Half-Year Report 2014

DKSH

Think Asia. Think DKSH.

Contents

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.

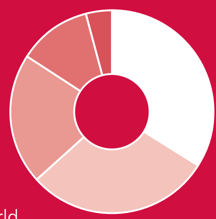
Healthcare
With a product range covering pharmaceuticals, consumer health and over-the-counter health products as well as medical devices, we offer services including product registration, marketing and sales, and physical distribution.

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.

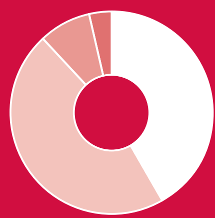
Net sales H1 2014 by region in %

34.0 Thailand
29.6 Greater China
20.8 Malaysia/ Singapore
11.7 Rest of Asia Pacific
3.9 Rest of the world

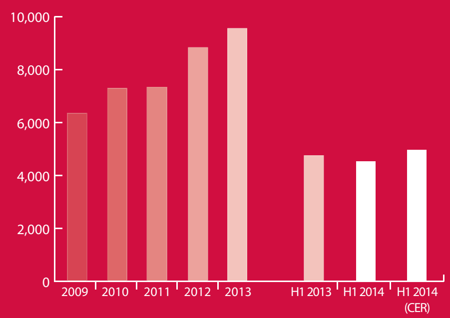


Net sales H1 2014 by Business Unit in %

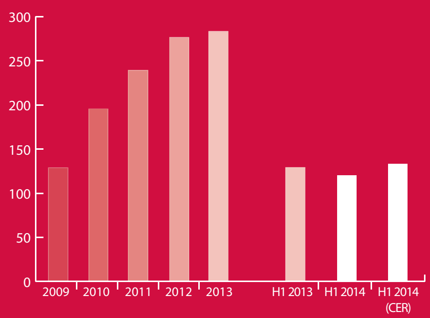
41.8 Consumer Goods
46.4 Healthcare
8.3 Performance Materials
3.5 Technology



Net sales in CHF million (2009 – H1 2014)



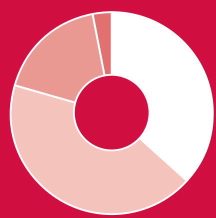
EBIT in CHF million (2009 – H1 2014)[1]



[1] EBIT excl. income of CHF 27.6 million from sale of property in Malaysia in 2013

EBIT H1 2014 by Business Unit in %[2]

36.8 Consumer Goods
42.8 Healthcare
17.6 Performance Materials
2.8 Technology



[2] EBIT excl. segment "Other"

Letter to shareholders

Adrian T. Keller, Chairman (right), and
Dr. Joerg Wolle, President & CEO (left), DKSH Group.

Dear Shareholders,

As the leading Market Expansion Services provider with a focus on Asia, DKSH continued to grow in the first half-year of 2014 at constant exchange rates in a challenging market environment.

We are well aware that for you, the performance of DKSH reported in Swiss francs is of high importance. Against the backdrop of substantial foreign exchange rate depreciations of almost 10% on Group level, we however are presenting our first half-year 2014 results at constant exchange rates. They emphasize DKSH's continued growth and competitive strength. In addition, the focus on constant exchange rates ensures the comparability of our results between the first half-year of 2013 and first half-year of 2014.

In line with our strategy, the focus in the first half-year of 2014 was on organic growth through expanding business with existing clients, multiplying success stories from country to country and new business development. In addition, we further strengthened our business through two bolt-on acquisitions in the markets in Macao and in Spain and Portugal.

Net sales grew by 6.7% at constant exchange rates to CHF 5,071.8 million. Organic growth was 6.0%, while just 0.7 percentage points of net sales growth resulted from M&A activities. The depreciation of Asian currencies impacted net sales in total by 9.6%. Reported in Swiss francs, net sales accordingly reached CHF 4,618.4 million (–2.9% compared to last year).

Despite the challenging political situation in our main market, Thailand, operating profit before interest and taxes (EBIT) at constant exchange rates increased by 1.4% and reached CHF 144.8 million (reported in Swiss francs CHF 131.4 million). Political unrest in Thailand was more profound and enduring than expected at the beginning of the year, resulting in negative economic growth. Over the past months, this caused a temporary lower demand for consumer goods, higher-margin luxury and lifestyle products as well as reduced industrial investments. The military takeover at the end of May, however, helped to stabilize the situation.

Profit after tax has been impacted by profit hedging costs and accordingly reached CHF 99.8 million at constant exchange rates (reported in Swiss francs CHF 91.7 million).

Although net sales grew in the first six months of 2014, free cash flow achieved, at constant exchange rates, CHF 166.7 million thanks to sound working capital management and thereby almost reached the high level of last year (reported in Swiss francs CHF 136.7 million).

We are pleased with the net sales growth achieved in this challenging market environment. At the same time, we continue to implement initiatives to consistently enhance our operational efficiency. Only then can we effectively implement our strategy going forward and efficiently leverage growth opportunities.

