DKSH

# Annual Report 2019

Delivering growth – in Asia and beyond.

# 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 Healthcare, Consumer Goods, Performance Materials and Technology and offer a comprehensive range of Market Expansion Services to business partners in their respective areas.

### Healthcare

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

### Consumer Goods

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

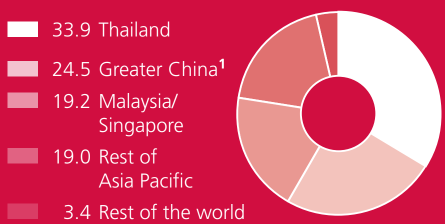
### Performance Materials

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

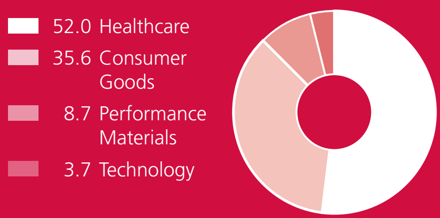
### Technology

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

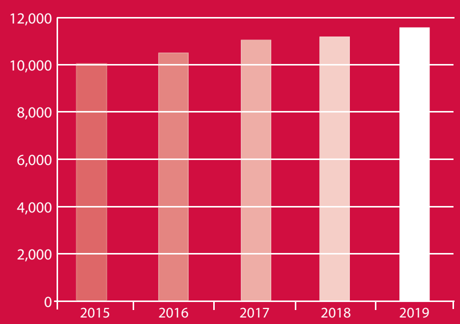
**Net sales 2019 by region in %**



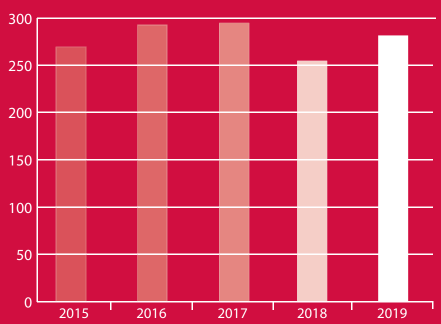

**Net sales 2019 by Business Unit in %**



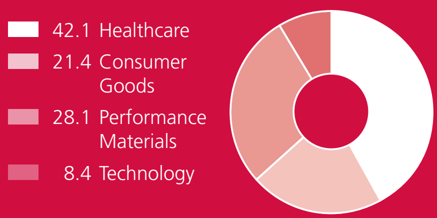

**Net sales in CHF millions (2015-2019)**




**EBIT in CHF millions (2015-2019)[2]**




**EBIT 2019 by Business Unit[3] in %**




1 Thereof Mainland China 1.5%
2 Further financial details can be found on pages 42-44
3 Excl. segment "Other"

# Contents

# Letter to shareholders

Stefan P. Butz, CEO, and Adrian T. Keller, Chairman

Dear shareholders,

In 2019, DKSH achieved further growth for clients and customers. Based on our resilient business model, we mastered unexpected challenges in some core markets and strengthened our leading market position in Asia by strategically developing our four Business Units. Thereby, we laid the foundations for our future success.

Net sales grew by 2.1% to CHF 11.6 billion and operating profit (EBIT) increased by 0.7% to CHF 265.4 million. On an adjusted basis, net sales and EBIT grew by 6.7% and 10.1%, respectively. All four Business Units contributed to this performance.

Excluding the former business in China, Business Unit Healthcare recorded a solid performance with higher sales and operating profit.

In Business Unit Consumer Goods, the good progress made with the restructuring program yielded higher results and the business reached several further milestones. The online business reported sales of more than CHF 100 million for the first time and, after many years, the watch brand Maurice Lacroix reached break-even again.

Business Unit Performance Materials delivered a record year. For the first time, the Unit generated more than CHF 1 billion in net sales and grew EBIT at a double-digit rate. Today, this business contributes almost one third to the Group's profits.

Business Unit Technology achieved higher net sales and EBIT, too. It successfully expanded strategic growth segments, such as scientific instrumentation.

Organic growth remains our highest priority and our focused acquisition strategy delivers additional strategic value. With four closed transactions, 2019 was the most successful year in terms of acquisitions in the company's history.

DKSH has supported clients to expand in Asia for more than 150 years. Over this time, the company has developed from a traditional trading house into the leading Market Expansion Services provider in Asia. Together with our employees, we have now widely implemented this vision.

We are currently launching our new Identity, reflecting our ambition for future growth as well as our corporate purpose to enrich people's lives. As a company, our services give people in Asia access to important daily products, create sustainable value for our partners and generate jobs across the region.

As part of our new Identity, we updated our corporate values: integrity, empowerment, collaboration, entrepreneurship and sustainability. With these core values, we ensure that DKSH will continue its journey to become "ever better" and keep our employees, and their development, at the heart of our culture.

Sustainability is an essential component of our new Identity and we intensified our efforts. We achieved climate neutrality in our founding markets through a new partnership with Plant-for-the-Planet. Since 13 years, we have a proud cooperation with Right to Play in Thailand. Currently, we are expanding this partnership by joining their programs with the Liverpool FC Foundation. Together we improve life-skills, increase community and social cohesion as well as foster better learning environments for children, young people and communities in Thailand.

Over the last two years, we have substantially renewed our Board of Directors. We are pleased that Marco Gadola, an industry expert with deep understanding of Asian markets, joined the Board of Directors, effective January 1, 2020. He will stand for election as Chairman at the next Ordinary General Meeting on March 19, 2020. DKSH will continue to pursue its strategy for sustainable, profitable growth.

In addition, we also continue our progressive dividend policy and – taking into consideration our financial results as well as investment opportunities – the Board of Directors proposes an ordinary dividend of CHF 1.90 per share to the next Ordinary General Meeting. The ordinary dividend would thereby be CHF 0.05 or 2.7% higher than last year. Payment date for the dividend, if approved by the AGM, is set to start on March 25, 2020 (record date: March 24, 2020; ex-dividend date: March 23, 2020).

The intact long-term growth drivers in Asia, our resilient business model and strategic measures initiated in the last years form the foundations of our future success.

Assuming stable market and currency conditions, DKSH expects an adjusted operating profit (EBIT) above previous year.

In line with our new promise "Delivering growth – in Asia and beyond", we look forward to continue cooperating with our partners, employees and you – our shareholders – in 2020. We thank you for your continued commitment and trust over the past year.

Sincerely yours,

Adrian T. Keller
Chairman

Stefan P. Butz
CEO

# DKSH share information

### Share price and market capitalization

| in CHF | 2019 | 2018 |
|---|---|---|
| Share price (end of period)[1] | 52.70 | 67.85 |
| High[1] | 76.10 | 92.65 |
| Low[1] | 45.46 | 61.95 |
| Market capitalization in CHF millions (end of period)[1] | 3,428 | 4,413 |
| Ordinary dividend per share | 1.90[2] | 1.85 |

### Share information

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

### Significant shareholders

| | Number of shares | in % |
|---|---|---|
| Diethelm Keller Holding Ltd., Switzerland | 29,267,730 | 45.0 |
| Matthews Pacific Tiger Fund, USA | 4,039,869 | 6.2 |
| Black Creek Investment Management Inc., Canada | 3,072,239 | 4.7 |

[1] Source: SIX Swiss Exchange
[2] Proposed by the Board of Directors

# Key figures[1]

**Consolidated income statement**

| in CHF millions | 2019 | 2018 | Change in % | At CER[2] Change in % |
|---|---|---|---|---|
| Net sales | 11,579.2 | 11,344.6 | 2.1 | 0.3 |
| Operating profit (EBIT) | 265.4 | 263.6 | 0.7 | (1.3) |
| Profit after tax | 176.1 | 260.3 | (32.3) | (33.9) |

**Consolidated statement of financial position**

| in CHF millions | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Total assets | 5,353.0 | 4,895.4 |
| Equity attributable to the shareholders of the group | 1,774.3 | 1,710.4 |
| Net operating capital (NOC) | 1,459.5 | 1,236.3 |
| Net cash | 312.9 | 473.8 |
| Return on net operating capital (RONOC) (in %) | 19.7 | 21.3 |
| Return on equity (ROE) (in %) | 9.7 | 14.9 |

**Earnings per share**

| in CHF | 2019 | 2018 |
|---|---|---|
| Basic earnings per share | 2.65 | 3.92 |
| Diluted earnings per share | 2.65 | 3.92 |

**Other**

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Specialists | 33,353 | 32,996 |

[1] Further financial details can be found on pages 42-44.
[2] Constant exchange rates (CER): 2019 figures converted at 2018 exchange rates.

# Corporate governance

**In overseeing an international company operating in 36 countries, DKSH's Board of Directors has committed itself to maintaining the highest standards of integrity and transparency in its governance.**

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

This Corporate Governance Report contains the information required by the Directive Relating to Information on Corporate Governance of the SIX Swiss Exchange valid on December 31, 2019, and follows the Directive's structure. The Corporate Governance Report and the Compensation Report also contain the legally required disclosure of compensation and participation rights at the highest corporate level. The principles and rules of Corporate Governance as practiced by the Company are laid down in the Articles of Association and further internal regulations. These are reviewed on a regular basis by the Board of Directors of the Company.

## 1. Structure of the Group and shareholders

### 1.1 Group structure

#### Operational Group structure

The operational structure of the Group corresponds to the segment reporting presented in Note 3 of the Consolidated Financial Statements (page 61) and can be summarized as follows:

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

#### 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, 2019, the Company's market capitalization amounted to CHF 3,428 million (65,042,963 marketable shares at CHF 52.70 per share).

On December 31, 2019, of the total of the Company's share capital on the closing date:

- the free float consisted of 35,775,233 shares = 55.0%, and
- no treasury shares held

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

DKSH Holdings (Malaysia) Berhad, of which the Company holds a 74.3% participation, has its registered office in Petaling Jaya, Malaysia, and its shares are listed on Bursa Malaysia Securities Berhad (Main Market), Malaysia. On December 31, 2019, DKSH Holdings (Malaysia) Berhad's market capitalization amounted to MYR 413.1 million (157,658,076 ordinary shares at MYR 2.62 per share). DKSH Holdings (Malaysia) Berhad shares are traded under the stock name "DKSH," the stock code is 5908 and ISIN is MYL5908OO008.

PT Wicaksana Overseas International Tbk, of which the Company held a 64.9% participation on December 31, 2019, has its registered office in Jl. Ancol Barat VII Blok A5 D No. 2, North Jakarta, 14430, Indonesia, and its shares are listed on Indonesia Stock Exchange (Development Board), Indonesia. On December 31, 2019, PT Wicaksana Overseas International Tbk's market capitalization amounted to IDR 679 billion (1,268,950,977 ordinary shares at IDR 535 per share). PT Wicaksana Overseas International Tbk's shares are traded under the stock name "WICO," the stock code is WICO and ISIN is ID1000066301.

#### Significant Group companies

The principal subsidiaries of the Group are disclosed in Note 35 to the Consolidated Financial Statements (page 98), including particulars as to the country, name of the company, registered office, share capital and the Group's shareholding in percent. Such list includes the most important subsidiaries of the Group based on (i) net sales, (ii) total assets, (iii) headcount and (iv) share capital.

### 1.2 Significant shareholders

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

According to the notifications filed with the Company and SIX Swiss Exchange between and or before January 1 and December 31, 2019, the Company has as of December 31, 2019, the following principal shareholders:

| Shareholders | % of voting rights* |
|---|---|
| Diethelm Keller Holding Ltd., Mühlebachstrasse 20, 8008 Zurich, Switzerland (domicile: Zurich) [1] | 45.0 |
| Matthews Pacific Tiger Fund, 4 Embarcadero Center, Suite 550, San Francisco, 94111 USA | 6.2 |
| Black Creek Investment Management Inc., 123 Front Street, Suite 1200, M5J 2M2, Toronto, Ontario, Canada | 4.7 |

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

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

This overview is given on the basis of the information available to the company as of December 31, 2019.

In addition, information on disclosures by significant shareholders as to the Company under the Swiss Stock Exchange Act until December 31, 2019, can be found on the website of the Swiss Exchange (SIX) under www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

### 1.3 Cross-shareholdings

As of December 31, 2019, 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, 2019, the ordinary share capital of the Company amounts to CHF 6,504,296.30 and is divided into 65,042,963 registered shares with a nominal value of CHF 0.10 each.

### 2.2 Authorized share capital and conditional capital

#### Authorized share capital

As of December 31, 2019, the Company does not have any authorized share capital.

#### Conditional share capital

As of December 31, 2019, the Company's share capital may be increased in the amount of up to CHF 28,253.70 (which would lead to a share capital in the maximum amount of CHF 6,532,550) by issuing up to 282,537 fully paid registered shares with a nominal value of CHF 0.10 each (which would equate to 0.43% of the existing share capital). Such shares may be used for the purpose of employee participation. The Board of Directors determines the issue price as well as the date of the dividend entitlement and resolves on the allocation of the shares pursuant to the relevant participation plan. Shareholders have no pre-emptive rights.

### 2.3 Change in capital over the past three years

The following table provides an overview as to the changes in capital during the years 2017 through 2019.

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| Number of shares, January 1 | 65,042,963 | 65,042,963 | 65,042,963 |
| Share capital in CHF, January 1 | 6,504,296.30 | 6,504,296.30 | 6,504,296.30 |
| Number of shares, change during year | 0 | 0 | 0 |
| Share capital in CHF, change during year | 0 | 0 | 0 |
| Number of shares, December 31 | 65,042,963 | 65,042,963 | 65,042,963 |
| Share capital in CHF, December 31 | 6,504,296.30 | 6,504,296.30 | 6,504,296.30 |

In addition, information about changes in the capital during the years 2018 through 2019 is presented in Note 27 to the Consolidated Financial Statements (page 83).

### 2.4 Shares and participation certificates

As of December 31, 2019, the Company has issued 65,042,963 fully paid in registered shares with a nominal value of CHF 0.10 each. With the exception of the treasury shares held by the Company (if any), each share carries one vote (subject to the relevant shareholder being registered in the share register as a shareholder with voting rights) and each share carries a dividend entitlement. As of December 31, 2019, the Company held no treasury shares.

As of December 31, 2019, 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, 2019, 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 2019.

The shares of the Company are issued as uncertificated securities and registered as intermediated securities. They are included in the SIX SIS clearing system. Transfers of intermediated shares, including the granting of security interests, are subject to the Swiss Intermediated Securities Act (Bucheffektengesetz). The transfer of uncertificated shares is effected by a corresponding entry in the books of a bank or 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 be transferred only with the assistance of the bank that administers the book entries of such shares for the account of the transferring shareholder.

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

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

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

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

In 2019, no such request was made and thus no exception was made.

### 2.7 Convertible bonds and options

As of December 31, 2019, 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, Executive Committee and other Committees

### 3.1 Board of Directors

The following table provides an overview of the Company's Board of Directors (the "Board of Directors") as of December 31, 2019, and changes during 2019:[1]

| Name | Function | Committee Membership | Director since | Expiry date |
|---|---|---|---|---|
| Adrian T. Keller | Chairman (as from 21.3.2019, member before said date) | | 2002 | 2020 |
| Dr. Wolfgang Baier | Member (as from 21.3.2019) | | 2019 | 2020 |
| Jack Clemons | Member (as from 21.3.2019) | • Audit Committee | 2019 | 2020 |
| Dr. Frank Ch. Gulich | Member | • Nomination and Compensation Committee | 2009 | 2020 |
| Andreas W. Keller | Member | • Nomination and Compensation Committee | 2002 | 2020 |
| Prof. Dr. Annette G. Köhler | Member | • Audit Committee | 2018 | 2020 |
| Dr. Hans Christoph Tanner | Member | • Audit Committee (Chair) | 2011 | 2020 |
| Eunice Zehnder-Lai | Member | • Nomination and Compensation Committee (Chair) | 2018 | 2020 |
| David Kamenetzky | Member (up to 21.3.2019) | | 2014 | 2019 |
| Robert Peugeot | Member (up to 21.3.2019) | | 2008 | 2019 |
| Dr. Theo Siegert | Member (up to 21.3.2019) | | 2006 | 2019 |
| Dr. Joerg Wolle | Member (up to 21.3.2019) | | 2002 | 2019 |

[1] Marco Gadola has been elected as a member at the Ordinary General Meeting 2019 per January 1, 2020.

The following are summarized biographies 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 of DKSH since 2002. He was Chairman from 2004 until March 2017 and holds this position again since March 2019. Since 2000, he has been Vice Chairman of Diethelm Keller Holding Ltd., the anchor shareholder of DKSH. Since 1991, he has been Board member (from 1995 on, as Vice Chairman) of Eduard Keller Holding, which in 2000 became Diethelm Keller Holding Ltd., Zurich. From 1990 to 1995, he was Partner at Global Reach, New York, a private equity and investment firm. Between 1983 and 1990, he was Partner at Hoguet, Keller, Wittmann & Co., New York, a NASD registered investment advisor and securities brokerage firm. In addition to holding various family business-related Board seats, Adrian Keller serves on the Board of Directors of Bergos Berenberg Bank AG and is Chairman of Baur & Cie, a private real estate company. On a pro bono basis, he is member of the Board of the Tonhalle Gesellschaft, Zurich, serves on the Advisory Board of the University of St. Gallen and is a member of the Executive Board of the Swiss American Foundation. He is a Trustee of the Asia Society (Global) and Chairman of the Asia Society Switzerland Foundation. He studied economics at the University of St. Gallen in Switzerland and graduated with an MBA (lic. oec. HSG) cum laude in 1976.

