Ltd., Switzerland	46.1
FFP Invest SAS, France	6.8
Rainer-Marc Frey, Switzerland	6.3
The Capital Group Companies Inc., United States	3.8

7. Board and executive compensation

In accordance with the Swiss law, additional disclosure related to remuneration paid and accrued for members of the Board of Directors and the Group Management is provided below.

Remuneration of the Board of Directors

The following compensation has been accrued or paid to the current members of the Board of Directors. Information related to the compensation policy is disclosed in the Corporate Governance section.

in '000	Director fees (Cash)	Compensation for committees (Cash)	Fair value of shares 1)	Allowances	Total 2012 2)
Adrian T. Keller	663	-	169	5	837
Rainer-Marc Frey	134	50	33	5	222
Dr. Frank Ch. Gulich	134	-	33	5	172
Andreas W. Keller	134	46	33	5	218
Robert Peugeot	134	-	33	5	172
Dr. Theo Siegert	134	92	33	5	264
Dr. Hans Christoph Tanner	134	75	33	5	247
Dr. Joerg Wolle	141	-	-	5	146
Total	**1,608**	**263**	**367**	**40**	**2,278**

1) Starting March 1, 2012 the Board Compensation is on cash basis only.
2) All amounts are gross amounts (i.e., before deduction of social security and income tax due by the executives). The employer social security contribution is not included.

Shareholdings by members of the Board of Directors

As of December 31, 2012, 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	2012
Adrian T. Keller	54,026
Rainer-Marc Frey	4,009,666
Dr. Frank Ch. Gulich	6,066
Andreas W. Keller	11,466
Robert Peugeot	9,666
Dr. Theo Siegert	71,966
Dr. Hans Christoph Tanner	1,166
Dr. Joerg Wolle	1,318,810
Total	**5,482,832**

Remuneration of the Group Management

in '000	Dr. Joerg Wolle President & CEO [1]	Group Management	Total 2012 [3]
Fixed compensation	1,800	2,945	4,745
Variable compensation - cash	3,337	2,914	6,251
Fair value of restricted shares [2]	-	1,418	1,418
Allowances	125	1,081	1,206
Pension	288	525	813
Total	**5,550**	**8,883**	**14,433**

[1] Highest total compensation.
[2] Share-based payment plans have been disclosed with their fair value at grant date.
[3] All amounts are gross amounts (i.e., before deduction of social security and income tax due by the executives). The employer social security contribution is not included.

Shareholding by members of the Group Management

As of December 31, 2012, the following numbers of shares were held by members of the Group Management and/or parties closely associated with them.

Number of shares held	2012
Dr. Joerg Wolle	1,318,810
Bernhard Schmitt	73,621
Gonpo Tsering	236,176
Martina Ludescher	53,914
Marcel W. Schmid	44,758
Somboon Prasitjutrakul	8,738
Charles Toomey	92,100
Mario Preissler	18,026
Dr. Adrian Eberle	19,188
Total	**1,865,331**

Loans

In 2012 no loans were granted to members of the Board of Directors or the Group Management of DKSH nor to associated parties, and no such loans were outstanding as of December 31, 2012.

8. Risk assessment

DKSH Holding Ltd. is part of the integrated risk management process of the Group. Within this group-wide risk management process the Board of Directors deals with the material risks, assesses the risks according to the Swiss law and discusses appropriate actions, if necessary.

Proposal appropriation of available earnings

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

in CHF	2012
Retained earnings	
Retained earnings brought forward	322,021,846
Capital increase	(75,322)
Transfer from legal reserve for treasury shares	366,837
Profit after tax	156,576,620
Transfer to legal reserve from capital contribution	(36,901,077)
Total available earnings	**441,988,904**
To be carried forward	**441,988,904**
Release and distribution of legal reserve from capital contribution	
Distribution of an ordinary dividend from legal reserve from capital contribution of CHF 0.80 per common registered share (63'499'137 shares are entitled to dividends)	50,799,310
Distribution of an extraordinary dividend from legal reserve from capital contribution of CHF 0.15 per common registered share (63'499'137 shares are entitled to dividends)	9,524,871

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To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, March 8, 2013

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 134 to 137), for the year ended December 31, 2012.

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, 2012 comply with Swiss law and the company's articles of incorporation.

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 paragraph 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

Andreas Bodenmann	Christian Krämer
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

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