DKSH completed two bolt-on acquisitions in the first half-year of 2014. With the takeover of Glory, an established healthcare distributor in Macao, we not only added a direct presence in that market for the Business Unit Healthcare, but also reinforced our position as the leading Market Expansion Services provider for pharmaceuticals, consumer health and medical devices companies in the Greater China region.

With the acquisition of Zeus Química, a top-ranking specialty chemicals distributor in Spain and Portugal, we considerably strengthened our market position in Europe and thereby complemented our market leadership in Asia in June. Zeus Química offers a full range of specialty products for the polymers, paints and coatings, personal care, nutrition and pharmaceutical sectors. Significantly, the company has been able to increase net sales and profitability continuously during the years of financial crisis on the Iberian Peninsula. Through the incorporation of Zeus Química into our DKSH platform, our existing partners and clients can now also utilize our service portfolio on the Iberian Peninsula.

With both acquisitions, DKSH confirms its position as the industry consolidator in the fast-growing but still highly fragmented Market Expansion Services industry.

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.

Following the IPO in 2012 and the enhanced visibility that comes with being a listed company, awareness of DKSH among manufacturers and clients has increased yet again, as has our standing in the market for new talent.

DKSH continued to invest in the skills and training of its employees, its most important asset. At the end of June 2014, DKSH employed 27,159 specialists worldwide, representing an increase of 466 people or 1.7% compared to the year-end of 2013.

Our diversified Board of Directors has been further strengthened. In April 2014, David Kamenetzky, who is currently responsible for Corporate Affairs and Strategic Initiatives on the Executive Board of Mars, Incorporated, became a new board member. His in-depth understanding of the global consumer goods markets, coupled with his outstanding professional career, make him a perfect fit for our company.

From today's perspective, we expect to achieve a 2014 result which is above the record year 2013. This assuming constant exchange rates.

The increasingly difficult political situation in our main market, Thailand, has temporarily resulted in lower demand for consumer goods and in reduced investment activities. While the current situation does not allow for providing an accurate forecast for the year, we are cautiously optimistic. This based on the recently improved consumer confidence index and increased growth forecasts for the Thai economy. The recent weeks can be considered as a potential trend reversal after thirteen months of continuously declining consumer confidence.

The growth outlook for our markets and the attractiveness of our business model remain very good. Because of increased uncertainty and complexity in some Asian markets, clients are increasingly outsourcing sales and distribution of their products in Asia to transparent and reliable partners like DKSH. Demand for our services therefore continues to rise. With our strongly diversified and scalable business model, DKSH is ideally positioned to benefit from the growing middle class, rising inner-Asian trade and increased outsourcing to specialist services providers like DKSH.

Building on these firm foundations and based on current market views, as well as constant exchange rates, DKSH is confident of achieving over a three-year time frame up to 2016 net sales of around CHF 12 billion at a compound annual growth rate (CAGR) of 8%. Within the same timeframe EBIT is expected to grow at a CAGR of 10% to a level of around CHF 380 million, which should translate into profit after tax of some CHF 270 million.

Sincerely yours,

Adrian T. Keller
Chairman

Dr. Joerg Wolle
President & CEO

Key figures

Interim consolidated income statement	At constant exchange rates[1]				
in CHF millions	January – June 2014	Change in %	January – June 2014	Change in %	January – June 2013
Net sales	5,071.8	6.7	4,618.4	(2.9)	4,754.5
Operating profit (EBIT)	144.8	1.4	131.4	(8.0)	142.8
Profit after tax	99.8	(4.9)	91.7	(12.6)	104.9
EBIT margin (in %)	2.9	-	2.8	-	3.0

Interim consolidated statement of financial position			
in CHF millions	June 30, 2014	December 31, 2013	Change in %
Total assets	3,534.1	3,386.6	4.4
Equity attributable to the shareholders of the Group	1,308.0	1,277.2	2.4
Net operating capital (NOC)	1,119.7	1,078.6	3.8
Net cash	203.9	214.4	(4.9)
Return on net operating capital (RONOC) (in %)	23.9	28.4	
Return on equity (ROE) (in %)	14.0	17.9	

Earnings per share			
in CHF	January – June 2014	January – June 2013	Change in %
Basic earnings per share	1.41	1.60	(11.9)
Diluted earnings per share	1.41	1.59	(11.3)

Other			
	June 30, 2014	December 31, 2013	Change in %
Specialists	27,159	26,693	1.7

[1] Constant exchange rates: 2014 figures converted at 2013 exchange rates

Management's discussion and analysis

Summary

As the leading Market Expansion Services provider with a focus on Asia, DKSH continued to grow in the first half-year of 2014 at constant exchange rates in a challenging market environment. All Business Units and major countries positively contributed to net sales growth. Net sales grew by 6.7% at constant exchange rates to CHF 5,071.8 million. Organic growth was 6.0%, while just 0.7 percentage points of net sales growth resulted from M&A activities. The depreciation of Asian currencies impacted net sales in total by 9.6%. Reported in Swiss francs, net sales accordingly reached CHF 4,618.4 million (–2.9% compared to last year). Once again, DKSH was able to successfully extend relationships from country to country and win new clients.