**Dr. Wolfgang Baier**
(1974, Austrian)

Wolfgang Baier has been a member of the Board of Directors since 2019. He has been the Group CEO of Luxasia, a leading Asian omni-channel beauty distributor and retailer since August 2016. Prior to that, Dr. Baier was the Group CEO of the Singapore Post Group from 2011 to 2016. Previously, Dr. Baier worked for McKinsey & Company in Europe and Asia from 2001 to 2011. He was a partner at the Singapore office leading the Transportation and Logistics as well as the Operations activities of McKinsey & Company in South East Asia. Dr. Baier has been a member of the Board of Directors of Aramex since 2018. Dr. Baier holds a PhD in Law with distinction from the University of Vienna as well as a Master's degree in Law from the University of Vienna (Austria) and a Master's degree in Business Economics from the Universities of Exeter (UK) and Graz (Austria).

**Jack Clemons**
(1966, Swiss/British)

Jack Clemons has been a member of the Board of Directors since 2019 and is currently a member of the Audit Committee. From 2006 until 2015, Mr. Clemons led the Bata Group, a global manufacturer, wholesaler and retailer of footwear and accessories as Group CEO and previously as Group CFO. Bata has substantial supply chain and sales operations throughout Asia. Before joining Bata, Mr. Clemons founded an international consulting business operating in Europe and the US from 2004 to 2006 and was CFO and COO of the Firstream Group, developing digital and physical sales channels for brands throughout Europe, from 2000 to 2004. Prior to that, he was a partner at Deloitte in France and the USA from 1995 to 2000 and worked as an Audit Supervisor at Touche Ross from 1989 until 1993. Jack Clemons is a non-executive member of the Board of Directors and member of the Audit Committee of Banque Cantonale Vaudoise (BCV) since 2016. He is a member of the International Board of Trustees and Chairman of the Audit & Risk Committee of the World Wide Fund for Nature (WWF) since 2017. Jack Clemons holds a Master's degree with honours from Cambridge University and is a Fellow of the Institute of Chartered Accountants in England & Wales. He also has an MBA from INSEAD, France.

**Marco Gadola** (as of January 1, 2020)
(1963, Swiss)

Marco Gadola has been member of the Board of Directors since January 1, 2020. He was CEO of the Straumann Group from 2013 until end of 2019. Previously, he was the Regional CEO of Asia Pacific at Panalpina from 2012 to 2013 and CFO of Panalpina from 2008 to 2012. From 2006 to 2008, he was CFO of Straumann. Before joining Straumann for the first time in 2006, he was CFO of Hero from 2001 to 2006 and before that worked for Hilti, Sandoz International Ltd. and Swiss Bank Corporation. Marco Gadola is Chairman of the Board of Directors of Calida Group, member of the Board of Medacta, member of the Board of Directors of AVAG Anlage und Verwaltungs AG and a panel member of the Swiss-American Chamber of Commerce. Until December 2019, he was also member of the Board of Directors at Mettler Toledo. In April 2020, he will be proposed as member of the Board of Directors for Straumann. Mr. Gadola holds a degree in business administration and economics from Basel University, Switzerland, and has completed various programs at the London School of Economics and IMD, Lausanne.

**Dr. Frank Ch. Gulich**
(1963, Swiss)

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

**Andreas W. Keller**
(1945, Swiss)

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

**Prof. Dr. Annette G. Köhler**
(1967, German)

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

**Dr. Hans Christoph Tanner**
(1951, Swiss)

Dr. Hans Christoph Tanner has been a member of the Board of Directors since 2011 and currently chairs the Audit Committee. He is CFO of Cassiopea SpA, Lainate, (SIX:SKIN) and member of the Board of Cosmo Pharmaceuticals NV, Dublin (SIX:COPN). Since March 2017, he is member of the Wyss Zurich Evaluation Board. Furthermore, since May 2017, Dr. Tanner is member of the supervisory board of Paion AG, Aachen. From 2006 until May 2016, he was the CFO of Cosmo Pharmaceuticals SA, Luxembourg, and from May 2016 to February 2020 Head of Transactions of Cosmo Pharmaceuticals NV, Dublin (SIX:COPN). From 1998 to 2002, he was with A&A Investment Management, and co-founder and member of the Board of 20 Min Holding and 20 Minuten Schweiz AG. Prior to this, he worked for UBS AG for 21 years, initially as a corporate banker in Zurich, Madrid and Los Angeles and then headed UBS AG's corporate finance and capital markets activities in Zurich from 1992 to 1998. Dr. Hans Christoph Tanner is a member of the Board of Directors of CureVac AG, Tuebingen, Joimax GmbH, Karlsruhe, Qvanteq AG, Zurich, and FARa Holz AG, Zug. He holds a degree in economics (lic. oec. HSG) and a doctorate in economics from the University of St. Gallen, Switzerland.

**Eunice Zehnder-Lai**
(1967, Swiss/Hong Kong)

Eunice Zehnder-Lai has been a member of the DKSH Board of Directors since March 2018 and is currently Chairperson of the Nomination & Compensation Committee. Until November 2018, Eunice Zehnder-Lai was CEO of IPM AG (Institut für Persönlichkeitsorientiertes Management). Previously, she was in the financial services industry for 20 years with LGT Capital Partners, Goldman Sachs and Merrill Lynch in New York, London, Hong Kong and Switzerland. She also worked for Procter & Gamble in marketing and brand management as well as for Booz & Co. in strategy consulting. Eunice Zehnder-Lai is a member of the Board of Directors of Julius Baer Group (since 2019), Geberit Group (since 2017) and Asia Society Switzerland (since 2016). Eunice Zehnder-Lai holds a Masters of Business Administration from Harvard Business School and a Bachelor of Arts degree from Harvard University.

**Information about managerial positions and significant business connections of non-executive directors**
All members of the Board of Directors are non-executive. None of the non-executive members has held a management position within the Group during the last three years.

Adrian T. Keller and Andreas W. Keller are members of the Family Pool and Family Council as described in section 1.2 (Significant shareholders) above and are therefore related to DKH Holding AG and Diethelm Keller Holding AG, the Company's major shareholder. The Group entered into certain related party transactions for the purchase and sale of goods and services with Diethelm Keller Holding AG. Furthermore, the Group's Fantree logo is protected and owned by Diethelm Keller Holding AG. The Group is authorized to use such logo pursuant to a license agreement made between the Group company DKSH International AG and Diethelm Keller Holding AG. Dr. Joerg Wolle was a member of the Board of Directors of Diethelm Keller Holding AG until May 27, 2019.

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

### 3.2 Other activities and functions

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

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

According to article 24 of the Articles of Association, the members of the Board of Directors may hold a maximum of 15 additional mandates in the supreme governing or administrative bodies of legal entities which are required to be registered in the commercial register or in a comparable foreign register and which are not controlled by the Company or which do not control the Company whereby, no member may hold more than eight such mandates in other listed companies. Mandates in separate legal entities under common control are deemed as one mandate. In the event that the maximum number of mandates is exceeded, the respective member of the Board of Directors must restore the lawful status within six months.

### 3.4 Elections and terms of office

Pursuant to article 15 of the Articles of Association and in compliance with the Ordinance, all members of the Board of Directors are elected for a term of one year ending upon due completion of the next Ordinary General Meeting. There are no restrictions with respect to the number of terms of service or the age of the relevant members. The elections are carried out at a General Meeting. Each member of the Board of Directors is (re-)elected individually. The year of initial election and expiry of the term of the members of the Board of Directors are shown next to their names in the table set out in section 3.1 (Board of Directors) above.

### 3.5 Internal organization structure

#### Allocation of tasks within the Board of Directors

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

Quorum and decision-making of the Board of Directors are determined by the Articles of Association. Any internal regulations and policies are reviewed on a regular basis to ensure their continued compliance with the Articles of Association, applicable laws and good corporate governance. The Articles of Association can be found on the Company's website at:
https://www.dksh.com/ch-en/home/about-us/dksh-global/sustainability/governance-risk-and-compliance

## Board Committees

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

### Audit Committee

The Audit Committee consists of two or more members of the Board of Directors who must be non-executive and independent. Its current members are Dr. Hans Christoph Tanner (Chair), Prof. Dr. Annette G. Köhler and Jack Clemons. The Audit Committee has the following powers and duties in relation to the statutory auditors and Group auditors:
(i) reviewing and assessing the effectiveness of the statutory auditors and the Group auditors, in particular their independence from the Company. In connection therewith, it reviews in particular additional assignments given by the Company or its subsidiaries. The Audit Committee may issue binding regulations or directives in connection with such additional assignments;
(ii) reviewing and assessing the scope and plan of the audit, the examination process and the results of the audit and examining whether the recommendations issued by the auditors have been implemented by the Executive Committee;
(iii) reviewing the auditors' reports and discussing their contents with the auditors; and
(iv) approving the terms and conditions of the engagement of the auditors.

Furthermore, it has the following powers and duties in relation to the internal control system (internal audit, risk management and compliance):
(i) monitoring, reviewing and assessing the effectiveness of the internal audit function, its professional qualifications, resources and independence and its cooperation with external audit;
(ii) approving the annual internal audit plan and the annual internal audit report, including the responses of the management thereto;
(iii) assessing the risk management and the procedures related thereto; and
(iv) assessing the state of compliance with laws, regulations and internal rules and policies of the Group and the procedures related thereto.

In addition, the Audit Committee reviews, in cooperation with the auditors, the CEO and the CFO, whether the accounting principles and the financial control mechanism of the Company and its subsidiaries are appropriate in view of the size and complexity of the Group. Furthermore, the Audit Committee has the following powers and duties in relation to the preparation of the financial statements:
(i) reviewing the annual and interim statutory and consolidated financial statements;
(ii) discussing these financial statements with the CFO and, separately, with the Group external auditor for the annual financial statements; and
(iii) making proposals to the Board of Directors with respect to the annual and interim statutory and consolidated financial statements (the responsibility for approving the annual and interim financial statements at the level of the Board of Directors remains with the Board of Directors).

The Audit Committee usually holds five meetings annually. The Chairman of the Board of Directors may take part in the meetings as a guest. Unless otherwise determined by the Audit Committee, the CFO takes part in all meetings, while the Head of Internal Audit is invited as a guest, whenever needed. In 2019, the lead audit partner attended two meetings of the Audit Committee. The Audit Committee's Chairman reports to the other members of the Board of Directors about the topics discussed in detail and decisions made and/or to be submitted to the entire Board of Directors for approval. For an overview of the number of Audit Committee meetings, the average duration and the average attendance, please refer to the section "Work methods of the Board of Directors and its Board Committees" below.

### Nomination and Compensation Committee

The Nomination and Compensation Committee consists of at least three members of the Board of Directors, of which the majority are non-executive and independent. Since the Ordinary General Meeting 2014, the members of the Nomination and Compensation Committee are directly elected by the shareholders for a one-year term. Re-election is possible. In case of vacancies, the Board of Directors shall appoint the substitutes. The Board of Directors designates one member of the Nomination and Compensation Committee as its Chair each year at the first Board of Director's meeting after the Ordinary General Meeting. Accordingly, its current members are Dr. Eunice Zehnder-Lai (Chair), Dr. Frank Ch. Gulich and Andreas W. Keller.

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

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

In line with the principles described in the Articles of Association, the Nomination and Compensation Committee may be entrusted by the Board of Directors with additional tasks.

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

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

### Work methods of the Board of Directors and its Board Committees

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

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

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

The Board of Directors consults external experts on specific topics where necessary, which was not the case in 2019. 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 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 charts on the following two pages provide an overview of the attendance of Board meetings and Board Committee meetings of each member of the Board of Directors and the Executive Committee, and the average meeting time in 2019.

**3.6 Board of Directors and Executive Committee: areas of responsibilities**

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

The Board of Directors has the following non-assignable and inalienable duties:
(i) overall management of the Company and issuance of required directives;
(ii) definition of the organizational structure;
(iii) establishment of principles for accounting, financial controlling and financial planning;
(iv) appointment and removal of the persons entrusted with executive management and representation of the Company, and determination of signatory authorities;
(v) oversight of the persons entrusted with executive management, specifically with regard to compliance with the law, the Articles of Association, regulations and directives;
(vi) preparation of the Annual Report;
(vii) preparation of the Compensation Report and the resolution on the maximum aggregate compensation for annual approval by the General Meeting separately for the Board of Directors and Executive Committee;
(viii) preparation of the General Meeting and the implementation of its resolutions;
(ix) notification of the courts in the event of over-indebtedness;
(x) resolutions on the determination of capital increases and respective amendments to the Articles of Association.

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

The CEO leads the Executive Committee and has, inter alia, the following powers and duties with the right to delegate the performance and implementation of such CEO duties further:
(i) the establishment of a management organization that enables the Group to effectively operate its business in accordance with the strategy approved by the Board of Directors;
(ii) the management and control of the day-to-day business of the Group;
(iii) the issuance of internal rules and regulations for the management – including rules for the organization of the Executive Committee and the preparation, calling and presiding of the meetings of the Executive Committee – and the operations of the Group, to the extent that this is not the responsibility of the Board of Directors;
(iv) the provision of all information and documents necessary to the Board of Directors;
(v) the implementation of the resolutions passed by the Board of Directors or the Board Committees;
(vi) the proposal to the Board of Directors of transactions for its approval or resolution;
(vii) the proposal to the Nomination and Compensation Committee of the appointment and dismissal of members of the Executive Committee;
(viii) the appointment and removal of the top managers other than members of the Executive Committee;
(ix) the implementation of the limits of authority and determination/implementation of amendments thereto, to the extent that such amendments relate to functions directly or indirectly subordinated to the CEO and any material amendments to be subsequently approved by the Board of Directors.

**3.7 Information and control instruments vis-à-vis the Executive Committee**

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

**Attendance per Board meeting through 2019**

| | February 6<br>14:00-17:15 | March 21<br>12:40-13:45 | May 23<br>08:15-17:30 | July 15[1]<br>14:00 -15:00 | September 12 and 13[2]<br>in Singapore | December 10[3]<br>14:00-18:00 | December 11<br>13:30-17:30 |
|---|---|---|---|---|---|---|---|
| Adrian T. Keller<br>(Chairman as from 21.3.2019) | • | • | • | • | • | • | • |
| Dr. Wolfgang Baier<br>(Member as from 21.3.2019) | | • | partially,<br>per telephone | • | • | • | • |
| Jack Clemons<br>(Member as from 21.3.2019) | | • | • | • | • | • | • |
| Dr. Frank Ch. Gulich | • | • | • | • | • | • | • |
| Andreas W. Keller | • | • | • | • | • | • | • |
| Prof. Dr. Annette G. Köhler | • | • | • | • | • | • | • |
| Dr. Hans Christoph Tanner | • | • | • | • | • | • | • |
| Eunice Zehnder-Lai | • | • | until 16:00 | • | • | • | • |
| Dr. Joerg Wolle<br>(Chairman up to 21.3.2019) | • | | | | | | |
| David Kamenetzky<br>(Member up to 21.3.2019) | • | | | | | | |
| Robert Peugeot<br>(Member up to 21.3.2019) | • | | | | | | |
| Dr. Theo Siegert<br>(Member up to 21.3.2019) | • | | | | | | |

1 Via conference call

2 In Singapore: visit of operations and markets on September 12 (09:00-12:00). Meetings on September 12 (13:00-16:45) and 13 (13:00-17:45).

3 Strategy Day

**Attendance Executive Committee Members**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Stefan P. Butz | 15:15-17:15 | | 08:30-17:30 | 14:15-15:00 | •[1] | 14:00-18:00 | 16:00-17:00 |
| Stephen Ferraby | | | | | 14:15-15:00[2] | | |
| Bernhard Schmitt | 15:15-17:15 | | 08:30-17:30 | 14:15-15:00 | •[1] | | 16:00-17:00 |
| Terry Seremetis | | | | | 16:45-17:30[2] | 16:00-16:45 | |
| Laurent Sigismondi | 14:00-17:15 | 12:40-13:45 | 08:15-17:30 | 14:00-15:00 | 13:30-17:45[2] | 14:00-18:00 | 13:30-17:00 |
| Bijay Singh | | | | | | 15:00-16:00 | |

1 Present for both meethings in Singapore: on September 12 (13:00-16:45) and 13 (Stefan P. Butz 14:15-17:45, Bernhard Schmitt 14:15-17:15)

2 At the meeting on September 13 in Singapore

**Attendance per Audit Committee meeting through 2019**

| | January 2[1] 10:00-11:00 | February 6 10:00-13:00 | July 15[2] 13:00-14:00 | September 13[3] 09:30-11:00 | December 11 10:00-12:45 |
|---|---|---|---|---|---|
| Dr. Hans Christoph Tanner (Chair) | • | • | • | • | • |
| Jack Clemons | | | • | • | • |
| Prof. Dr. Annette G. Köhler | • | • | • | • | • |
| Dr. Theo Siegert (Member up to 21.3.2019) | • | • | | | |
| Adrian T. Keller (as guest) | | | | • | • |
| Christian Kraemer (Lead auditor) | | 10:30-11:30 | | | |
| Simon Zogg (Lead auditor) | | | | | 11:00-12:00 |

1 Via conference call
2 Via conference call
3 In Singapore

**Attendance Executive Committee Members**

| | | | | | |
|---|---|---|---|---|---|
| Stefan P. Butz | • | | | | |
| Bernhard Schmitt | • | • | • | • | • |
| Laurent Sigismondi | | | 13:30-13:45 | | 11:00-11:30 |

**Attendance per Nomination and Compensation Committee meeting through 2019**

| | February 6 12:30-14:00 | September 13[1] 11:30-12:30 | December 11 12:00-13:15 |
|---|---|---|---|
| Adrian T. Keller (Chair up to 21.3.2019, as guest after that date) | • | • | • |
| Eunice Zehnder-Lai (Chair as from 21.3.2019) | • | • | • |
| Dr. Frank Ch. Gulich | • | • | • |
| Andreas W. Keller (Member as from 21.3.2019) | | • | • |
| Robert Peugeot (Member up to 21.3.2019) | • | | |

1 In Singapore

**Attendance Executive Committee Members**

| | | | |
|---|---|---|---|
| Stefan P. Butz | • | • | • |

The Board of Directors receives a monthly financial report generated by the Company's management information system. The report comprises consolidated financial information and includes an income statement, balance sheet and cash flow statement, including management performance comments by Business Units and communication of key issues. Members of the Executive Committee may attend meetings of the Board of Directors, if required, and the CFO attends 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, Human Resources (HR), Legal and Compliance. A centralized risk management function actively supports the Audit Committee by focusing on key strategic risks for the Group and its Business Units. These risks are periodically reviewed jointly with the Executive Committee or Business Unit management and reported to the Audit Committee. Additionally, risk management processes are installed in all major country organizations, with a perspective on the local platforms that enable and support the various businesses in a country. Based on the evaluation, a detailed catalog of measures for the most important risks is presented to the Audit Committee in its last meeting during each year, which evaluates the risk matrix resolving a catalog of measures. The most important risks, along with possible measures to prevent and minimize potential damage, are presented to the Board of Directors for consideration and decision-making.

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

## 4. Executive Committee (formerly Senior Executive Team)

The Senior Executive Team has been renamed as the Executive Committee in May 2019. It is no longer made up of two distinct groupings: the Executive Board and Group Management, but be one group of Executive Committee members. The Executive Committee (Geschäftsleitung) is composed of the following members: the CEO, the CFO, the General Counsel, the Head of Corporate Affairs & Strategic Investments, the Chief Information Officer and the Business Units Heads.

**Stefan P. Butz**
Chief Executive Officer

- Digital Business
- Human Resources
- Investor & Media Relations
- Marketing & Branding
- Strategy
- Supply Chain Management

**Laurent Sigismondi**
General Counsel

- Legal
- Governance, Risk and Compliance

**Stephen Ferraby**
Head Corporate Affairs & Strategic Investments

- Country and local market organizations
- Fashion & Apparel
- Mergers & Acquisitions

**Bernhard Schmitt**
Chief Financial Officer

- Accounting & Reporting
- Controlling
- Tax
- Treasury

**Terry Seremetis**
Head Business Unit Consumer Goods

**Bijay Singh**
Head Business Unit Healthcare

**Michael Hutab**
Chief Information Officer

**Thomas Sul**
Co-Head Business Unit Performance Materials

**Natale Capri**
Co-Head Business Unit Performance Materials

**Hanno Elbraechter**
Head Business Unit Technology

**4.1 Members of the Executive Committee**

The following are summarized biographies of the members of the Executive Committee:

**Stefan P. Butz, CEO**
(1968, German)

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

**Bernhard Schmitt, CFO**
(1959, German)

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

**Dr. Natale Capri**
(1970, Italian)

Dr. Natale Capri has been a member of the DKSH Executive Committee and Co-Head of Business Unit Performance Materials since November 2013. Dr. Capri joined the Milan office of DKSH back in 1998 as a Sales Manager for Italy, where from 2001 to 2005 he was responsible for European and American Imaging and Electronic Chemicals. From 2006, he also headed the European Business Line Specialty Chemicals and thereafter, in 2011, became Global Vice President Business Line Specialty Chemicals. Additionally, he held the role of the Head of DKSH India from 2007 to 2011. Still today, he acts as Managing Director of DKSH Italy. Prior to DKSH, he worked for the Italian chemical Group Lamberti from 1995 to 1998. Dr. Capri holds a Doctor degree in Organic Chemistry from the Milan University and an MBA from SDA Bocconi School of Management, Milan.

**Hanno Elbraechter**
(1980, German)

Hanno Elbraechter has been a member of the DKSH Executive Committee and Head of Business Unit Technology since September 2014. In this function, Mr. Elbraechter oversees about 1,670 specialists in 18 countries across Asia. He is also a member of Board of Directors at Datacolor AG (SIX: DCN) since November 2018. Before joining DKSH, he spent more than ten years at Deckel Maho Gildemeister (DMG) from 2004 to 2014. In his last position, he was appointed to CEO Asia of DMG in 2009. Hanno Elbraechter graduated from Ecole de Management (ESC) de Bordeaux, France, and University of Applied Sciences Muenster, Germany.

**Stephen Ferraby**
(1964, Australian)

Stephen Ferraby was appointed Head Corporate Affairs & Strategic Investments and member of the Executive Committee in July 2015, responsible for Mergers & Acquisitions, Country Organizations as well as Fashion & Apparel, Food & Beverage retailing and Luxury & Lifestyle in Asia. He has been Chairman of DKSH Malaysia, which is listed on the Malaysian stock exchange, since May 2017. Mr. Ferraby joined DKSH in 2010 as CFO for DKSH Thailand and was later appointed Head Country Management Team for DKSH Thailand in 2013 and Regional Vice President Finance for eleven countries in 2011. Prior to joining DKSH, Stephen Ferraby held the position of CFO Asia Pacific at CEVA Logistics from 2008 to 2010 and before that was CFO and CEO at a private equity sponsored company from 2006 to 2008. Previously, he spent eleven years from 1995 to 2006 at Exel PLC, six years in the UK and five years in Singapore, and was appointed CFO Asia Pacific in 2001. From 1985 to 1995, he served in the fields of audit, advisory and corporate finance at Ernst & Young in Australia and the United Kingdom. Stephen Ferraby is a member of the Board of Commissioners of Wicaksana Overseas International. Stephen Ferraby holds a Bachelor's degree in Commerce (First Class) from the University of Birmingham, United Kingdom.

**Michael Hutab**
(1975, Swiss)

Michael Hutab has been the Chief Information Officer of DKSH since May 2016 and a member of the Executive Committee since January 2018. He is based in Kuala Lumpur, Malaysia, and is responsible for the Group-wide IT strategy and its implementation, driving forward the Digital Transformation and the continuous improvement of business processes through innovative IT solutions. In addition, Michael Hutab manages DKSH's Corporate Shared Service Center, which comprises the global IT hub, Business Process Operations and the regional People & Organization office, with around 350 employees in total. Before joining DKSH, Michael Hutab was Chief Information Officer of Daetwyler Holding Inc. from 2009 to 2015. He also held several IT and general management positions at OC Oerlikon from 2008 to 2009 and Rio Tinto Alcan from 1998 to 2007. Michael Hutab has a Master of Science degree in Business Administration (Management Information Systems and Information Technology) from the Graduate School of Business Administration Zurich, Switzerland and the University of Wales, UK and holds an Advanced Diploma of Higher Education in Business Information Management.

**Terry Seremetis**
(1966, Australian)

Terry Seremetis joined DKSH as Head Business Unit Consumer Goods and member of the Executive Committee in August 2019. Terry has over 30 years of experience in the consumer goods industry. Prior to joining DKSH, he was General Manager South East Asia & Indian Subcontinent for Mars Wrigley from 2012 to 2019 where he held regional responsibility for 16 countries. He also led Mars Consolidated Distributor Management and RTM best practice in Emerging Markets globally and managed successful transformations for Mars in Europe prior to moving to Asia. Prior to Mars, Terry held senior positions in several consumer goods companies. He was founder and CEO of a private equity startup in Brisbane, Australia from 2008 to 2012 and CEO and Director of a hamper retailer in Australia and New Zealand from 2006 to 2008. Terry has a strong track record in successful business operations, entrepreneurial start-ups, reshaping business models and accelerating business growth, as well as leading successful business integration in turnaround situations. Terry holds a Diploma in Marketing from the University of Technology, Sydney, Australia.

**Laurent Sigismondi**
(1976, Swiss/Italian)

Dr. Laurent Sigismondi has been General Counsel and Secretary of the Board of Directors of DKSH Holding Ltd. since March 2015. He is also a member of the DKSH Executive Committee since July 2019. He heads DKSH's Legal and Governance, Risk & Compliance departments. Before joining DKSH, Laurent Sigismondi was Head of Corporate Law at Novartis from 2011 to 2015 and Legal Counsel at Holcim from 2008 to 2011. Prior to that, he was an attorney-at-law with international Swiss law firms. Laurent Sigismondi is a member of the Board of Directors of RUAG International Ltd. He also teaches Contract Law and Compliance at the University of Fribourg. Furthermore, he is a member of the Executive Committee of the Swiss Association of In-house Counsels (VSUJ) and a member of the Legal and Competition Committees of economiesuisse. Laurent was admitted to the Swiss bar in 2004 and holds a PhD in law (summa cum laude) from the University of Neuchâtel, an Executive MBA from the University of St. Gallen, an LL.M. in International Law from Columbia University as well as an LL.M. in European Law from the College of Europe in Bruges, Belgium.

**Bijay Singh**
(1964, Canadian)

Bijay Singh joined DKSH as Vice President, Global Business Development for Business Unit Healthcare in July 2015. He was designated Global Head Business Unit Healthcare and member of the Executive Committee in July 2017. Bijay Singh has over 25 years of experience in the healthcare industry. From 2004 to 2015, he held various senior positions at Novartis, a leading global Swiss healthcare company. Prior to 2004, Bijay Singh worked in various positions for Eli Lilly in Asia from 1997 to 2003 and in the United States from 1993 to 1996, as well as for two global audit companies between 1987 and 1991. He has lived and worked on four continents and amassed over 15 years of work experience in the healthcare field across Asia. Bijay Singh is an advisor to Pharmarack Technologies. Bijay Singh holds a Bachelor of Business Administration (Hons) from Simon Fraser University, Canada and a Master's degree in Business Administration from Stanford University, California.

**Thomas Sul**
(1965, German/Dutch)

Thomas Sul has been a member of the DKSH Executive Committee and Co-Head of Business Unit Performance Materials since November 2013. He joined DKSH in Germany in 1996 as a Sales Manager in Specialty Chemicals. To this day, he acts as Managing Director of DKSH Germany. From 2003 to 2007, he was a Global Business Line Manager in Specialty Chemicals and thereafter Vice President Europe. Before that, he worked for Beiersdorf AG as a Market and Product Manager from 1990 to 1996. Thomas Sul is the Deputy President of the German Association for chemical distributors (VCH). Thomas Sul holds a Master's degree in Business Administration (Dipl.-Kfm.) from the University of Kiel, Germany.

### 4.2 Other activities and functions

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

### 4.3 External mandates

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

### 4.4 Management contracts

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

## 5. Compensation

For details regarding the compensation and shareholdings of the members of the Board of Directors and of the Executive Committee, please refer to the Compensation Report on page 29.

## 6. Shareholders' participation rights

### 6.1 Voting right restrictions and representation

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

There are no voting right restrictions. Therefore, there are no procedures or conditions for cancelling restrictions and no rules on making exceptions to them. Consequently, no such exceptions were made in 2019, provided, however, that for the discharge of the members of the Board of Directors and of the Executive Committee, shareholders who take part in the Company's management in any manner do not have voting rights.

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

### Independent Shareholder Representative

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

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

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

The Board of Directors determines the procedure and the conditions for the assignment of proxies and instructions to Independent Shareholder Representatives in relation to a General Meeting.

The Board of Directors shall ensure that the shareholders have the opportunity to issue to the Independent Shareholder Representative:
(i) voting instructions on any motion concerning agenda items included in the invitation;
(ii) general voting instructions on agenda items that have not been pre-announced and new agenda items pursuant to Art. 700, para 3, of the Swiss Code of Obligations;
(iii) proxies and instructions also electronically.

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

### 6.2 Statutory quorums

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

### 6.3 Convocation of the General Meeting of shareholders

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

### 6.4 Inclusion of items on the agenda

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

### 6.5 Registrations in the share register

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

## 7. Change of control and defense measures

### 7.1 Duty to make an offer

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

### 7.2 Clauses on changes of control

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

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

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

## 8. Statutory auditors

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

The re-election of Ernst & Young AG, Zurich (EY), as the external statutory auditor of the Company as well as the Group auditor for the business year 2019, was confirmed at the Ordinary General Meeting in 2019 with the declaration of acceptance dated March 21, 2019. The appointment of the auditor is for one year and is renewed annually. EY has been auditors of the Company for nine years. In August 2019, EY has changed its Lead Partner and Mr. Simon Zogg was responsible for the audit since then.

### 8.2 Auditing fees

The fees charged for auditing services for the year 2019 amounted to CHF 2.3 million.

### 8.3 Additional fees

In addition to the auditing fees mentioned above, the statutory auditors charged an amount of CHF 0.2 million in 2019. This included tax services and other audit-related services in various countries.

### 8.4 Informational instruments pertaining to an external audit

The Audit Committee evaluates the performance, fees and independence of the auditors each year according to the following criteria:
(i) quality of the Management Letter;
(ii) global coverage and coordination of the audit instructions;
(iii) meeting the deadlines required to allow the annual results media release to be held on the scheduled date;
(iv) benchmark analysis of the audit fees; and
(v) independence as defined by relevant rules of the Swiss Audit Oversight Act (AOA).

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

Audit-related and material non-audit-related services (e.g. tax services and other consulting services) that are provided by the auditors must be approved in advance by the Audit Committee. In the reporting year, the auditors had various contacts with members of the Executive Committee and particularly the Chief Financial Officer, whom the auditors met several times in the course of the reporting year. The purpose of such meetings was to report on selected topics, such as preparation of meetings with the Audit Committee and status updates on half-year review and full-year closing.

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

| **Additional Fees EY – 2019** | **CHF** |
|---|---|
| **Tax advisory services:** Additional tax support in Australia, China, Denmark, Hong Kong and Latvia | 59,600 |
| **Other audit-related services:** Additional support in Australia, Cambodia, China, India and Switzerland | 181,900 |
| **Total** | **241,500** |

## 9. Information policy

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

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

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

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

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

Management transactions made in 2019 by qualifying members of the Executive Committee or other senior managers, which are required to be disclosed by the Group and published by the SIX Swiss Exchange, may be found at www.six-exchange-regulation.com/en/home/publications/management-transactions.html

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

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

# Compensation report

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

The Compensation report provides an overview of DKSH remuneration principles and programs as well as information about the method of determination of compensation. Further, this report includes details around the compensation of the members of the Board of Directors and of the Executive Committee related to the business year 2019.

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

## DKSH's compensation philosophy and principles

In order to ensure DKSH's success in a highly competitive global business environment with a focus on Asia, it is vital to attract, develop and retain internationally-oriented, successful and engaged employees. The compensation principles are designed to:
(i) provide appropriate reward in a competitive, fast growth business environment;
(ii) support the development of a high performance culture by paying for performance and rewarding outstanding results;
(iii) support sustainable, profitable growth; and
(iv) be globally applicable within a corporate framework.

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

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

DKSH as the leading Market Expansion Services Provider with a focus on Asia does not perform a global benchmarking on compensation as there are no peers to compare with regarding market coverage, complexity and business model.

## Compensation of the members of the Board of Directors

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

In addition, the members of the Board are reimbursed for all reasonable cash expenses that are incurred by them in the discharge of their duties, including reasonable expenses for travelling to and from Board meetings, committee meetings and meetings of the shareholders of the Company. Payments are made in Swiss francs, there were no changes in compensation in the years under review.

## Compensation components for members of the Executive Committee

The compensation for members of the Executive Committee consists of a fixed element (annual fixed salary and employee benefits) and a variable element (annual variable pay and a long-term incentive). Depending on their role, members of the Executive Committee are currently eligible for the following compensation elements:
(i) annual fixed salary;
(ii) annual variable pay;
(iii) long-term incentive; and
(iv) other employee benefits.

## Annual fixed salary

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

## Annual variable pay (AVP)

For the members of the Executive Committee, the annual variable pay is directly linked to the achievement of actual financial results and individual qualitative objectives. Financial KPI (Key Performance Indicators) are set, inter alia, at Group level for EBIT (Earnings before Interest and Taxes), RONOC (Return on Net Operating Capital, twelve months average) and PAT (Profit after Tax). The annual variable pay is derived from these KPIs, following a pre-defined formula that is regularly reviewed by the Nomination and Compensation Com-

For the year 2019, the members of the Board of Directors received the following compensation:

| in CHF thousands | Function | Director fees (Cash) | Compensation for commit-tees (Cash) | Allowances/ Social security contribution[1] | Total[2] |
|---|---|---|---|---|---|
| Adrian T. Keller | Chairman (from 21.03.2019) | 600 | 13 | 11 | 624 |
| Dr. Wolfgang Baier | Member (from 21.03.2019) | 112 | 0 | 10 | 122 |
| Jack Clemons | Member (from 21.03.2019) | 112 | 38 | 10 | 160 |
| Dr. Frank Ch. Gulich | Member | 150 | 30 | 11 | 191 |
| Andreas W. Keller | Member | 150 | 23 | 11 | 184 |
| Prof. Dr. Annette G. Köhler | Member | 150 | 50 | 5 | 205 |
| Dr. Hans Christoph Tanner | Member | 150 | 75 | 11 | 236 |
| Eunice Zehnder-Lai | Member | 150 | 45 | 11 | 206 |
| Dr. Joerg Wolle | Chairman (up to 21.03.2019) | 187 | 0 | 7 | 194 |
| David Kamenetzky | Member (up to 21.03.2019) | 38 | 0 | 4 | 42 |
| Robert Peugeot | Member (up to 21.03.2019) | 38 | 7 | 1 | 46 |
| Dr. Theo Siegert | Member (up to 21.03.2019) | 38 | 12 | 1 | 51 |
| **Total** | | **1,875** | **293** | **93** | **2,261** |

1 In compliance with the Ordinance, mandatory employer social security contributions of CHF 50.5 thousand, which provide a right to the maximum future insured government benefit, are included. The total mandatory amount paid by the Company or its affiliates to Swiss governmental social security systems is CHF 124.6 thousand.
2 All amounts are gross amounts (i.e., before deduction of social security and income tax due by the members).