Despite the challenging political situation in our main market, Thailand, operating profit before interest and taxes (EBIT) at constant exchange rates increased by 1.4% and reached CHF 144.8 million (reported in Swiss francs CHF 131.4 million). Political unrest in Thailand was more profound and enduring than expected at the beginning of the year, resulting in negative economic growth. Over the past months, this caused a temporary lower demand for consumer goods, higher-margin luxury and lifestyle products as well as reduced industrial investments. The military takeover at the end of May, however, helped to stabilize the situation.

Profit after tax has been impacted by profit hedging costs and accordingly reached CHF 99.8 million at constant exchange rates (reported in Swiss francs CHF 91.7 million).

Although net sales grew in the first six months of 2014, free cash flow achieved, at constant exchange rates, CHF 166.7 million thanks to sound working capital management and thereby almost reached the high level of last year (reported in Swiss francs CHF 136.7 million).

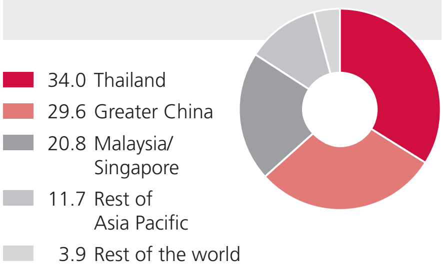
Return on equity (ROE) reached a solid 14.0% (17.0% in H1 2013) and return on net operating capital (RONOC) achieved 23.9% (25.2% in H1 2013).

DKSH continued to invest in the skills and training of its employees, its most important asset. At the end of June 2014, DKSH employed 27,159 specialists worldwide, representing an increase of 466 people or 1.7% compared to the year-end of 2013.

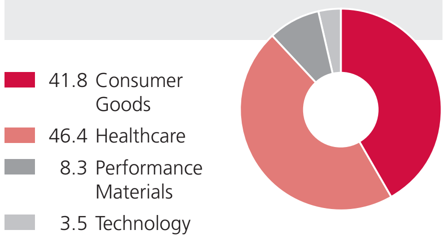
During the first half-year of 2014, DKSH enhanced its infrastructure and capacity to enable further growth. A new distribution center for its Business Unit Healthcare was opened in Shah Alam, Selangor, Malaysia. Strategically located with easy access for fast inbound and outbound transportation, the distribution center will serve more than 13,000 healthcare customers including hospitals, clinics, dental centers, pharmacies and retail outlets throughout Malaysia.

DKSH completed two bolt-on acquisitions in the first half-year of 2014. With the takeover of Glory, an established healthcare distributor in Macao, DKSH not only added a direct presence in that market for the Business Unit Healthcare, but also reinforced its position as the leading Market Expansion Services provider for pharmaceuticals, consumer health and medical devices companies in the Greater China region. With the acquisition of Zeus Química, a top-ranking specialty chemicals distributor in Spain and Portugal, DKSH considerably strengthened its market

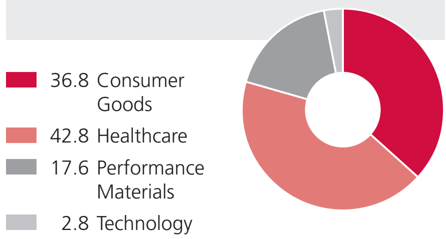
Net sales by region in %



Net sales by Business Unit in %



EBIT by Business Unit[1] in %



[1] EBIT excl. segment "Other"

position in Europe and thereby complemented its market leadership in Asia in June. With both acquisitions, DKSH confirmed its position as the industry consolidator in the fast-growing but still highly fragmented Market Expansion Services industry.

The rise of the middle class in Asia is increasing overall consumption in the ASEAN markets and thereby developing the region into a promising area for expansion. This trend has not gone unnoticed in Japan. After an extended period of Japanese economic stagnation, the new government under the leadership of Prime Minister Abe has been introducing substantial initiatives to bring Japan back onto a path of growth. Supported by fiscal measures to stimulate demand and a monetary easing policy to depreciate the Yen, the Japanese economy is currently discovering emerging Asia as an attractive sales market and is now systematically exploring growth opportunities beyond its borders.

DKSH has nearly a 150-year-long tradition of doing business in and with Japan. Combined with its capillary distribution network and vast experience in working with SMEs in the ASEAN region, DKSH is consequently ideally positioned to support Japanese companies when expanding into South East Asian markets. Hence, we have established a specialized team of local, Japanese-speaking experts who are supporting such companies step-by-step in their expansion plans, both in the domestic market of Japan and in South East Asia.

As a result, DKSH was able to further strengthen its relationships with several Japanese companies, in particular in the healthcare sector.

Consolidated statement of financial position

Total assets grew 4.4% to CHF 3,534.1 million in the first six months of 2014. Tight working capital management resulted in an increase below sales growth at constant exchange rates. Cash and cash equivalents decreased by 7.9% to CHF 298.8 million, as DKSH paid CHF 70.8 million in dividends to shareholders during the first half-year of 2014.