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

| in CHF thousands | Function | Director fees (Cash) | Compensation for commit-tees (Cash) | Allowances/ Social security contribution[1] | Total[2] |
|---|---|---|---|---|---|
| Dr. Joerg Wolle | Chairman | 750 | 8 | 11 | 769 |
| Dr. Frank Ch. Gulich | Member | 150 | 30 | 11 | 191 |
| David Kamenetzky | Member | 150 | - | 11 | 161 |
| Adrian T. Keller | Member | 150 | 57 | 11 | 218 |
| Andreas W. Keller | Member | 150 | - | 11 | 161 |
| Prof. Dr. Annette G. Köhler | Member (from 22.3.2018) | 113 | 37 | 4 | 154 |
| Robert Peugeot | Member | 150 | 30 | 5 | 185 |
| Dr. Theo Siegert | Member | 150 | 62 | 5 | 217 |
| Dr. Hans Christoph Tanner | Member | 150 | 75 | 11 | 236 |
| Eunice Zehnder-Lai | Member (from 22.3.2018) | 113 | 23 | 10 | 146 |
| Rainer-Marc Frey | Member (up to 22.3.2018) | 37 | 20 | 5 | 62 |
| **Total** | | **2,063** | **342** | **95** | **2,500** |

1 In compliance with the Ordinance, mandatory employer social security contributions of CHF 35.8 thousand, which provide a right to the maximum future insured government benefit, are included. The total mandatory amount paid by the Company or its affiliates to Swiss governmental social security systems is CHF 128.2 thousand.
2 All amounts are gross amounts (i.e., before deduction of social security and income tax due by the members).

For the year 2019, the members of the Executive Committee received the following compensation:

| in CHF thousands | Stefan P. Butz CEO[2] | Other 9 members of the Executive Committee | Total[3] |
|---|---|---|---|
| Fixed compensation | 1,000 | 2,895 | 3,895 |
| Variable compensation – cash | 907 | 2,243 | 3,150 |
| Value of performance share units at grant (LTIP) | 1,200 | 1,880 | 3,080 |
| Allowances | 117 | 849 | 966 |
| Pension/Social security contribution [1] | 165 | 309 | 474 |
| **Total** | **3,389** | **8,176** | **11,565** |

[1] In compliance with the Ordinance, mandatory employer social security contributions of CHF 11.9 thousand, which provide a right to the maximum future insured government benefit, are included. The total mandatory amount paid by the Company or its affiliates to Swiss governmental social security systems is CHF 180.4 thousand.
[2] Highest individual total compensation in 2019.
[3] All amounts are gross amounts (i.e., before deduction of social security and income tax due by the executives).

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

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

[1] In compliance with the Ordinance, mandatory employer social security contributions of CHF 11.9 thousand, which provide a right to the maximum future insured government benefit, are included. The total mandatory amount paid by the Company or its affiliates to Swiss governmental social security systems is CHF 247.1 thousand.
[2] Highest individual total compensation in 2018. Variable compensation in 2017 pro-rated, in 2018 for full year. Allowances 2018 includes a one-off compensation of CHF 68 thousand for lost shares at previous employer.
[3] The remuneration includes remuneration for Christopher Pollard until termination of employment. The remuneration does not include contractually agreed compensation to a member of the Senior Executive Team until end of employment (30.11.2019) amounting to CHF 2.0 million.
[4] All amounts are gross amounts (i.e., before deduction of social security and income tax due by the executives).

**Compensation to former members of the Board of Directors and the Executive Committee**

During 2019, a contractually agreed compensation until end of employment (30.11.2019) amounting to CHF 2.0 million has been paid to a former member of the Executive Committee (formerly Senior Executive Team), as disclosed in the 2018 compensation report table for the Senior Executive Team under footnote 3 on page 32. No other compensation has been paid to either former members of the Board of Directors or other former members of the Executive Committee.

mittee and determined and approved by the Board of Directors. The KPI weightings that define the variable compensation for members of the Executive Committee are set for each member of the Executive Committee individually. In 2019, the weighted average of KPI's for actual financial results is 90% of AVP of all Executive Committee members, whereas the weighted average of KPI's for individual, clearly measurable qualitative objectives represented 10% of such compensation. The pay out for the AVP is capped at a maximum of CHF 5.0 million for the CEO and at a maximum of CHF 1.5 million for all other members of the Executive Committee. In the fiscal year 2019, variable pay for individual members of the Executive Committee ranged from 17.3% to 51.4% of their total compensation. On average, variable pay in 2019 for all members of the Executive Committee was 27.5% of total compensation. This entrepreneurial approach ensures the alignment of the interests of the CEO and Executive Committee members to create sustainable value for the Company, its shareholders and its business partners.

### Long-term incentive

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

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

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

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

Should the employment agreement of a key manager be terminated due to the key manager's disability, death, early retirement and retirement or otherwise without cause (such as redundancy or reduction in workforce) the PSU of the key manager shall be adjusted pro rata with a view to reflect the length of service within the performance period. Such final number of PSU shall vest on the date of termination without cause, the vesting Multiple shall be 1.00.

### Other employee benefits

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

Two members of the Executive Committee 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. Four members of the Executive Committee are covered under an expatriate off-shore pension plan and three members of the Executive Committee are covered by local pension plans in their countries.

### Participations

The following tables provide information on the ownership of registered shares in the Company by the members of the Board of Directors and by the members of the Executive Committee as of December 31, 2019, and by members of the Senior Executive Team as of December 31, 2018, respectively (the table is identical to the one appearing on page 111 of the annual financial statement pursuant to Art. 663c$^{bis}$ CO).

### Additional fees, compensation, and loans

Apart from the benefits listed in this report, no other compensation was provided in the year under review 2019 – either directly or via consultancy companies – to the executive and non-executive members of the Board of Directors or to the members of the Executive Committee. In addition, as of December 31, 2019, no loans, advances or credits had been granted by the Group or by any of its subsidiary companies to the members of the Board of Directors or members of the Executive Committee, respectively.

**Share ownership requirements for members of the Executive Committee**
Each Executive Committee member is required to own at least a minimum multiple of her/his annual fixed salary in DKSH shares or (vested/unvested) DKSH PSUs within three years of hire, promotion or introduction of this requirement, as follows: CEO 300% of annual fixed salary, CFO 200% of annual fixed salary, all other members of the Executive Committee 100% of the annual fixed salary. In the event of a substantial rise or drop in the share price, the Board of Directors may, at its discretion, amend that time period accordingly. The determination also includes DKSH shares that are owned directly or indirectly by "persons closely linked" to an Executive Committee member. The NCC reviews compliance with the share ownership guideline on an annual basis.

Shareholdings by members of the Board of Directors:

| Number of shares held | 2019 | 2018 |
|---|---|---|
| Adrian T. Keller | 58,026 | 58,026 |
| Dr. Wolfgang Baier (from 21.03.2019) | - | - |
| Jack Clemons (from 21.03.2019) | 1,000 | - |
| Dr. Frank Ch. Gulich | 3,066 | 3,066 |
| Andreas W. Keller | 18,366 | 18,366 |
| Prof. Dr. Annette G. Köhler | 150 | - |
| Dr. Hans Christoph Tanner | 1,166 | 1,166 |
| Eunice Zehnder-Lai | 1,600 | 400 |
| Dr. Joerg Wolle (up to 21.03.2019) | n.a. | 38,000 |
| David Kamenetzky (up to 21.03.2019) | n.a. | 125 |
| Robert Peugeot (up to 21.03.2019) | n.a. | 9,666 |
| Dr. Theo Siegert (up to 21.03.2019) | n.a. | 71,966 |
| **Total** | **83,374** | **200,781** |

Shareholdings by members of the Executive Committee:

| Number of shares held | Shares | Unvested PSUs [1] | 2019 | 2018 |
|---|---|---|---|---|
| Stefan P. Butz | 23,625 | 53,106 | 76,731 | 41,491 |
| Bernhard Schmitt | 29,253 | 21,744 | 50,997 | 39,816 |
| Natale Capri | 2,860 | 9,371 | 12,231 | 7,948 |
| Hanno Elbraechter | 2,617 | 1,812 | 4,429 | 1,757 |
| Stephen Ferraby | 4,094 | 9,758 | 13,852 | 9,770 |
| Michael Hutab | 2 | 4,704 | 4,706 | 1,986 |
| Terry Seremetis (from 1.8.2019) | - | - | - | n.a. |
| Laurent Sigismondi (from 1.7.2019) | 1,000 | 544 | 1,544 | n.a. |
| Bijay Singh | 3,225 | 10,216 | 13,441 | 4,467 |
| Thomas Sul | 3,460 | 7,420 | 10,880 | 6,302 |
| **Total** | **70,136** | **118,675** | **188,811** | **113,537** |

[1] Granted unvested PSUs see description of LTIP on page 33.

## Compensation Governance

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

As determined in the Articles of Association and in the Organizational Regulations of DKSH AG, the Nomination and Compensation Committee supports the Board of Directors in the fulfillment of its duties and responsibilities in relation to compensation, including:
(i) preparing proposals for submission to the Board of Directors on the compensation policy, including the principles for performance-related compensation and the allocation of securities, conversion or option rights, entitlements or other financial instruments for the Board of Directors and the Executive Committee;
(ii) preparing proposals for submission to the Board of Directors on the maximum aggregate compensation for the Board of Directors and the Executive Committee pursuant to § 19 and § 28 of the Articles of Association;
(iii) preparing proposals for submission to the Board of Directors on the specific design of the participation plans pursuant to § 28 of the Articles of Association;
(iv) preparing proposals for submission to the Board of Directors on the specific design of the employment contracts of the members of the Executive Committee and conditions for termination;
(v) preparing proposals for submission to the Board of Directors on the individual compensation of the members of the Executive Committee within the scope of these Articles of Association and subject to approval by the General Meeting, including, but not limited to, the allocation and definition of compensation-relevant performance objectives and further conditions as well as the verification of the fulfillment of conditions or agreed objectives;
(vi) preparing the draft of the annual Compensation Report for submission to the Board of Directors.

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

## Performance management

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

## Rules in the Articles of Association on compensation

As required by the Ordinance, the Articles of Association of DKSH Holding Ltd. have been revised in 2015 and approved by the shareholders at the Ordinary General Meeting 2016. The Articles of Association include the following provisions on compensation:
(i) performance-related compensation: the short-term performance-related compensation plans shall be based on performance criteria, which include the performance of the DKSH Group and/or its sub-divisions and/or individual objectives. Achievement of objectives shall be generally measured in the one-year period to which the short-term plan applies. The Board of Directors, assisted by the Nomination and Compensation Committee, determines the performance criteria, the objectives and the degree of objective achievement. The long-term, performance-related compensation plans shall be based on performance criteria, which relate to DKSH Group's strategic objectives (e.g. financial objectives, innovation, shareholder return and/or other benchmarks). The achievement of

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

(ii) duration of employment contracts, loans, credit-facilities and post-employment benefits: The Company (or companies controlled by it) may enter into contracts with members of the Board of Directors as to their compensation for a fixed term of one year. Similarly, the contracts of employment with the members of the Executive Committee may have a fixed or indefinite term, while the maximum duration for such fixed-term contracts and the maximum notice period for contracts of an indefinite term shall be twelve months. The Company (or its subsidiaries) may, to the extent permissible by law, compensate members of the Board of Directors and of the Executive Committee for any disadvantages resulting from legal proceedings or settlements relating to their activities on behalf of the Company or subsidiaries, advance corresponding payments and take out relevant insurance policies. Such payments are not deemed to be compensation, loans or credit. In addition, the Company (and its subsidiaries) may offer members of the Executive Committee retirement benefits (such as pensions, the purchase of health insurance policies and so forth) outside of the occupational pension scheme and pay these out after their departure. Such retirement benefits outside of the occupational pension scheme may not exceed CHF 850,000 a year. The employment contracts of members of the Executive Committee may provide for post-contractual non-competition undertakings up to a maximum of twelve months, whereby the compensation for non-competition may not exceed the timely pro-rated fixed annual compensation prior to termination.

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

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, February 7, 2020

## Report of the statutory auditor on the compensation report

We have audited the compensation report (pages 31, 32 and 34) of DKSH Holding Ltd. for the year ended December 31, 2019. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance).

### Board of Directors' responsibility

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

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the compensation report for the year ended December 31, 2019 of DKSH Holding Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Simon Zogg
Licensed audit expert
(Auditor in charge)

Johannes Bachmann
Licensed audit expert

# Management's discussion & analysis

The management review of the Group outlines an in-depth analysis of the financial year 2019 and provides an outlook for DKSH's future.

## Summary

DKSH's consolidated net sales increased by 2.1% to CHF 11.6 billion. Exchange rates had a positive impact of 1.8% and acquisitions contributed 1.8%. Net sales were 4.7% lower without the Healthcare business in China. Excluding these effects, organic growth was 3.1%.

Operating profit (EBIT) increased to CHF 265.4 million. Excluding one-time effects in Consumer Goods, EBIT was CHF 279.9 million. The adjusted profit after tax of CHF 188.0 million was above last year's level despite foreign exchange effects and higher financing costs for acquisitions. Profit after tax in 2018 in addition included the gain on sale from the Healthcare business in China of CHF 75.2 million.

The Free Cash Flow of CHF 156.7 million was above last year.

Return on equity (ROE) reached 9.7% (14.9% in 2018) and return on net operating capital (RONOC) was at 19.7% (21.3% in 2018). Without the Healthcare business in China, restructuring costs and acquisitions, RONOC in 2019 would have increased compared to 2018.

At year-end 2019, DKSH employed 33,353 specialists, representing an increase of 357 employees or 1.1% compared to 2018. The increase is mainly due to four acquisitions closed during 2019.

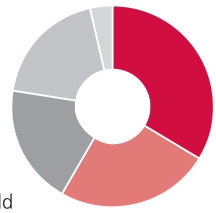
Apart from its focus on organic growth, in 2019, DKSH continued to diligently implement its acquisition strategy. With four closed transactions, 2019 was the most successful acquisition year in the company's history. In Business Unit Consumer Goods, the acquisitions of Auric Pacific and CTD strengthened both the company's service offering as well as geographical footprint in the Asia Pacific region. Business Unit Performance Materials' already wide geographical coverage was further strengthened with the acquisition of Dols in Europe. Lastly, the acquisition of SPC demonstrates the expansion of Business Unit Technology in fast-growing segments like scientific instrumentation.

Furthermore, DKSH continued to build up the Indonesian market for Consumer Goods and Healthcare through its subsidiary, PT Wicaksana. Consequently, the company successfully gained international clients who entrusted DKSH with their Indonesian business.

DKSH's capillary distribution network and infrastructure are both key success factors to delivering growth for its clients. Therefore, Business Unit Performance Materials added several innovation centers to its global network of highly specialized facilities, totaling 44. In these facilities, DKSH develops products and formulations which reduce time to market and increase competitive advantages for clients.

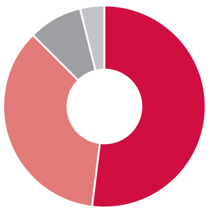
**Net sales by region in %**

- 33.9 Thailand
- 24.5 Greater China[2]
- 19.2 Malaysia/ Singapore
- 19.0 Rest of Asia Pacific
- 3.4 Rest of the world



**Net sales by Business Unit in %**

- 52.0 Healthcare
- 35.6 Consumer Goods
- 8.7 Performance Materials
- 3.7 Technology



**EBIT[1] by Business Unit in %**

- 42.1 Healthcare
- 21.4 Consumer Goods
- 28.1 Performance Materials
- 8.4 Technology

[1] Excl. segment "Other"
[2] Thereof Mainland China 1.5%

### Consolidated statement of financial position

Total assets grew by CHF 457.6 million (9.3%) to CHF 5,353.0 million in 2019. This was driven by the application of IFRS 16, which extended the balance sheet by CHF 226.6 million, the consolidation of the closed acquisitions and further business growth.

Cash and cash equivalents decreased by 3.5% to CHF 592.6 million and the Group's net cash position decreased by CHF 160.9 million to CHF 312.9 million as DKSH financed its acquisitions with a combination of debt and cash.

Compared to year-end 2018, total equity increased by 3.7% to CHF 1,834.6 million, translating into an equity ratio of 34.3% (36.1% at year-end 2018).

### Cash Flow

Free Cash Flow was CHF 156.7 million. Net cash from operations reached CHF 294.2 million. From investing activities, the company had a net outflow of CHF 229.7 million, mainly due to acquisitions and capital expenditures. Cash outflow from financing activities was CHF 89.2 million, including CHF 120.3 million for dividend payments.

## Business Units

### Healthcare

The Business Unit achieved further growth in 2019. Excluding the former business in China, net sales grew 7.7% and the adjusted EBIT of CHF 134.5 million was 4.6% higher than last year. The Indochina region performed especially well. Due to the exit of the business in China in 2018, reported sales declined by 1.6% to CHF 6.0 billion. Against the backdrop of weak market environments in Hong Kong and Thailand, the second half of 2019 required increased efforts to market products as well as higher distribution costs.