The Group's net cash position slightly reduced by CHF 10.5 million to CHF 203.9 million for the same reason. Thanks to the underlying profit growth, and compared to year-end 2013, total equity increased 2.4% to CHF 1.3 billion, translating into an equity ratio of 38.1% (38.8% at year-end 2013).

Return on net operating capital (RONOC) reached 23.9%, calculated as EBIT versus average of net operating capital (25.2% at half-year 2013).

Cash flow

Free cash flow was CHF 136.7 million (or CHF 166.7 million at constant exchange rates). Net cash from operations, reported in Swiss francs, was CHF 116.6 million, up CHF 30.3 million compared to the first half-year of 2013. The increase was achieved through tight working capital management. For investing activities, the company had a net outflow of CHF 50.3 million, which mainly includes Capex and payments for the acquisitions of Glory and Zeus Química. Cash outflow from financing activities was CHF 93.3 million, including CHF 70.8 million for dividend payments. Cash and cash equivalents at end June 2014 was CHF 298.8 million, a decrease of CHF 25.7 million compared to year-end 2013.

Business Units

Consumer Goods

In 2014, net sales increased by 1.9% to CHF 2.1 billion at constant exchange rates (reported in Swiss francs CHF 1.9 billion). EBIT at constant exchange rates decreased by 17.8% to CHF 65.7 million (reported in Swiss francs CHF 58.7 million).

Lower consumer demand in Thailand during the first half-year of 2014 impacted net sales. Supermarkets and shops in central Bangkok generated lower turnover during the political protests and the number of tourists strongly declined during this period. The positive development of other major markets over-compensated this temporary slowdown, resulting in increased net sales for Business Unit Consumer Goods with constant exchange rates taken into account. Fast moving consumer goods for daily consumption experienced positive development, while demand for premium products declined. However, first signs of a recovery of the economy in Thailand are visible. This based on the recently improved consumer confidence index and increased growth forecasts for the Thai economy.

Additionally, the temporary lower demand for premium products, in particular for higher-margin luxury and lifestyle goods, in both Thailand and China affected Business Unit Consumer Goods' profitability over-proportionally.

DKSH remains however well positioned to benefit from the growing demand for consumer goods by the Asian middle class. Moreover, expanding inner-Asian trade is also a growth driver for DKSH's business model of supporting Asian manufacturers to expand within Asia itself. Last but not least, the trend for companies to outsource non-core activities like product registration, marketing, sales, distribution and cash collection is also supporting growth in Business Unit Consumer Goods.

Healthcare

For Business Unit Healthcare, net sales grew 11.9% at constant exchange rates year-on-year to CHF 2.3 billion, with almost all major countries contributing to this double-digit growth (reported in Swiss francs CHF 2.1 billion). EBIT increased overproportionally by 29.9% at constant exchange rates to a new high of CHF 72.1 million due to strong organic growth with existing clients, multiplying success stories from country to country and new business development (reported in Swiss francs CHF 68.1 million).

DKSH opened a new state-of-the-art healthcare distribution center in Malaysia, demonstrating its dedication to quality and compliance. The facility complies with Good Distribution and Manufacturing Practices and is adhering to strict ISO international standards. The distribution center has established quality assurance benchmarks in Malaysia by being the first services provider to be awarded the Good Distribution Practice for Medical Devices certification, thus strengthening DKSH Malaysia's capabilities and service offerings along the entire value chain.

With the acquisition of Glory, one of the leading healthcare distributors in Macao, DKSH strengthened its Greater China operations by adding a direct presence in Macao. Glory's integration into DKSH's network in the region is anticipated to be successfully completed during the second half of 2014.

The rising Asian middle class is also a growth driver for Business Unit Healthcare as it creates increased demand for pharmaceuticals, over-the-counter healthcare products and medical devices. Moreover, inner-Asian trade is driving Business Unit Healthcare, as seen by the number of Japanese suppliers with whom DKSH is collaborating to help them access Asian markets outside of Japan. Furthermore, against a backdrop of rigorously focusing on their core competencies, increasing numbers of healthcare companies are relying on specialist services providers to expand into new and existing markets. Demand for such outsourcing services is expected to continue growing in Healthcare.

Group

	At constant exchange rates[1]				
in CHF millions	H1 2014	Change in %	H1 2014	Change in %	H1 2013
Net sales	5,071.8	6.7	4,618.4	(2.9)	4,754.5
EBIT	144.8	1.4	131.4	(8.0)	142.8
EBIT margin (in %)	2.9		2.8		3.0

Consumer Goods

	At constant exchange rates[1]				
in CHF millions	H1 2014	Change in %	H1 2014	Change in %	H1 2013
Net sales	2,134.5	1.9	1,932.3	(7.7)	2,094.3
EBIT	65.7	(17.8)	58.7	(26.5)	79.9
EBIT margin (in %)	3.1		3.0		3.8

Healthcare

	At constant exchange rates[1]				
in CHF millions	H1 2014	Change in %	H1 2014	Change in %	H1 2013
Net sales	2,348.8	11.9	2,143.8	2.2	2,098.4
EBIT	72.1	29.9	68.1	22.7	55.5
EBIT margin (in %)	3.1		3.2		2.6

Performance Materials

	At constant exchange rates[1]				
in CHF millions	H1 2014	Change in %	H1 2014	Change in %	H1 2013
Net sales	413.4	4.9	381.7	(3.1)	394.1
EBIT	30.7	5.5	28.0	(3.8)	29.1
EBIT margin (in %)	7.4		7.3		7.4

Technology

	At constant exchange rates[1]				
in CHF millions	H1 2014	Change in %	H1 2014	Change in %	H1 2013
Net sales	175.4	3.2	160.8	(5.4)	169.9
EBIT	4.5	(26.2)	4.5	(26.2)	6.1
EBIT margin (in %)	2.6		2.8		3.6

[1] Constant exchange rates: 2014 figures converted at 2013 exchange rates

Performance Materials

Net sales grew by 4.9% to CHF 413.4 million (reported in Swiss francs CHF 381.7 million) and EBIT increased 5.5% at constant exchange rates to CHF 30.7 million (reported in Swiss francs CHF 28.0 million).

Due to the political unrest in Thailand, industrial production, consumption and exports declined substantially, leading to lower demand for specialty chemicals. In addition, currency-related higher input costs of specialty raw materials sourced in Europe and the US have impacted margins in Japan. While price adjustments in Japan have been successfully implemented step-by-step and the customer base was retained, the full effect of these measures can only be expected in the medium term. At constant exchange rates and despite these factors, Performance Materials realized a strong EBIT margin of 7.4%, equivalent to last year's level and the highest in the Group.

With the acquisition of Zeus Química, a top-ranking specialty chemicals distributor in Spain and Portugal, DKSH considerably strengthened its market position in Europe and thereby complemented its market leadership in Asia in June. Through the incorporation of Zeus Química into the DKSH platform, existing partners and clients can now also utilize DKSH's services portfolio on the Iberian Peninsula.

Based on its services-driven business model with both pan-Asian and European coverage, Performance Materials expanded its cooperation with leading specialty chemicals companies. The focus for the second half-year of 2014 is the roll-out of key clients' business and projects across South East Asia.

Technology

Net sales in Technology increased by 3.2% at constant exchange rates reaching CHF 175.4 million (reported in Swiss francs CHF 160.8 million). EBIT decreased to CHF 4.5 million.

The Business Unit recorded positive top line development across most major markets, despite the difficult environment for capital goods in Thailand where the government and the private sector virtually suspended investment activities. The EBIT decline compared to last year is mainly a result of the postponement of such investment projects in Thailand.

At the end of 2013, DKSH signed an agreement to acquire PT Primatek Technologies, a well-established Indonesian distributor of capital investment goods. This acquisition provided DKSH with a solid basis for market entry into Indonesia with its Business Unit Technology and has meanwhile been successfully integrated into DKSH.

Other (non-Business Unit)

Other expenses, amounting to CHF 27.9 million in the first half-year of 2014 (CHF 27.8 million in H1 2013), are not allocated to Business Units and primarily include corporate services expenses.

Regional performance

Despite the challenging political situation, DKSH's largest country Thailand, grew single-digit at constant exchange rates. The Greater China region grew at a double-digit rate, while Malaysia/Singapore grew at a single-digit rate. DKSH is very well positioned in frontier markets like Myanmar, Cambodia and Laos. These countries are fast-growing and continued strategic investments took place in 2014 to provide additional capacities for offering market entry support to new and existing clients.

Outlook

From today's perspective, DKSH expects to achieve a 2014 result which is above the record year 2013. This assuming constant exchange rates.

The increasingly difficult political situation in our main market, Thailand, has temporarily resulted in lower demand for consumer goods and in reduced investment activities. While the current situation does not allow for providing an accurate forecast for the year, we are cautiously optimistic. This based on the recently improved consumer confidence index and increased growth forecasts for the Thai economy. The recent weeks can be considered as a potential trend reversal after thirteen months of continuously declining consumer confidence.

The growth outlook for our markets and the attractiveness of our business model remain very good. Because of increased uncertainty and complexity in some Asian markets, clients are increasingly outsourcing sales and distribution of their products in Asia to transparent and reliable partners like DKSH. Demand for our services therefore continues to rise. With our strongly diversified and scalable business model, DKSH is ideally positioned to benefit from the growing middle class, rising inner-Asian trade and increased outsourcing to specialist service providers like DKSH.

In addition, selected strategic M&A will allow DKSH to quickly gain critical mass or fill gaps in under-represented areas. Through this approach, DKSH is driving forward the ongoing consolidation of the rapidly growing yet highly fragmented Market Expansion Services industry.

Building on these firm foundations and based on current market views, as well as constant exchange rates, DKSH is confident of achieving over a three-year time frame up to 2016 net sales of around CHF 12 billion at a compound annual growth rate (CAGR) of 8%. Within the same time frame, EBIT is expected to grow at a CAGR of 10% to a level of around CHF 380 million which should translate into profit after tax of some CHF 270 million.