### Consumer Goods

Net sales rose by 6.8% to CHF 4.1 billion, despite challenging markets in Thailand and Hong Kong. In the second half of the year, DKSH achieved positive organic growth and gained market share in parts of South East Asia. Furthermore, DKSH successfully integrated the Auric Pacific business in Malaysia and Singapore where it contributed meaningfully and expanded the food services segment.

Adjusted operating profit rose by 9.8% to CHF 82.9 million as the restructuring progressed positively and acquisitions were integrated successfully. This resulted in a slightly higher adjusted operating margin. As indicated earlier in 2019, restructuring costs only amounted to CHF 1.2 million in the second half.

The watch brand Maurice Lacroix returned to break-even after several years of losses. The online business achieved sales of more than CHF 100 million for the first time. DKSH expanded its market presence in Asia Pacific by acquiring Auric Pacific as well as CTD and will focus on continuously improving the Business Unit.

### Performance Materials

Business Unit Performance Materials achieved record net sales and EBIT. Net sales increased by 5.3% and reached more than CHF 1 billion for the first time. The Unit successfully expanded business with existing and new clients, realizing scale effects and increasing operating profit at a double-digit rate (19.4%).

With the acquisition of Dols in the Netherlands, DKSH has expanded its market coverage in Europe. In addition, it strengthened its digital and technical expertise. The Business Unit will increase the number of innovation centers (currently 44) to develop new products and formulations thereby reducing time to market and achieving competitive advantages for clients.

### Technology

Business Unit Technology reported 4.8% higher net sales of CHF 431.9 million. The scientific instrumentation business grew across the region and, due to the acquisition of SPC, DKSH became the largest provider in this segment in Thailand. The EBIT of CHF 26.8 million was 11.7% higher than last year.

In 2019, the Business Unit strengthened its scientific instrumentation, precision machinery and hospitality businesses and additionally pushed forward its recurring and robust service business.

### Other (non-Business Unit)

Other expenses increased to CHF 54.0 million in 2019. These expenses are not allocated to Business Units and primarily include corporate service expenses.

## Regional Performance

At constant exchange rates, net sales in DKSH's largest country, Thailand, increased by a low-single-digit as compared to the previous year. Net sales in the Greater China region declined substantially due to the exit of the Healthcare business in China. Net sales in the Malaysia/Singapore region rose, mainly due to the acquisition of the consumer goods distribution business of Auric Pacific. The rest of Asia Pacific grew well, especially due to high demand for our services in the Indochina region and in Indonesia.

| Group | | | | At CER[1] |
|---|---|---|---|---|
| in CHF millions | 2019 | 2018 | Change in % | Change in % |
| Net sales | 11,579.2 | 11,344.6 | 2.1 | 0.3 |
| Adjusted operating profit (EBIT)[2] | 279.9 | 254.3 | 10.1 | 8.1 |
| Operating profit (EBIT) | 265.4 | 263.6 | 0.7 | (1.3) |

| Healthcare | | | | At CER[1] |
|---|---|---|---|---|
| in CHF millions | 2019 | 2018 | Change in % | Change in % |
| Net sales | 6,014.9 | 6,113.0 | (1.6) | (3.7) |
| Adjusted operating profit (EBIT)[3] | 134.5 | 128.6 | 4.6 | 2.6 |
| Operating profit (EBIT) | 134.5 | 150.5 | (10.6) | (12.3) |

| Consumer Goods | | | | At CER[1] |
|---|---|---|---|---|
| in CHF millions | 2019 | 2018 | Change in % | Change in % |
| Net sales | 4,120.9 | 3,859.1 | 6.8 | 5.0 |
| Adjusted operating profit (EBIT)[4] | 82.9 | 75.5 | 9.8 | 7.9 |
| Operating profit (EBIT) | 68.4 | 62.9 | 8.7 | 6.5 |

| Performance Materials | | | | At CER[1] |
|---|---|---|---|---|
| in CHF millions | 2019 | 2018 | Change in % | Change in % |
| Net sales | 1,011.5 | 960.4 | 5.3 | 5.2 |
| Operating profit (EBIT) | 89.7 | 75.1 | 19.4 | 17.8 |

| Technology | | | | At CER[1] |
|---|---|---|---|---|
| in CHF millions | 2019 | 2018 | Change in % | Change in % |
| Net sales | 431.9 | 412.1 | 4.8 | 3.9 |
| Operating profit (EBIT) | 26.8 | 24.0 | 11.7 | 8.8 |

1 Constant exchange rates (CER): 2019 figures converted at 2018 exchange rates.
2 Excl. restructuring costs (2019: CHF 14.5 million, 2018: CHF 18.2 million); 2018 excl. EBIT Healthcare China (CHF 27.5 million).
3 2018: excluding Healthcare business in China (CHF 27.5 million) and restructuring costs (CHF 5.6 million).
4 Excl. restructuring costs (2019: CHF 14.5 million, 2018: CHF 12.6 million).

## Outlook

Assuming stable market and currency conditions, DKSH expects an adjusted operating profit (EBIT) above previous year.

## Definitions and financial details

In the Annual Report, press releases and other communication to external stakeholders, DKSH uses financial performance measures which are not defined by IFRS. These measures are used by the management to assess the performance of the Group. Some of the measures, like operating profit (EBIT) are defined by a reconciliation in the sections of the Annual Report where they appear. The other main alternative performance measures used by DKSH are defined and/or reconciled below.

### Organic growth

Organic growth is the difference between current and previous reporting period excluding Mergers & Acquisitions (M&A), Foreign Exchange effects (FX), Divestments and for 2019 and 2018, the effect of the exit of the Healthcare business in China.

### Mergers & Acquisitions

M&A includes the impact of the businesses acquired in the reporting period.

### Foreign exchange effects

FX is the difference between current period reported figures at current versus previous period exchange rates.

### Healthcare China

Excludes the Healthcare business in China in 2018.

The reconciliation between net sales of current and previous reporting period as per consolidated income statement is as follows:

| **2019 by Business Unit** in CHF millions | **2019** | **Organic** | **M&A** | **FX** | **Healthcare China** | **2018** |
|---|---|---|---|---|---|---|
| Healthcare | 6,014.9 | 305.3 | - | 125.7 | (529.1) | 6,113.0 |
| Consumer Goods | 4,120.9 | 12.7 | 179.2 | 69.9 | - | 3,859.1 |
| Performance Materials | 1,011.5 | 45.2 | 4.9 | 1.0 | - | 960.4 |
| Technology | 431.9 | (8.8) | 25.0 | 3.6 | - | 412.1 |
| Other/Elimination | - | - | - | - | - | - |
| **Group Total** | **11,579.2** | **354.4** | **209.1** | **200.2** | **(529.1)** | **11,344.6** |
| in % of 2018 | | 3.1 | 1.8 | 1.8 | (4.7) | |

| **2018 by Business Unit** in CHF millions | **2018** | **Organic** | **M&A** | **FX** | **Healthcare China** | **2017** |
|---|---|---|---|---|---|---|
| Healthcare | 6,113.0 | 242.8 | 1.1 | 138.1 | (334.8) | 6,065.8 |
| Consumer Goods | 3,859.1 | 90.4 | 53.2 | 72.4 | - | 3,643.1 |
| Performance Materials | 960.4 | 58.1 | - | 8.2 | - | 894.1 |
| Technology | 412.1 | 7.7 | - | 0.2 | - | 404.2 |
| Other/Elimination | | 0.8 | - | - | - | (0.8) |
| **Group Total** | **11,344.6** | **399.8** | **54.3** | **218.9** | **(334.8)** | **11,006.4** |
| in % of 2017 | | 3.6 | 0.5 | 2.0 | (3.0) | |

### Adjusted operating profit (EBIT)

The reconciliation from operating profit (EBIT), reconciled in the consolidated income statement, to adjusted operating profit (EBIT) is as follows:

| **2019 by Business Unit** in CHF millions | **Operating profit (EBIT)** | **Restructuring costs** | **Healthcare China** | **Adjusted operating profit (EBIT)** |
|---|---|---|---|---|
| Healthcare | 134.5 | - | - | 134.5 |
| Consumer Goods | 68.4 | 14.5 | - | 82.9 |
| Performance Materials | 89.7 | - | - | 89.7 |
| Technology | 26.8 | - | - | 26.8 |
| Other/Elimination | (54.0) | - | - | (54.0) |
| **Group Total** | **265.4** | **14.5** | **-** | **279.9** |

| **2018 by Business Unit** in CHF millions | **Operating profit (EBIT)** | **Restructuring costs** | **Healthcare China** | **Adjusted operating profit (EBIT)** |
|---|---|---|---|---|
| Healthcare | 150.5 | 5.6 | (27.5) | 128.6 |
| Consumer Goods | 62.9 | 12.6 | - | 75.5 |
| Performance Materials | 75.1 | - | - | 75.1 |
| Technology | 24.0 | - | - | 24.0 |
| Other/Elimination | (48.9) | - | - | (48.9) |
| **Group Total** | **263.6** | **18.2** | **(27.5)** | **254.3** |

Restructuring costs are included in Goods and material purchased and consumables used (CHF 1.9 million in 2019 and CHF 9.0 million in 2018), Employee benefit expenses (CHF 3.2 million in 2019 and CHF 2.7 million in 2018), Depreciation, amortization and impairments (CHF 4.6 million in 2019 and CHF 5.6 million in 2018) and Other operating expenses (CHF 4.8 million in 2019 and CHF 0.9 million in 2018) in the Consolidated income statement.

### Adjusted operating profit (EBIT) margin

Defined as adjusted operating profit (EBIT) divided by net sales (for 2018 excluding Healthcare China).

### Adjusted profit after tax

The reconciliation from profit after tax in the consolidated income statement, to Adjusted profit after tax is as follows:

| in CHF millions | **2019** | **2018** |
|---|---|---|
| Profit after tax | 176.1 | 260.3 |
| Restructuring costs | 11.9 | 17.9 |
| Healthcare China | - | (20.6) |
| Gain on sale of Healthcare business China | - | (75.2) |
| **Adjusted profit after tax** | **188.0** | **182.4** |

Restructuring costs are adjusted for applicable tax rate in the jurisdiction where these costs are incurred. Gain on sale of Healthcare business China is included under Gain on sale of subsidiaries in the Consolidated income statement.

## Free cash flow

The reconciliation from net cash flows from operating activities in the consolidated cash flow statement to Free cash flow is as follows:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Net cash flows from operating activities | 294.2 | 179.9 |
| Repayment leases | (85.4) | 0.0 |
| Purchase of property, plant and equipment | (45.2) | (35.3) |
| Purchase of intangible assets | (6.9) | (4.0) |
| **Free cash flow** | **156.7** | **140.6** |

## Net operating capital (NOC)

Net operating capital is the capital invested in the business and is calculated from the consolidated statement of financial position as follows:

| in CHF millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| Total assets | 5,353.0 | 4,895.4 | 4,645.0 |
| Financial assets | (62.2) | (58.5) | (55.4) |
| Cash and cash equivalents | (592.6) | (614.3) | (443.1) |
| Total liabilities | (3,518.4) | (3,126.8) | (3,011.3) |
| Current borrowings | 63.9 | 57.3 | 76.4 |
| Non-current borrowings | 215.8 | 83.2 | 22.5 |
| **Net operating capital (NOC)** | **1,459.5** | **1,236.3** | **1,234.1** |

## Return on net operating capital (RONOC)

Return on net operating capital is calculated from the consolidated income statement and the consolidated statement of financial position as follows:

| in CHF millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| Operating Profit (EBIT) | 265.4 | 263.6 | - |
| Net operating capital (NOC) | 1,459.5 | 1,236.3 | 1,234.1 |
| Average NOC current and previous period | 1,347.9 | 1,235.2 | - |
| **Return on net operating capital (RONOC)** | **19.7%** | **21.3%** | **-** |

## Return on equity (ROE)

Return on equity is calculated from the consolidated income statement and the consolidated statement of financial position as follows:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Profit attributable to the shareholders of the group | 172.6 | 254.8 |
| Equity attributable to the shareholders of the group | 1,774.3 | 1,710.4 |
| **Return on equity (ROE)** | **9.7%** | **14.9%** |

## Net cash

The reconciliation from cash and cash equivalents in the consolidated statement of financial position to net cash is as follows:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | 592.6 | 614.3 |
| Current borrowings | (63.9) | (57.3) |
| Non-current borrowings | (215.8) | (83.2) |
| **Net cash** | **312.9** | **473.8** |

# Consolidated financial statements DKSH Group

# Consolidated income statement

| in CHF millions [1] | Notes | 2019 | 2018 |
|---|---|---|---|
| Net sales | 4 | 11,579.2 | 11,344.6 |
| Other income | 5 | 27.1 | 29.2 |
| Goods and materials purchased and consumables used | | (9,990.1) | (9,800.9) |
| Employee benefit expenses | 6 | (687.8) | (668.9) |
| Depreciation, amortization and impairments | 15/17/18 | (135.8) | (44.6) |
| Other operating expenses | 7 | (532.1) | (598.9) |
| Share of profit of associates and joint ventures | 19/20 | 4.9 | 3.1 |
| **Operating profit (EBIT)** | | **265.4** | **263.6** |
| Financial income | 8 | 2.2 | 2.5 |
| Financial expense | 8 | (31.9) | (9.8) |
| Gain on sale of subsidiaries | 30 | - | 75.2 |
| **Profit before tax** | | **235.7** | **331.5** |
| Income tax expenses | 9 | (59.6) | (71.2) |
| **Profit after tax** | | **176.1** | **260.3** |
| **Attributable to** | | | |
| Shareholders of the DKSH Holding Ltd. | | 172.6 | 254.8 |
| Non-controlling interest | | 3.5 | 5.5 |
| **Earnings per share for profit attributable to the shareholders of the DKSH Holding Ltd.** | | | |
| Basic earnings per share | 28 | 2.65 | 3.92 |
| Diluted earnings per share | 28 | 2.65 | 3.92 |

[1] Except for earnings per share (in CHF).

# Consolidated statement of comprehensive income

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **Profit after tax** | **176.1** | **260.3** |
| **Other comprehensive income** | | |
| Net investment hedges, net of tax of CHF 0.0 million in current and prior period | (4.5) | (2.6) |
| Currency translation differences | 20.4 | (10.1) |
| **Items that may be reclassified to profit or loss** | **15.9** | **(12.7)** |
| Remeasurement (losses) on defined benefit plans, net of tax of CHF 0.3 million in current period and CHF 0.1 million in prior period | (3.3) | (0.5) |
| Net (losses) on equity instruments at fair value, net of tax of CHF 0.0 million in current and 0.1 million in prior period | (0.1) | (0.3) |
| **Items that will not be reclassified to profit or loss** | **(3.4)** | **(0.8)** |
| **Other comprehensive income** | **12.5** | **(13.5)** |
| **Total comprehensive income** | **188.6** | **246.8** |
| **Attributable to** | | |
| Shareholders of the DKSH Holding Ltd. | 184.1 | 242.5 |
| Non-controlling interest | 4.5 | 4.3 |

# Consolidated statement of financial position

| in CHF millions at December 31 | Notes | 2019 | 2018 |
|---|---|---|---|
| Cash and cash equivalents | 10 | 592.6 | 614.3 |
| Trade receivables | 11 | 2,241.2 | 2,219.1 |
| Inventories | 13 | 1,236.9 | 1,177.7 |
| Prepaid expenses and contract assets | 14 | 39.1 | 48.8 |
| Other receivables | 16 | 383.9 | 403.5 |
| Current income tax receivables | | 22.7 | 17.2 |
| **Current assets** | | **4,516.4** | **4,480.6** |
| Intangible assets | 15 | 298.5 | 130.5 |
| Other receivables | 16 | - | 2.2 |
| Property, plant and equipment | 17 | 152.2 | 137.2 |
| Right-of-use assets | 18 | 226.6 | - |
| Financial assets | 12 | 62.2 | 58.5 |
| Investments in associates and joint ventures | 19/20 | 44.3 | 42.2 |
| Retirement benefit assets | 26 | 7.4 | 7.5 |
| Deferred tax assets | 21 | 45.4 | 36.7 |
| **Non-current assets** | | **836.6** | **414.8** |
| **Total assets** | | **5,353.0** | **4,895.4** |
| | | | |
| Borrowings | 22 | 63.9 | 57.3 |
| Lease liabilities | 18 | 66.3 | - |
| Trade payables | | 2,415.0 | 2,436.1 |
| Current income tax liabilities | | 30.0 | 24.9 |
| Other payables, accrued expenses and contract liabilities | 23 | 497.8 | 476.4 |
| Current provisions | 24 | 3.7 | 3.4 |
| **Current liabilities** | | **3,076.7** | **2,998.1** |
| Borrowings | 22 | 215.8 | 83.2 |
| Lease liabilities | 18 | 154.9 | - |
| Other non-current liabilities | | 12.4 | - |
| Deferred tax liabilities | 21 | 19.8 | 13.2 |
| Non-current provisions | 24 | 5.3 | 5.3 |
| Retirement benefit obligations | 26 | 33.5 | 27.0 |
| **Non-current liabilities** | | **441.7** | **128.7** |
| **Total liabilities** | | **3,518.4** | **3,126.8** |
| Share capital | | 6.5 | 6.5 |
| Reserves and retained earnings | | 1,767.8 | 1,703.9 |
| **Equity attributable to the shareholders of the DKSH Holding Ltd.** | | **1,774.3** | **1,710.4** |
| **Non-controlling interest** | | **60.3** | **58.2** |
| **Total equity** | | **1,834.6** | **1,768.6** |
| **Total equity and liabilities** | | **5,353.0** | **4,895.4** |

# Consolidated statement of changes in equity

| in CHF millions | Share capital | Currency translation | Other reserves | Retained earnings | Total equity attributable to shareholders of the DKSH Holding Ltd. | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| **As of January 1, 2018** | **6.5** | **(163.6)** | **234.2** | **1,499.3** | **1,576.4** | **57.3** | **1,633.7** |
| Profit after tax | - | - | - | 254.8 | 254.8 | 5.5 | 260.3 |
| Other comprehensive income | - | (11.5) | - | (0.8) | (12.3) | (1.2) | (13.5) |
| **Total comprehensive income** | **-** | **(11.5)** | **-** | **254.0** | **242.5** | **4.3** | **246.8** |
| Change in ownership | - | - | - | (2.2) | (2.2) | (1.7) | (3.9) |
| Share-based payment transactions | - | - | - | 1.0 | 1.0 | - | 1.0 |
| Dividend | - | - | - | (107.3) | (107.3) | (1.7) | (109.0) |
| **As of December 31, 2018** | **6.5** | **(175.1)** | **234.2** | **1,644.8** | **1,710.4** | **58.2** | **1,768.6** |
| Profit after tax | - | - | - | 172.6 | 172.6 | 3.5 | 176.1 |
| Other comprehensive income | - | 14.9 | - | (3.4) | 11.5 | 1.0 | 12.5 |
| **Total comprehensive income** | **-** | **14.9** | **-** | **169.2** | **184.1** | **4.5** | **188.6** |
| Treasury shares[1] | - | - | - | (2.0) | (2.0) | - | (2.0) |
| Share-based payment transactions | - | - | - | 2.1 | 2.1 | - | 2.1 |
| Dividend | - | - | - | (120.3) | (120.3) | (2.4) | (122.7) |
| **As of December 31, 2019** | **6.5** | **(160.2)** | **234.2** | **1,693.8** | **1,774.3** | **60.3** | **1,834.6** |

[1] For treasury share transactions please see Note 27.