Interim consolidated income statement (unaudited)

in CHF millions (except for earnings per share in CHF)	January – June 2014	January – June 2013
Net sales	4,618.4	4,754.5
Other income	20.3	24.9
Goods and material purchased and consumables used	(3,968.1)	(4,065.2)
Employee benefit expenses	(255.3)	(268.9)
Depreciation, amortization and impairments	(20.3)	(21.7)
Other operating expenses	(266.8)	(281.9)
Share of profit of associates and joint ventures	3.2	1.1
Operating profit (EBIT)	**131.4**	**142.8**
Net finance costs	(5.6)	(0.4)
Profit before tax	**125.8**	**142.4**
Income tax expenses	(34.1)	(37.5)
Profit after tax	**91.7**	**104.9**
Attributable to:		
Shareholders of the Group	91.3	102.3
Non-controlling interest	0.4	2.6
Earnings per share for profit attributable to the shareholders of the Group		
Basic earnings per share	1.41	1.60
Diluted earnings per share	1.41	1.59

Interim consolidated statement of comprehensive income (unaudited)

in CHF millions	January – June 2014	January – June 2013
Profit after tax	**91.7**	**104.9**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Net gains on available-for-sale financial assets, net of tax of CHF 0.1 million	-	0.3
Net investment hedges, net of tax of CHF 0.0 million in current and prior period	(1.2)	0.2
Currency translation differences	8.6	(2.0)
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit plans, net of tax of CHF 0.3 million in current and CHF 1.6 million in prior period	1.4	5.5
Total comprehensive income	**100.5**	**108.9**
Attributable to:		
Shareholders of the Group	99.6	106.3
Non-controlling interest	0.9	2.6

Interim consolidated statement of financial position (unaudited)

in CHF millions	June 30, 2014	December 31, 2013
Cash and cash equivalents	298.8	324.5
Trade receivables	1,606.3	1,606.5
Inventories	942.3	818.5
Prepaid expenses	39.2	28.3
Other receivables	241.8	232.3
Current income tax receivable	7.4	6.7
Current assets	**3,135.8**	**3,016.8**
Intangible assets	161.7	139.3
Other receivables	2.5	2.7
Property, plant and equipment	126.5	127.6
Financial assets	22.9	22.1
Investments in associates and joint ventures	37.4	36.7
Retirement benefit assets	14.5	13.8
Deferred tax assets	32.8	27.6
Non-current assets	**398.3**	**369.8**
Total assets	**3,534.1**	**3,386.6**
Borrowings	35.4	59.9
Trade payables	1,688.7	1,563.9
Current income tax liabilities	21.1	23.7
Other payables and accrued expenses	310.0	304.4
Current provisions	6.6	2.3
Current liabilities	**2,061.8**	**1,954.2**
Borrowings	59.5	50.2
Other non-current liabilities	24.2	22.9
Deferred tax liabilities	16.4	18.9
Non-current provisions	2.9	2.9
Retirement benefit obligations	22.8	22.4
Non-current liabilities	**125.8**	**117.3**
Total liabilities	**2,187.6**	**2,071.5**
Share capital	6.5	6.4
Reserves and retained earnings	1,301.5	1,270.8
Equity attributable to the shareholders of the Group	**1,308.0**	**1,277.2**
Non-controlling interest	**38.5**	**37.9**
Total equity	**1,346.5**	**1,315.1**
Total equity and liabilities	**3,534.1**	**3,386.6**

Interim consolidated statement of changes in equity (unaudited)

in CHF millions	Share capital	Currency translation	Other reserves	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interest	Total equity
As of January 1, 2014 audited	**6.4**	**(178.1)**	**234.2**	**1,214.7**	**1,277.2**	**37.9**	**1,315.1**
Profit after tax	-	-	-	91.3	91.3	0.4	91.7
Other comprehensive income	-	6.9	-	1.4	8.3	0.5	8.8
Total comprehensive income	**-**	**6.9**	**-**	**92.7**	**99.6**	**0.9**	**100.5**
Capital increase for incentive plans	0.1	-	-	(0.1)	-	-	-
Share-based payment transactions	-	-	-	2.0	2.0	-	2.0
Buyout of non-controlling interest	-	-	-	-	-	(0.3)	(0.3)
Dividend	-	-	-	(70.8)	(70.8)	-	(70.8)
As of June 30, 2014	**6.5**	**(171.2)**	**234.2**	**1,238.5**	**1,308.0**	**38.5**	**1,346.5**

in CHF millions							
As of January 1, 2013 audited	**6.4**	**(118.0)**	**234.2**	**1,048.4**	**1,171.0**	**33.4**	**1,204.4**
Adoption of IAS 19 (revised)	-	-	-	(17.3)	(17.3)	-	(17.3)
As of January 1, 2013	**6.4**	**(118.0)**	**234.2**	**1,031.1**	**1,153.7**	**33.4**	**1,187.1**
Profit after tax	-	-	-	102.3	102.3	2.6	104.9
Other comprehensive income	-	(1.8)	-	5.8	4.0	-	4.0
Total comprehensive income	**-**	**(1.8)**	**-**	**108.1**	**106.3**	**2.6**	**108.9**
Share-based payment transactions	-	-	-	4.5	4.5	-	4.5
Acquisition of a subsidiary	-	-	-	-	-	0.7	0.7
Dividend	-	-	-	(60.3)	(60.3)	(1.2)	(61.5)
As of June 30, 2013	**6.4**	**(119.8)**	**234.2**	**1,083.4**	**1,204.2**	**35.5**	**1,239.7**