# Consolidated cash flow statement

| in CHF millions | Notes | 2019 | 2018 |
|---|---|---|---|
| **Profit before tax** | | **235.7** | **331.5** |
| **Non-cash adjustments** | | | |
| Depreciation, amortization and impairments on | | | |
| Property, plant and equipment | 17 | 34.2 | 32.3 |
| Intangible assets | 15 | 15.8 | 12.3 |
| Right-of-use assets | 18 | 85.8 | - |
| Share-based payment transaction expense | 29 | 2.1 | 2.0 |
| (Gain)/loss on sale of tangible assets, intangible assets | 5 | 0.4 | (0.9) |
| Financial income | 8 | (2.2) | (2.5) |
| Financial expense | 8 | 31.9 | 9.8 |
| Share of profit of associates and joint ventures | 19/20 | (4.9) | (3.1) |
| Gain on sale of subsidiaries | 30 | - | (75.2) |
| Change in provisions and other non-current liabilities | | 4.3 | 0.7 |
| Change in other non-current assets | | 0.5 | 0.7 |
| **Working capital adjustments** | | | |
| (Increase)/decrease in trade and other receivables and prepayments | | 109.9 | (91.3) |
| (Increase(/decrease in inventories | | 10.1 | (110.2) |
| Increase/(decrease) in trade and other payables | | (145.9) | 150.1 |
| Interest received | | 2.1 | 2.4 |
| Interest paid | | (22.4) | (7.2) |
| Taxes paid | | (66.4) | (73.4) |
| Dividend received from associates and joint ventures | | 3.2 | 1.9 |
| **Net cash flows from operating activities** | | **294.2** | **179.9** |
| Proceeds from sale of property, plant and equipment | | 5.6 | 7.4 |
| Purchase of property, plant and equipment | | (45.2) | (35.3) |
| Purchase of intangible assets | | (6.9) | (4.0) |
| Proceeds from repayment of loan | | 3.4 | 9.1 |
| Purchase of financial assets/loans granted | | (3.0) | (3.7) |
| Acquisition of subsidiaries net of cash | 30 | (191.1) | (1.2) |
| Disposal of subsidiaries net of cash | 30 | 7.5 | 107.2 |
| **Net cash flows from/used in investing activities** | | **(229.7)** | **79.5** |

| in CHF millions | Notes | 2019 | 2018 |
|---|---|---|---|
| Proceeds from current and non-current borrowings | 22 | 290.8 | 525.2 |
| Repayment of current and non-current borrowings | 22 | (162.0) | (482.6) |
| Repayment leases | 18 | (85.4) | - |
| Capital increase non-controlling interest | | - | 0.9 |
| Buy-out of non-controlling interest | 30 | (0.9) | - |
| Dividend paid | 27 | (120.3) | (107.3) |
| Dividend paid to non-controlling interest | | (2.4) | (1.7) |
| Net payments for net investment hedges | | (5.9) | (1.2) |
| Acquisition of non-controlling interest | 30 | - | (9.0) |
| Deferred payment for acquisitions | | - | (4.6) |
| Purchase of treasury shares | 27 | (3.1) | (1.0) |
| **Net cash flows used in financing activities** | | **(89.2)** | **(81.3)** |
| | | | |
| **Cash and cash equivalents, as of January 1** | | **614.3** | **443.1** |
| Effect of exchange rate changes | | 3.0 | (6.9) |
| Net increase/(decrease) in cash and cash equivalents | | (24.7) | 178.1 |
| **Cash and cash equivalents, as of December 31** | | **592.6** | **614.3** |

# 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 33,353 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: Healthcare, Consumer Goods, Performance Materials and Technology.

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

The consolidated financial statements of the Group as of December 31, 2019, were approved by the Board of Directors on February 7, 2020, and are subject to approval by the Ordinary General Meeting of shareholders on March 19, 2020.

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

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

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

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

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

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

A listing of the Group's principal subsidiaries is set out in Note 35. The financial effect of the acquisitions and disposals is shown in Note 30.

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

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

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

### (b) Investments in associates and joint ventures

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

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

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

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

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

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

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

### (c) Financial assets

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

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

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

Financial assets measured at amortized cost are financial assets held to collect contractual cash flows comprising principal and interest payments. This represents the most significant measurement category for the Group and it comprises cash and cash equivalents, trade receivables and other financial receivables and loans. These assets are initially recognized at fair value plus transaction cost with the exception of trade receivables that are measured at the transaction price.

After initial recognition these financial assets are measured at amortized cost using the effective interest rate method and are subject to impairment using the expected credit loss model. The Group applies the simplified approach, which allows expected lifetime losses to be recognized for trade receivables using a provision matrix. The provision matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. These provisions represent the difference between the trade receivables gross carrying amount and the estimated net collectible amounts. Trade receivables are written off against the provision account when there is an official announcement of liquidation or bankruptcy confirming that the receivable will not be collected.

### (d) Derivatives and hedging

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

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

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

### (e) Foreign currency translation

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

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

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

### (f) Intangible assets

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

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

### (g) Property, plant and equipment

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

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

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

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

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

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

### (h) Impairment of assets

#### Goodwill and indefinite-life intangible assets

Goodwill and indefinite-life intangible assets are tested for impairment at least annually and upon the occurrence of an indication of impairment. The impairment tests are performed annually at the same time each year at the cash-generating unit (CGU) level. The Group defines its CGUs based on the way that it monitors and derives economic benefits from the acquired goodwill and intangibles. The impairment tests are performed by comparing the carrying value of the assets of these CGUs with their recoverable amount. The recoverable amount is the greater of the fair value less cost of disposal and value-in-use. Generally, the Group starts with a value-in-use calculation based on the future projected free cash flows discounted at an appropriate pre-tax rate of return. These calculations use free cash flow projections for the next five years based on financial budgets and economic growth rates approved by the Executive Committee. The discount rate reflects the current assessment of the time value of money 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, right-of-use assets and finite-life intangible assets. If any indication exists, an asset's or CGUs recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value-in-use. In assessing the value-in-use, the estimated future cash flows are discounted to their present value based on a country-specific discount of the country where the assets are located, adjusted for risks specific to the asset.

### (i) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract gives the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an identified asset can be split into the right to obtain substantially all of the economic benefits from use of an identified asset and the right to direct the use of an identified asset.

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurement of the lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the lease term. Right-of-use assets are subject to impairment.

The Group initially recognizes lease liabilities measured at the present value of lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate where the rate implicit in the lease is not readily determinable. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group's property leases principally relating to warehouse, office and shop facilities typically include an initial non-cancellable period with an option to renew for an additional fixed period.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. All relevant factors that create an economic incentive for it to exercise the renewal are considered. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that could affect the exercise.

The Group applies the short-term lease recognition exemption in case the lease period is shorter than 12 months. It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### (j) Inventories

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

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

### (k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, current account deposit balances at banks.

### (l) Borrowings

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

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

### (m) Provisions

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

The Group recognizes a warranty provision on all products still under warranty at the financial reporting date. This provision is calculated based on service histories.

### (n) Share-based payments

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

### (o) Employee benefits

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

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

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

Past service costs are recognized in the income statement on the earlier of:
- The date of the plan amendment or curtailment, or
- The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under "expenses for defined benefit pension plans" in employee benefit expenses:
- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest cost

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

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

### (p) Current and deferred income taxes

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

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

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

### (q) Revenue recognition

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

The Group's technology segment may sell, to a limited extent, equipment and related installation services. The two deliverables are considered separate performance obligations since the installation services do not significantly modify or customize the equipment. Revenue is recognized based on the satisfaction of each of the performance obligations in the contract.
In the Business Units Consumer Goods and Healthcare the Group enters into contracts with its suppliers for the distribution of products. Under these contracts, the Group might also provide procurement, marketing, sales, warehousing, logistics and collection services. The Group assesses on a contract-by-contract basis whether it is acting as a principal or agent. In some cases, the Group might not be considered the party primarily responsible for fulfilling the promise to the customer to provide the products, and/or might not have inventory risk before specified equipment has been transferred to the customer and/or might not have discretion in establishing the price for the specified equipment. In limited cases where the Group is acting as an agent, only the margin on sale, the fees or commissions earned are recorded in net sales.

### (r) Segment reporting

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

### (s) Changes in accounting policy and disclosures

**New and amended IFRS as of January 1, 2019**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations and annual improvements that need to be applied for annual periods beginning January 1, 2019:

The Group has initially adopted IFRS 16 Leases from January 1, 2019. A number of other new amendments, such as Prepayment Features with Negative Compensation – Amendments to IFRS 9, Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 , Annual Improvements to IFRS Standards 2015 – 2017 Cycle, Plan Amendment/Curtailment or Settlement – Amendments to IAS 19 and Interpretation 23 Uncertainty over Income Tax Treatments, effective from January 1, 2019, are applied by the Group but did do not have an effect on the Group's financial statements.

**IFRS 16 "Leases":** The new standard replaces IAS 17 and introduces a single, on-balance sheet accounting model for lessees and sets out the principles for the recognition, measurement, presentation and disclosure of leases. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

At transition, the Group has applied IFRS 16 using the modified retrospective approach measuring the lease liability based on present value of the remaining lease payments discounted at the Group's incremental borrowing rate as at January 1, 2019 and the right-of-use asset as an equal amount adjusted for any accrued or prepaid amount recognized under IAS 17. Accordingly, the comparative information presented for 2018 has not been restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. When applying IFRS 16 to leases previously classified as operating leases under IAS 17, the Group applied the practical expedients such as, exemption for leases with less than twelve-month of lease term, exclusion of initial direct cost from measuring the right-of-use asset, using hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases various types of assets, including properties, vehicles and others. On transition to IFRS 16 the Group recognized additional right-of-use assets and additional lease liabilities as summarized below as of January 1, 2019:

| in CHF millions | **Total** |
|---|---|
| Right-of-use assets | 259.5 |
| Lease liabilities | 253.1 |

The weighted average incremental borrowing rate applied when measuring the lease liabilities at January 1, 2019 was 3.0%.

| in CHF millions | **Total** |
|---|---|
| **Operating lease commitments disclosed as of December 31, 2018** | **334.9** |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | (34.0) |
| (Less): short-term and low value leases not recognised as a liability | (47.8) |
| **Lease liability recognised as of January 1, 2019** | **253.1** |

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

A number of new standards, such as Amendments to References to Conceptual Framework in IFRS Standards, Definition of a Business (Amendments to IFRS 3), Definition of Material (Amendments to IAS 1 and IAS 8) and Amendments to IFRS 9, IAS 39, IFRS 7 – Interest Rate Benchmark Reform are effective for annual periods beginning after January 1, 2019 and earlier application is permitted. The Group has not early adopted the new or amended standards. The amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

### (t) Critical accounting estimates and assumptions

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

#### (i) Impairment testing of goodwill

The Group tests goodwill annually for impairment (Note 15), in accordance with the accounting policy for impairment of assets (h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use 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. For any uncertain tax position a current or deferred tax liability or receivable is recognized based on detailed assessment of the tax risk. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax liabilities in the period in which such determination is made (Note 9).

#### (iii) Retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations (Note 26).

#### (iv) Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Group Accounting & Financial Reporting has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

Group Accounting & Reporting regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then Group Accounting & Reporting assesses the evidence obtained from third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group's audit committee.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in Note 30 Acquisitions and disposals and Note 33 Financial instruments.

## (u) Exchange rates applied

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

| | **Statement of financial position year-end rates** | Statement of financial position year-end rates | **Income statement average rates** | Income statement average rates |
|---|---|---|---|---|
| **Currency** | **2019** | **2018** | **2019** | **2018** |
| 1 AUD | 0.680 | 0.695 | 0.691 | 0.762 |
| 1 CNY | 0.139 | 0.143 | 0.144 | 0.148 |
| 1 EUR | 1.090 | 1.129 | 1.112 | 1.156 |
| 1 GBP | 1.274 | 1.246 | 1.268 | 1.306 |
| 1 HKD | 0.125 | 0.126 | 0.127 | 0.125 |
| 100 JPY | 0.892 | 0.892 | 0.912 | 0.886 |
| 100 KRW | 0.084 | 0.088 | 0.085 | 0.089 |
| 100 MMK | 0.066 | 0.064 | 0.065 | 0.068 |
| 1 MYR | 0.237 | 0.237 | 0.240 | 0.243 |
| 1 PHP | 0.019 | 0.019 | 0.019 | 0.019 |
| 1 SGD | 0.721 | 0.720 | 0.728 | 0.725 |
| 1 THB | 0.032 | 0.030 | 0.032 | 0.030 |
| 1 TWD | 0.032 | 0.032 | 0.032 | 0.032 |
| 1 USD | 0.973 | 0.985 | 0.994 | 0.978 |
| 1000 VND | 0.042 | 0.040 | 0.043 | 0.040 |

## 3. Segment information

**2019 by Business Unit**

| in CHF millions | Healthcare | Consumer Goods | Performance Materials | Technology | Other / Elimination | Total |
|---|---|---|---|---|---|---|
| Sale of goods | 5,874.0 | 3,957.0 | 1,006.5 | 387.9 | - | 11,225.4 |
| Other services | 140.9 | 163.9 | 5.0 | 44.0 | - | 353.8 |
| **Net sales** | **6,014.9** | **4,120.9** | **1,011.5** | **431.9** | **-** | **11,579.2** |
| Operating profit (EBIT) | 134.5 | 68.4 | 89.7 | 26.8 | (54.0) | 265.4 |
| Additions of property, plant and equipment | 20.0 | 14.4 | 2.5 | 4.8 | 5.1 | 46.8 |
| Additions of intangible assets | 3.1 | 1.4 | 0.2 | 1.0 | 1.5 | 7.2 |
| Depreciation and amortization | 32.4 | 72.0 | 3.7 | 9.2 | 18.5 | 135.8 |
| of which impairment | - | 4.4 | - | 0.2 | - | 4.6 |
| of which right-of-use assets | 20.2 | 49.1 | 1.4 | 4.0 | 11.1 | 85.8 |
| Investments in associates and joint ventures | - | 28.4 | - | 7.6 | 8.3 | 44.3 |
| Share of profit of associates and joint ventures | - | 0.2 | - | 3.9 | 0.8 | 4.9 |
| Number of employees (full-time equivalents) | 8,224 | 20,295 | 1,100 | 1,675 | 2,059 | 33,353 |

**2019 country information**

| in CHF millions | Net sales third parties[1] | Non-current assets[2] |
|---|---|---|
| Thailand | 3,921.0 | 125.9 |
| Malaysia | 1,560.3 | 133.2 |
| Hong Kong | 1,303.2 | 27.7 |
| Taiwan | 1,257.0 | 34.3 |
| Singapore | 661.4 | 75.9 |
| Switzerland (domicile) | 106.1 | 82.1 |
| Other countries | 2,770.2 | 242.5 |
| **Group Total** | **11,579.2** | **721.6** |

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

**2018 by Business Unit**

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

**2018 country information**

| in CHF millions | Net sales third parties[1] | Non-current assets[2] |
|---|---|---|
| Thailand | 3,605.0 | 29.6 |
| Malaysia | 1,470.3 | 6.8 |
| Hong Kong | 1,394.6 | 15.4 |
| Taiwan | 1,139.0 | 7.6 |
| Switzerland (domicile) | 114.4 | 84.0 |
| Other countries | 3,621.3 | 168.7 |
| **Group Total** | **11,344.6** | **312.1** |

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

The Group is organized on a worldwide basis into four Business Units that reflect the operating segments according to IFRS 8:

DKSH Business Unit Healthcare is the leading Market Expansion Services provider for healthcare companies seeking to grow their business in Asia. Custom-made offerings comprise registration, regulatory services, market entry studies, importation, customs clearance, marketing and sales, physical distribution, invoicing and cash collection. Products available through DKSH Healthcare include ethical pharmaceuticals, consumer health and over-the-counter (OTC) products, as well as medical devices.