Interim consolidated cash flow statement (unaudited)

in CHF millions	January – June 2014	January – June 2013
Profit before tax	**125.8**	**142.4**
Non-cash adjustments		
Depreciation, amortization and impairments on		
Property, plant and equipment	15.3	16.1
Intangible assets	5.0	5.6
Share-based payment transaction expense	2.0	4.5
Loss on sale of tangible and intangible assets	-	0.9
Net finance costs	5.6	0.4
Share of profit of associates and joint ventures	(3.2)	(1.1)
Gain on bargain purchase	-	(8.7)
Loss on remeasuring the previous interest to fair value	-	0.3
Change in provisions and other non-current liabilities	5.9	(4.4)
Change in other non-current assets	(2.0)	1.9
Working capital adjustments		
Decrease / (increase) in trade and other receivables and prepayments	7.7	(45.8)
Increase in inventories	(107.2)	(48.2)
Increase in trade and other payables	101.1	68.9
Interest received	0.5	0.4
Interest paid	(2.6)	(3.7)
Taxes paid	(37.3)	(43.2)
Net cash flows from operations	**116.6**	**86.3**
Proceeds from sale of property, plant and equipment	0.7	2.1
Purchase of property, plant and equipment	(11.1)	(17.3)
Purchase of intangible assets	(5.1)	(0.5)
Proceeds from sale of financial assets and dividend received from associates and joint ventures	2.3	0.6
Disposal / (purchase) of financial assets and investments in associates and joint ventures	0.3	(2.4)
Acquisition of subsidiary net of cash	(37.4)	(2.3)
Net cash flows used in investing activities	**(50.3)**	**(19.8)**

in CHF millions	January – June 2014	January – June 2013
Proceeds from current and non-current borrowings	4.8	61.6
Repayment of current and non-current borrowings	(28.5)	(129.2)
Proceeds from issuance of shares	0.1	-
Dividend paid	(70.8)	(60.3)
Net proceeds from net investment hedges	1.1	0.7
Dividend paid to non-controlling interest	-	(1.2)
Net cash flows used in financing activities	**(93.3)**	**(128.4)**
Cash and cash equivalents, as of January 1	**324.5**	**251.4**
Effect of exchange rate changes	1.3	0.7
Net decrease in cash and cash equivalents	(27.0)	(61.9)
Cash and cash equivalents, as of June 30	**298.8**	**190.2**

Notes to the interim consolidated financial statements

1. General information

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

The Group offers any combination of sourcing, marketing, sales, distribution and after-sales services. It provides business partners with expertise as well as on-the-ground logistics based on a comprehensive network of unique size and depth.

Business activities are organized into four specialized Business Units that mirror the Group's fields of expertise: Consumer Goods, Healthcare, Performance Materials and Technology.

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

These interim consolidated financial statements include the consolidated financial statements of the Group and its subsidiaries as of June 30, 2014. They were approved by the Board of Directors on July 29, 2014.

2. Basis of preparation and accounting policies

Basis of preparation

The interim consolidated financial statements for the six months ended June 30, 2014 are prepared in accordance with IAS 34 and should be read in conjunction with the accompanying notes.

The interim consolidated statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS.

Accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013. New standards and interpretations as of January 1, 2014, noted below, had no impact on the financial statements of the Group.

IFRIC 21 "Levies": IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. The adoption of IFRIC 21 had no impact on the Group's financial position or performance, since the Group is not a part of any levy arrangement.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32: These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39: These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group, as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36: These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. The adoption of these amendments has no impact on the consolidated financial statements of the Group, since there is no CGU for which an impairment loss has been recognized or reversed during the period.

3. Segment information

Identification of reportable segments
For management purposes, the Group is organized into Business Units based on their products and services and has four reportable segments as described in the Group's annual financial statements 2013.

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

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

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

Operating segments

January – June 2014

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

January – June 2013

in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Others	Eliminations	Group Total
Net sales third parties	2,093.8	2,097.8	394.0	169.8	(0.9)	-	4,754.5
Net sales intersegment	0.5	0.6	0.1	0.1	0.2	(1.5)	-
Net sales	**2,094.3**	**2,098.4**	**394.1**	**169.9**	**(0.7)**	**(1.5)**	**4,754.5**
EBIT	**79.9**	**55.5**	**29.1**	**6.1**	**(27.8)**		**142.8**
Net finance costs							(0.4)
Profit before tax							**142.4**

4. Acquisitions

New acquisitions

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

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

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

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

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

The fair value of the identifiable assets and liabilities as at the dates of acquisition in 2014 are:

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

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

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

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

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

Prior year acquisitions

During the first six months of 2013, the Group acquired shares in the following companies:

Company	Country of incorporation	Legal ownership	Effective date	Consolidation method	Employees
Miraecare Co., Ltd., Seoul	Korea	100%	February 28, 2013	Full	94
ZD Luxury Watches and Accessories Ltd., Basel	Switzerland	51.0%	June 27, 2013	Full	5
Glycine Watch SA, Biel	Switzerland	52.1%	June 28, 2013	Full	7

Effective February 28, 2013 the Group purchased 100% of the shares of Miraecare Co., Ltd., a privately held company based in Korea. Miraecare Co., Ltd. represents an independent distributor and service provider for international medical technology products.

Effective June 27, 2013 the Group purchased an additional 1.0% of ZD Luxury Watches and Accessories Ltd., a privately held company based in Switzerland. As of this date the Group holds 51.0% of the shares of ZD Luxury Watches and Accessories Ltd. (including the purchase of 50.0% shares in 2011). Consequently, the Group has consolidated this business reflecting non-controlling interest of 49.0%. The non-controlling interest has been measured at fair value which is estimated based on the purchase price paid by the Group at acquisition date. The business is specialized in the production of luxury watches and accessories under the Davidoff brand.

Effective June 28, 2013 the Group purchased an additional 31.9% of the shares of Glycine Watch SA, Switzerland. As of this date the Group holds 52.1% of the shares of Glycine Watch SA (including the purchase of 20.2% in 2012). Based on the shareholder agreement between the Group and the seller, the Group has been granted a call option right to purchase the remaining shares and the seller has been granted a put option to sell the remaining shares for an agreed price based on future earnings targets. According to the terms of these put and call options the Group has present access to the economic benefits of the additional 47.9% and therefore has effectively acquired 100% interest in the subsidiary at acquisition date. The business was privately held and offers a select line of mechanical timepieces in the accessible luxury segment.

From the dates of acquisition, acquired businesses contributed net sales amounting to CHF 10.4 million and a combined profit after tax of CHF 0.2 million. Assuming the businesses had been acquired as of January 1, 2013, the contribution for net sales would have been CHF 17.8 million with a corresponding combined profit after tax of CHF 0.2 million as of June 30, 2013.

The carrying value of previous interests and remeasurements based on acquistions data fair value are:

in CHF millions	
Carrying value of previous interests held in the acquirees	1.6
Acquisition date fair value of the previous interest held	1.3
Loss of remeasuring the previous interest to fair value recognized in other income	0.3

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

in CHF millions	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	6.6
Trade receivables	4.5
Inventories	4.5
Other current assets	1.2
Intangible assets	14.3
Property, plant and equipment	1.1
Other non-current assets	0.6
Liabilities	
Trade payables	(5.5)
Current borrowings	(1.1)
Other current liabilities	(1.4)
Non-current borrowings	(2.7)
Provisions	(0.6)
Deferred tax liabilities	(2.6)
Other non-current liabilities	(0.2)
Net assets acquired	**18.7**
Non-controlling interest at fair value	(0.7)
Goodwill on acquisitions	2.5
Previous interest	(1.6)
Gain on bargain purchase	(8.7)
Loss on remeasuring the previous interest to fair value	0.3
Purchase consideration	**10.5**
Deferred purchase consideration	(1.6)
Purchase consideration paid in cash	**8.9**
Cash and cash equivalents acquired	6.6
Net cash outflow	**(2.3)**

The fair value of trade receivables amounts to CHF 4.5 million. The gross contractual amount of trade receivables is CHF 4.7 million, of which CHF 0.2 million is expected to be uncollectible.

The goodwill of CHF 2.5 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 interim consolidated income statement as other income. The gain on bargain purchase derives from the unique characteristics of the acquired companies.

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

5. Equity

During the first six months of 2014 the Group increased its share capital by 712,134 shares (2013: 786,914 shares) to serve its share-based, long-term incentive plans (LTIP).

There have been no treasury shares transactions in the first six months of 2014 and 2013.

A dividend of CHF 1.10 (CHF 0.95 ordinary dividend per common registered share and CHF 0.15 extraordinary dividend per common registered share) was paid during the 2014 interim period. Total dividend payments amounted to CHF 70.8 million. In 2013 a dividend of CHF 0.95 per share was paid, resulting in total dividend payments of CHF 60.3 million.

6. Events after the reporting period

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

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To the Board of Directors of
DKSH Holding Ltd., Zurich

Zurich, 29 July 2014

Report on the review of interim consolidated financial statements

Introduction

We have reviewed the accompanying interim consolidated financial statements (interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of financial position, interim consolidated statement of changes in equity, interim consolidated cash flow statement and notes, pages 9 to 21) of DKSH Holding Ltd. for the period from 1 January 2014 to 30 June 2014. The Board of Directors is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

Ernst & Young Ltd

Andreas Bodenmann
Licensed audit expert
(Auditor in charge)

Christian Krämer
Licensed audit expert

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