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

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

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

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

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

## 4. Net sales

Net sales by category:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Sale of goods | 11,225.4 | 10,966.4 |
| Other services | 353.8 | 378.2 |
| **Net sales** | **11,579.2** | **11,344.6** |

## 5. Other income

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Supplier compensation | 5.7 | 4.2 |
| Gain on sale of tangible and intangible assets | 0.4 | 2.1 |
| Government grants | 0.4 | 4.4 |
| Other | 20.6 | 18.5 |
| **Total other income** | **27.1** | **29.2** |

## 6. Employee benefit expenses

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Salaries and bonuses | 519.8 | 503.8 |
| Sales and other commissions | 51.1 | 49.9 |
| Social security costs | 29.3 | 31.8 |
| Expenses for defined contribution pension plans | 16.2 | 11.5 |
| Temporary staff | 9.1 | 12.5 |
| Expenses for defined benefit pension plans (Note 26) | 8.0 | 7.5 |
| Staff training costs | 1.7 | 1.6 |
| Other personnel expenses | 52.6 | 50.3 |
| **Total employee benefit expenses** | **687.8** | **668.9** |
| **Number of employees (full-time equivalents)** | **33,353** | **32,996** |

## 7. Other operating expenses

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Logistics and distribution costs | 199.5 | 194.4 |
| Selling costs | 137.8 | 131.8 |
| Rent | - | 106.0 |
| Travel and entertainment | 46.8 | 47.7 |
| Information technology | 20.0 | 18.3 |
| Expenses for short-term leases, low-value assets and variable lease payments | 18.1 | - |
| Utilities | 14.8 | 14.5 |
| Fees and royalties | 12.9 | 11.7 |
| Consulting services | 10.8 | 7.8 |
| Communication | 9.1 | 9.0 |
| Other | 62.3 | 57.7 |
| **Total other operating expenses** | **532.1** | **598.9** |

## 8. Net finance result

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Interest income on bank deposits | 2.1 | 2.4 |
| Income from financial assets | 0.1 | 0.1 |
| **Financial income** | **2.2** | **2.5** |
| | | |
| Net foreign exchange transactions | (8.3) | (2.3) |
| Interest expenses on bank borrowings | (14.2) | (7.5) |
| Interest expenses on lease liabilities | (9.4) | - |
| **Financial expenses** | **(31.9)** | **(9.8)** |
| **Net finance result** | **(29.7)** | **(7.3)** |

## 9. Income tax expenses

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Current income tax | 68.4 | 71.2 |
| Adjustments in respect of current income tax of previous years | (1.9) | (1.7) |
| Deferred tax | (6.9) | 1.7 |
| **Total income tax expenses** | **59.6** | **71.2** |

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

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Profit before tax | 235.7 | 331.5 |
| Applicable income tax based on 22.7% (2018: 20.3%) | 53.5 | 67.1 |
| Tax releases relating to prior years | (1.9) | (1.7) |
| Impact of tax rate changes | 0.7 | (0.3) |
| Tax effects of WHT/foreign tax not recoverable | 4.8 | 8.0 |
| Tax effect on non-deductible expenses | 4.1 | 3.6 |
| Tax effect of income that is not taxable | (3.1) | (12.0) |
| Tax effects related to tax losses and tax credits | (0.5) | 5.1 |
| Others | 2.0 | 1.4 |
| **Total income tax expenses** | **59.6** | **71.2** |

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

The adoption of the Swiss Federal Act on Tax Reform and AHV Financing resulted in a re-assessment of the deferred tax for one of the Group companies domiciled in Switzerland. Following the transitional rule, a step up calculation resulted in a valuation increase of deferred tax assets of CHF 2.3 million.

## 10. Cash and cash equivalents

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Cash at bank and on hand | 571.9 | 488.1 |
| Short-term deposits | 20.7 | 126.2 |
| **Total cash and cash equivalents** | **592.6** | **614.3** |

## 11. Trade receivables

The aging of trade receivables is as follows:

| in CHF millions | Not overdue | Up to 3 months overdue | Between 3 and 6 months overdue | Between 6 and 9 months overdue | Between 9 and 12 months overdue | More than 12 months overdue | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2019** | | | | | | | |
| Loss rate | 0.1% | 1.6% | 8.7% | 26.0% | 60.0% | 100.0% | |
| Total trade receivable – gross | 2,010.3 | 196.9 | 32.3 | 7.3 | 8.5 | 8.1 | 2,263.4 |
| Loss allowance | (1.2) | (3.1) | (2.8) | (1.9) | (5.1) | (8.1) | (22.2) |
| **Total trade receivable – net** | | | | | | | **2,241.2** |
| **As of December 31, 2018** | | | | | | | **Total** |
| Loss rate | 0.0% | 0.5% | 3.5% | 9.4% | 32.6% | 100.0% | |
| Total trade receivable – gross | 1,981.8 | 183.1 | 31.4 | 21.2 | 9.2 | 10.8 | 2,237.5 |
| Loss allowance | (0.5) | (1.0) | (1.1) | (2.0) | (3.0) | (10.8) | (18.4) |
| **Total trade receivable – net** | | | | | | | **2,219.1** |

The main reason for the change in aging profile and corresponding loss rates between 2019 and 2018 is the divestment of the Healthcare business in China.

Movements on the Group loss allowance of trade receivables are as follows:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **As of January 1** | **18.4** | **20.1** |
| Loss allowance | 6.3 | 1.4 |
| Receivables written off | (3.3) | (2.3) |
| Divestment | - | (0.6) |
| Exchange differences | 0.8 | (0.2) |
| **As of December 31** | **22.2** | **18.4** |

The expense for loss allowance is included in selling costs as part of other operating expenses.

## 12. Financial assets

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Equity instruments at fair value through profit and loss | 30.5 | 30.7 |
| Convertible loan at fair value through profit and loss | 3.0 | - |
| Equity instruments at fair value through other comprehensive income | 3.2 | 3.5 |
| Deposits to third parties | 20.8 | 18.1 |
| Loans to third parties | 4.7 | 6.2 |
| **Total financial assets** | **62.2** | **58.5** |

Details of financial assets at fair value are as follows:

| in CHF millions | Fair value through profit and loss | Fair value through other comprehensive income | Total |
|---|---|---|---|
| **As of January 1, 2018** | **30.8** | **3.6** | **34.4** |
| Fair value change | - | (0.4) | (0.4) |
| Exchange differences | (0.1) | 0.3 | 0.2 |
| **As of December 31, 2018** | **30.7** | **3.5** | **34.2** |
| **As of January 1, 2019** | **30.7** | **3.5** | **34.2** |
| Additions | 3.0 | - | 3.0 |
| Fair value change | - | (0.1) | (0.1) |
| Exchange differences | (0.2) | (0.2) | (0.4) |
| **As of December 31, 2019** | **33.5** | **3.2** | **36.7** |

## 13. Inventories

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Raw materials | 21.7 | 27.0 |
| Work in progress | 4.8 | 7.7 |
| Finished goods | 1,243.8 | 1,185.7 |
| **Total inventories – gross** | **1,270.3** | **1,220.4** |
| Provision for obsolete and slow moving stock | (33.4) | (42.7) |
| **Total inventories** | **1,236.9** | **1,177.7** |

Details of change in impairment for inventories:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **As of January 1** | **42.7** | **41.6** |
| Divestments | - | (1.5) |
| Increase in provision for inventories | 13.4 | 18.0 |
| Unused amount reversed | (9.0) | (8.1) |
| Utilized during the year | (13.9) | (7.0) |
| Exchange differences | 0.2 | (0.3) |
| **As of December 31** | **33.4** | **42.7** |

## 14. Prepaid expenses and contract assets

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Prepaid expenses | 24.9 | 40.4 |
| Contract assets | 14.2 | 8.4 |
| **Total prepaid expenses and contract assets** | **39.1** | **48.8** |

The contract assets primarily relate to the Group's rights to consideration for projects completed but not billed due to the final acceptance of the customer being outstanding. There was no impact on contract assets as a result of acquisitions. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group is entitled to issue an invoice to the customer.

## 15. Intangible assets

| in CHF millions | Trademarks [1] | Other intangible assets [2] | Goodwill | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As of January 1, 2018** | **42.8** | **88.9** | **125.3** | **257.0** |
| Additions | 0.1 | 4.0 | - | 4.1 |
| Acquisitions | - | 1.1 | - | 1.1 |
| Divestments | - | (13.0) | - | (13.0) |
| Disposals | - | (2.3) | - | (2.3) |
| Exchange differences | - | (0.4) | (3.8) | (4.2) |
| **As of December 31, 2018** | **42.9** | **78.3** | **121.5** | **242.7** |
| **Accumulated amortization and impairments** | | | | |
| **As of January 1, 2018** | **(37.3)** | **(76.9)** | **(0.6)** | **(114.8)** |
| Amortization | (0.8) | (6.6) | - | (7.4) |
| Impairments | - | - | (4.9) | (4.9) |
| Divestments | - | 13.0 | - | 13.0 |
| Disposals | - | 2.0 | - | 2.0 |
| Exchange differences | - | (0.1) | - | (0.1) |
| **As of December 31, 2018** | **(38.1)** | **(68.6)** | **(5.5)** | **(112.2)** |
| **Net book value** | | | | |
| **As of January 1, 2018** | **5.5** | **12.0** | **124.7** | **142.2** |
| **As of December 31, 2018** | **4.8** | **9.7** | **116.0** | **130.5** |
| | | | | |
| **Cost** | | | | |
| **As of January 1, 2019** | **42.9** | **78.3** | **121.5** | **242.7** |
| Additions | 0.1 | 7.0 | 0.1 | 7.2 |
| Acquisitions | 14.4 | 33.5 | 132.7 | 180.6 |
| Disposals | - | (11.2) | - | (11.2) |
| Exchange differences | 0.2 | 1.4 | (4.1) | (2.5) |
| **As of December 31, 2019** | **57.6** | **109.0** | **250.2** | **416.8** |
| **Accumulated amortization and impairments** | | | | |
| **As of January 1, 2019** | **(38.1)** | **(68.6)** | **(5.5)** | **(112.2)** |
| Amortization | (1.4) | (9.8) | - | (11.2) |
| Impairments | - | (1.1) | (3.5) | (4.6) |
| Disposals | - | 11.2 | - | 11.2 |
| Exchange differences | (0.2) | (0.8) | (0.5) | (1.5) |
| **As of December 31, 2019** | **(39.7)** | **(69.1)** | **(9.5)** | **(118.3)** |
| **Net book value** | | | | |
| **As of January 1, 2019** | **4.8** | **9.7** | **116.0** | **130.5** |
| **As of December 31, 2019** | **17.9** | **39.9** | **240.7** | **298.5** |

[1] Includes acquired trademark rights to distribute products in specific territories and recognized brand values from acquisition of businesses.
[2] Includes software and development costs as well as intangibles relating to distribution contracts recognized from acquisitions.

The Group has no intangible assets with indefinite useful lives as of December 31, 2019, and December 31, 2018, other than goodwill.

**Impairment tests for goodwill**

Goodwill impairment reviews have been conducted for all goodwill items. Goodwill relating to the reverse acquisition of SiberHegner Group in 2002, which resulted in the formation of DKSH, has been allocated to the Group's cash-generating units (CGUs) identified according to Business Unit as per date of acquisition. Goodwill from acquisition of local businesses during 2003-2019 has been allocated to the CGUs in the respective country which are expected to benefit from synergies of the business combination.

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

The following key assumptions for value-in-use calculations were applied in 2019:

| in CHF millions | Country | Segment | Goodwill amount | Pre-tax discount rates | Growth rates |
|---|---|---|---|---|---|
| **Cash-generating unit** | | | | | |
| Auric | Malaysia | Consumer Goods | 81.1 | 14.0% | 2.3% |
| Siber Hegner | Various | Performance Materials | 23.5 | 10.7% | 1.5% |
| CTD | Australia | Consumer Goods | 21.1 | 10.5% | 2.5% |
| Zeus | Spain, Portugal | Performance Materials | 16.2 | 10.2% | 1.9% |
| SPC | Thailand | Technology | 15.8 | 10.9% | 2.0% |
| Dasico & Jennow | Denmark | Performance Materials | 11.6 | 9.1% | 2.0% |
| Siber Hegner | Various | Technology | 10.1 | 10.6% | 1.5% |
| Staerkle & Nagler | Switzerland | Performance Materials | 9.4 | 9.0% | 1.0% |
| PT. Wicaksana O.I.Tbk | Indonesia | Consumer Goods | 9.5 | 19.1% | 3.0% |
| Auric | Singapore | Consumer Goods | 7.0 | 11.0% | 1.4% |
| EUROP Continents S.A.R.L | Cambodia | Healthcare | 6.4 | 18.6% | 3.0% |
| Primatek | Indonesia | Technology | 6.2 | 19.3% | 3.0% |
| Brandlines | New Zealand | Consumer Goods | 5.7 | 12.0% | 2.0% |
| Electcables | Australia | Technology | 4.4 | 11.5% | 2.5% |
| Other CGUs | Various | Various | 12.7 | 10.3%-18.6% | 1.4%-4.1% |
| **Total** | | | **240.7** | | |

Following deteriorating performance of eSweets, the Group has recalculated the recoverable amount of this cash-generating unit (CGU) as of June 30, 2019. A full impairment of goodwill resulted in a loss of CHF 3.3 million in the Business Unit Consumer Goods. In addition, a full impairment of other intangible assets of CHF 1.1 million related to eSweets was recognized. The impairment test resulted in a recoverable amount for eSweets of CHF 3.1 million and applying a discount rate of 11.2% (2018: 14.7%) respectively.

Based on the annual goodwill impairment test, the Group recognized partial impairment of goodwill relating to its CGU Electcables recognizing a loss of CHF 0.2 million in 2019 (2018: impairment loss of CHF 4.9 million related to CGUs Miraecare and Glory). The updated cash flow projections relating to these CGU reflected a decreased demand leading to the impairment. The impairment test resulted in a recoverable amount for Electcables of CHF 12.7 million applying a discount rate of 11.5% (2018: 14.7%) respectively.

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

- A 1% point increase in the discount rate would result in an impairment of CHF 6.2 million (2018: CHF 1.9 million) of which CHF 4.1 million relates to Wicaksana (2018: CHF 0.0 million), CHF 1.9 million to Electcables (2018: CHF 1.2 million) and CHF 0.2 million to Other CGUs (2018: CHF 0.7 million).
- Lowered revenue projections for 2020 and thereafter by 10% would result in an impairment of CHF 4.6 million (2018: CHF 1.2 million) of which CHF 2.7 million relates to Wicaksana (2018: CHF 0.0 million), CHF 1.7 million to Electcables (2018: CHF 0.6 million) and CHF 0.2 million to Other CGUs (2018: CHF 0.6 million).
- Reduced projections of EBIT by 5% during forecast period 2020-2024 would result in an impairment of CHF 5.0 million (2018: CHF 1.5 million) of which CHF 3.8 million relates to Wicaksana (2018: CHF 0.0 million), CHF 1.1 million to Electcables (2018: CHF 1.0 million) and CHF 0.1 million to Other CGUs (2018: CHF 0.5 million).

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

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

## 16. Other receivables

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **Current** | | |
| Supplier accounts | 225.5 | 239.0 |
| Advances and deposits | 50.2 | 63.2 |
| VAT and other taxes receivables | 43.5 | 46.1 |
| Derivative financial instruments | 4.2 | 3.8 |
| Other current receivables | 60.5 | 51.4 |
| **Total other receivables current** | **383.9** | **403.5** |
| **Non-current** | | |
| Other non-current receivables | - | 2.2 |
| **Total other receivables non-current** | **-** | **2.2** |

## 17. Property, plant and equipment

| in CHF millions | Land, buildings/ leasehold | Machinery/ tools | Furniture/ fixtures | IT/ commu- nication | Vehicles | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **As of January 1, 2018** | **98.5** | **63.7** | **107.2** | **54.0** | **16.6** | **2.4** | **342.4** |
| Additions | 6.1 | 7.2 | 23.5 | 5.0 | 1.0 | 3.0 | 45.8 |
| Reclassifications | 2.0 | - | 0.9 | 0.1 | - | (3.0) | - |
| Acquisitions | - | - | 0.2 | - | - | - | 0.2 |
| Divestments | (6.6) | (5.9) | (4.6) | (0.9) | - | - | (18.0) |
| Disposals | (2.2) | (9.7) | (23.2) | (7.4) | (2.5) | - | (45.0) |
| Exchange differences | (0.5) | (0.6) | (1.7) | (1.0) | (0.2) | - | (4.0) |
| **As of December 31, 2018** | **97.3** | **54.7** | **102.3** | **49.8** | **14.9** | **2.4** | **321.4** |
| **Accumulated depreciation and impairments** | | | | | | | |
| **As of January 1, 2018** | **(25.4)** | **(44.1)** | **(78.9)** | **(45.0)** | **(11.1)** | **-** | **(204.5)** |
| Depreciation | (5.9) | (7.0) | (12.0) | (5.4) | (2.0) | - | (32.3) |
| Divestments | 2.5 | 4.9 | 4.2 | 0.8 | - | - | 12.4 |
| Disposals | 0.8 | 8.3 | 19.9 | 7.1 | 2.5 | - | 38.6 |
| Exchange differences | (1.0) | 0.4 | 1.4 | 0.7 | 0.1 | - | 1.6 |
| **As of December 31, 2018** | **(29.0)** | **(37.5)** | **(65.4)** | **(41.8)** | **(10.5)** | **-** | **(184.2)** |
| **Net book value** | | | | | | | |
| **As of January 1, 2018** | **73.1** | **19.6** | **28.3** | **9.0** | **5.5** | **2.4** | **137.9** |
| **As of December 31, 2018** | **68.3** | **17.2** | **36.9** | **8.0** | **4.4** | **2.4** | **137.2** |
| | | | | | | | |
| **Cost** | | | | | | | |
| **As of January 1, 2019** | **97.3** | **54.7** | **102.3** | **49.8** | **14.9** | **2.4** | **321.4** |
| Additions | 12.4 | 13.2 | 11.6 | 6.4 | 0.7 | 2.5 | 46.8 |
| Reclassifications | 1.4 | 1.1 | 0.4 | - | - | (2.9) | - |
| Acquisitions | 1.7 | 2.6 | 0.5 | 0.4 | 0.4 | - | 5.6 |
| Disposals | (3.4) | (6.6) | (19.1) | (3.8) | (1.9) | - | (34.8) |
| Exchange differences | 5.1 | 1.9 | 1.9 | 0.8 | 0.5 | (1.4) | 8.8 |
| **As of December 31, 2019** | **114.5** | **66.9** | **97.6** | **53.6** | **14.6** | **0.6** | **347.8** |
| **Accumulated depreciation and impairments** | | | | | | | |
| **As of January 1, 2019** | **(29.0)** | **(37.5)** | **(65.4)** | **(41.8)** | **(10.5)** | **-** | **(184.2)** |
| Depreciation | (7.6) | (7.7) | (11.5) | (5.5) | (1.9) | - | (34.2) |
| Disposals | 2.0 | 5.5 | 15.9 | 3.7 | 1.7 | - | 28.8 |
| Exchange differences | (1.3) | (1.8) | (1.7) | (0.9) | (0.3) | - | (6.0) |
| **As of December 31, 2019** | **(35.9)** | **(41.5)** | **(62.7)** | **(44.5)** | **(11.0)** | **-** | **(195.6)** |
| **Net book value** | | | | | | | |
| **As of January 1, 2019** | **68.3** | **17.2** | **36.9** | **8.0** | **4.4** | **2.4** | **137.2** |
| **As of December 31, 2019** | **78.6** | **25.4** | **34.9** | **9.1** | **3.6** | **0.6** | **152.2** |

No bank borrowings are secured with assets of property, plant and equipment as of December 31, 2019 and 2018.

## 18. Leases

The Group has lease contracts for various items of property, vehicles and equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and therefor income from leasing is insignificant. There are several lease contracts that include extension and termination options and variable lease payments. Some leases provide for additional rent payments that are based on changes in local price indices.

The table below analyzes the carrying amounts of right-of use assets recognized and the movements during the periods:

| in CHF millions | Properties | Vehicles | Equipment | Total |
|---|---|---|---|---|
| **As of January 1, 2019** | **243.8** | **13.2** | **2.5** | **259.5** |
| Depreciation | (78.9) | (5.5) | (1.4) | (85.8) |
| Additions | 48.2 | 4.5 | 0.7 | 53.4 |
| Acquisitions | 1.0 | - | - | 1.0 |
| Exchange differences | (1.4) | (0.1) | - | (1.5) |
| **As of December 31, 2019** | **212.7** | **12.1** | **1.8** | **226.6** |

The table below shows the carrying amounts of lease liabilities and the movements during the periods:

| in CHF millions | Total |
|---|---|
| **As of January 1, 2019** | **253.1** |
| Additions | 53.4 |
| Acquisitions | 1.0 |
| Accretion of interest | 9.4 |
| Repayments of lease liabilities and interest payments | (94.8) |
| Exchange differences | (0.9) |
| **As of December 31, 2019** | **221.2** |
| thereof: | |
| Current lease liabilities | 66.3 |

The maturity analysis of lease liabilities is disclosed in Note 33.

Amounts recognized in the income statement are as follows:

| in CHF millions | 2019 |
|---|---|
| Depreciation expense of right-of use assets | (85.8) |
| Interest expense on lease liabilities | (9.4) |
| Expense relating to short-term leases | (11.7) |
| Expenses relating to leases of low-value assets | (1.0) |
| Variable lease payments | (5.4) |
| **Total amount recognised in the income statement** | **(113.3)** |

The Group had total cash outflows for leases of CHF 112.0 million in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of CHF 53.4 million in 2019. The table below shows the future cash outflows relating to leases that have not yet commenced:

| in CHF millions | 2019 |
|---|---|
| Not later than 1 year | 7.9 |
| Later than 1 year and not later than 5 years | 15.9 |
| Later than 5 years | 11.2 |
| **Total commitments not yet commenced** | **35.0** |

## 19. Investments in associates

The investments in associates are as follows:

| **Company**<br>Ownership in % | **Country of incorporation** | **2019** | **2018** |
|---|---|---|---|
| Bovet Fleurier SA, Plan-les-Ouates | Switzerland | 25.0 | 25.0 |
| Kulara Holdings Pte Ltd., Singapore | Singapore | 30.0 | 30.0 |

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

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **Group's share of net assets** | **34.6** | **35.3** |
| **Group's share of profit/(loss) for the year** | **1.0** | **(0.2)** |

## 20. Interest in joint ventures

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

| **Company**<br>Ownership in % | **Country of incorporation** | **2019** | **2018** |
|---|---|---|---|
| Cummins Diethelm Ltd., Bangkok | Thailand | 50.0 | 50.0 |
| Cummins DKSH Vietnam LLC, Ho Chi Minh City | Vietnam | 50.0 | 50.0 |
| Cummins DKSH (Singapore) Pte Ltd., Singapore | Singapore | 50.0 | 50.0 |
| Cummins DKSH (Myanmar), Yangon | Myanmar | 50.0 | 50.0 |
| DKSH Klingelnberg Service Ltd., Shanghai | China | 50.0 | 50.0 |

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

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **Group's share of net assets** | **9.7** | **6.9** |
| **Group's share of profit for the year** | **3.9** | **3.3** |

## 21. Deferred income tax

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

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Deferred tax assets (net) | 45.4 | 36.7 |
| Deferred tax liabilities (net) | (19.8) | (13.2) |
| **Net deferred tax assets** | **25.6** | **23.5** |

Deferred tax assets (gross):

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **As of January 1** | **69.4** | **72.4** |
| Credited/(charged) to the income statement | 5.6 | (0.7) |
| Credited/(charged) to other comprehensive income | 0.2 | (0.2) |
| Acquisitions/divestments | 1.1 | (2.0) |
| Exchange differences | 2.6 | (0.1) |
| **As of December 31** | **78.9** | **69.4** |

Deferred tax assets (gross) relating to:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Trade receivables | 36.3 | 37.7 |
| Inventories | 6.0 | 4.5 |
| Property, plant and equipment | 2.6 | 2.2 |
| Intangible assets | 5.9 | 4.4 |
| Other assets | 4.8 | 4.2 |
| Employee benefits | 5.3 | 4.2 |
| Lease liabilities | 0.6 | - |
| Provisions and other liabilites | 9.9 | 7.2 |
| Tax loss carryforwards and tax credits | 7.5 | 5.0 |
| **Total deferred tax assets** | **78.9** | **69.4** |

The Group recognized deferred tax assets (net) of CHF 5.0 million (2018: CHF 4.9 million) regarding entities recording a net loss in current and/or previous period. These net loss positions principally exist due to one-off effects. The Group expects to recover the deferred tax assets (net) in future periods.

Deferred tax liabilities (gross):

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **As of January 1** | **45.9** | **45.7** |
| Charged/(credited) to the income statement | (1.3) | 1.0 |
| Charged/(credited) to other comprehensive income | (0.2) | (0.4) |
| Acquisitions/divestments | 7.2 | (0.5) |
| Exchange differences | 1.7 | 0.1 |
| **As of December 31** | **53.3** | **45.9** |

Deferred tax liabilities (gross) relating to:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Inventories | 4.9 | 4.0 |
| Property, plant and equipment | 2.2 | 2.1 |
| Intangible assets | 6.4 | 1.1 |
| Employee benefits | 1.8 | 1.9 |
| Right of use assets | 1.8 | - |
| Other assets | 2.2 | 1.9 |
| Provisions, other liabilies and undistributed profits | 34.0 | 34.9 |
| **Total deferred tax liabilities** | **53.3** | **45.9** |

The Group has recognized deferred tax liabilities with regards to temporary differences associated with its investments in subsidiaries, associates and joint ventures of CHF 8.9 million (2018: CHF 9.2 million) due to expected distribution in the foreseeable future. The temporary differences associated with investments in the Group’s subsidiaries and joint ventures, for which no distribution in foreseeable future is expected and therefore no deferred tax liability has been recognized in the periods presented, aggregate to CHF 379.3 million (2018: CHF 330.7 million).

Deferred tax assets relating to tax loss carryforwards are recognized to the extent that realization of the related tax benefit with future taxable profits is probable. The Group did not recognize deferred tax assets related to accumulated losses amounting to CHF 140.9 million (2018: CHF 127.5 million) that can be carried forward against future taxable income. These tax losses will expire as follows:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Expiring next year | 2.7 | - |
| Expiring in 2 years | 3.1 | 2.4 |
| Expiring in 3 years | 13.1 | 2.9 |
| Expiring in 4 years | 34.3 | 12.9 |
| Expiring in 5 years | 14.2 | 33.8 |
| Expiring later than 5 years | 73.5 | 75.5 |
| **Total unrecognized tax losses** | **140.9** | **127.5** |

## 22. Borrowings

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **Current** | | |
| Bank overdraft | 3.1 | 10.6 |
| Bank borrowings | 60.7 | 37.8 |
| Bankers acceptance and promissory notes | 0.1 | 8.7 |
| Finance lease liabilities | - | 0.2 |
| **Total borrowings current** | **63.9** | **57.3** |
| **Non-current** | | |
| Bank loans | 215.8 | 83.2 |
| **Total borrowings non-current** | **215.8** | **83.2** |
| **Total borrowings current and non-current** | **279.7** | **140.5** |
| Weighted average effective interest rates on borrowings | 4.0% | 3.9% |

As of December 31, 2019, the Group has undrawn committed and uncommitted bank borrowings and guarantee facilities amounting to CHF 915.6 million (2018: CHF 892.9 million). Bank loans and borrowings are entered into locally by subsidiaries.

As of December 31, 2019 and 2018, aside from a five-year CHF 200 million committed credit facility, no single borrowing is individually significant to the Group. The borrowings are available at commercial terms prevailing in the local environment and might be subject to standard financial and non-financial covenants.

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

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **As of January 1** | **140.5** | **98.9** |
| **Cash flows** | | |
| Net proceeds/repayments | 128.8 | 42.6 |
| **Non-cash changes** | | |
| Acquisitions | 7.2 | - |
| Exchange differences | 3.2 | (1.0) |
| **As of December 31** | **279.7** | **140.5** |

The cash and non-cash changes of lease liabilities are included in Note 18 and the financing cash flows for leases are presented separately as repayment of leases in the cash flow statement.

## 23. Other payables, accrued expenses and contract liabilities

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Accrued expenses third parties | 168.0 | 183.2 |
| Accrued expenses employees | 70.2 | 73.1 |
| VAT and other tax payables | 61.7 | 63.0 |
| Payables distribution and logistics suppliers | 53.9 | 33.0 |
| Accrued expenses and payables advertising and promotion suppliers | 40.6 | 33.3 |
| Prepayments and deposits received | 20.5 | 13.9 |
| Payables for repair and maintenance and tangible assets | 19.4 | 11.0 |
| Contract liabilities | 17.1 | 41.3 |
| Contingent consideration liabilities | 12.1 | - |
| Derivative liabilities | 2.9 | 5.4 |
| Other non-trade payables | 31.4 | 19.2 |
| **Total other payables and accrued expenses** | **497.8** | **476.4** |

The contract liabilities primarily relate to the advance consideration received from customers prior to the Group transferring control of products. Due to the nature of the Group's business operating cycles, amounts included in contract liabilities as of December 31, 2019 and December 31, 2018 are expected/have been recognised as revenue in 2020 and 2019 respectively.

## 24. Provisions

| in CHF millions | Product warranty | Employee entitlements | Litigations/ Disputes | Others | Total |
|---|---|---|---|---|---|
| **Current and non-current** | | | | | |
| **As of January 1, 2019** | **0.8** | **2.5** | **1.9** | **3.5** | **8.7** |
| Additions | 1.9 | 0.5 | 1.8 | 0.2 | 4.4 |
| Acquisitions | - | - | - | 0.9 | 0.9 |
| Unused amount reversed | (1.2) | - | - | (0.5) | (1.7) |
| Utilized in current year | (0.5) | (0.1) | (1.7) | (1.0) | (3.3) |
| **As of December 31, 2019** | **1.0** | **2.9** | **2.0** | **3.1** | **9.0** |
| thereof: | | | | | |
| Current provisions | 1.0 | 0.7 | 2.0 | - | 3.7 |

### Product warranty

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

### Employee entitlements

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

## 25. Contingencies

As of December 31, 2019, the Group has outstanding corporate guarantees of CHF 2.6 million (2018: CHF 2.6 million) in favor of joint ventures. The Group considers that it is not probable that an outflow of resources embodying economic benefits will be required to settle these guarantees. Therefore, no amount has been recognized in the statement of financial position.

The Group applied IFRIC 23 to recognize and measure liabilities for uncertain tax positions. The Group has several subsidiaries in different jurisdictions which are undergoing tax audits for several years of income. These audits are at various stages ranging from responses to proposals for material adjustments by the tax authorities, objections to assessments and tax court hearings. In a few cases due to the nature of some items in the assessments, as well as changes in local tax laws and inconsistent fiscal practices, it is not possible to reasonably quantify the exposure at this time. The Group estimates it is not probable that material additional liabilities in respect of these tax audits are expected to crystallize and therefore has not recorded any liabilities for uncertain tax positions for this matter.

## 26. Retirement benefit assets and obligations

### Defined benefit plans in Switzerland

According to the Swiss pension law (BVG), pension plans are to be managed by independent, legally autonomous units. The defined benefit plan covers all employees in Switzerland and exceeds the minimum benefit requirements under Swiss pension law. Contributions to the plan are paid by the employees and the employer. For all employees, contributions are calculated as a percentage of contributory salary and are deducted monthly. In addition, the company pays risk contributions, which are used to finance benefits paid out in the event of death and disability, as well as to finance retirement benefits and survivors' bridging pensions. The benefits of the plan participants include retirement benefits and disability, death and survivor pensions. The plan provides a lifetime pension to members at the retirement age of 65. At retirement, a portion or the full amount can be taken as a lump sum payment. The amount of pension payable is calculated based on the conversion rate applied on the accumulated savings balance of the individual plan participant's pension account at the retirement date. The accumulated savings balance on the pension account is based on the employee and employer contributions that have been made to the pension account of each individual plan participant, as well as the interest accrued on the accumulated balance. The interest rate accrued is defined annually by the Pension Foundation Board. The investment strategy of the plan is in line with Swiss pension law, including the rules and regulations relating to diversification of plan assets. The board of trustees strives for a medium- and long-term consistency and sustainability between assets and liabilities. According to Swiss pension law, a temporary limited underfunding is permitted. However, the Pension Foundation Board is required to take the necessary measures to ensure that full funding can be expected to be restored within a period up to a maximum of ten years. Under Swiss pension law, if a pension plan became significantly underfunded on a Swiss pension law basis, additional employer and employee contributions could be required. In these situations, the risk is shared between employer and employees, and the employer is not legally obliged to cover more than 50% of the additional contributions required. The Swiss pension plan has a technical funding ratio under Swiss pension law of 117.7% (provisional) as of December 31, 2019 (2018: 111.0%), and thus it is not expected that such additional contributions will be required in the next year.

### Defined benefit plans in other countries

#### Defined benefit plan in Japan

The defined benefit plan in Japan is managed by an independent, legally autonomous unit according to Japanese law. The defined benefit pension plan covers about one third of the employees in Japan and will not enroll any more employees. Contributions to the plan are paid by the employer only. Contributions are calculated as percentage of contributory salary. The benefits of the plan participants include retirement benefits, death and survivor pensions. The plan provides a ten-year pension to members at the retirement age of 62. At retirement, the employee can choose either a lump sum payment or a ten-year pension (pension option is available only for employees with more than 15 years of service). The accumulated savings balance on the pension account is based on the employer contributions that have been made to the pension account of each individual plan participant, as well as the interest accrued on the accumulated balance. A temporary limited underfunding is permitted. Once every 3 years, there is an assessment of funding according to Japanese regulations. If the pension plan is underfunded, the monthly contribution amounts are increased starting at the beginning of the following year. The pension plan has a technical funding ratio of 143.0% as of December 31, 2019 (2018: 149.0%), and thus it is not expected that additional contributions will be required in the next year.

### Defined benefit plan in Taiwan

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

### Defined benefit plan in Philippines

The defined benefit plan in the Philippines is governed under the Philippine statute covering pension mandates and exceeds the minimum benefit requirements under Philippine labor law. The plan is managed by a separate autonomous unit. The pension plan covers all employees. Contributions to the plan are paid by the employer. The contribution is calculated as a percentage of basic salary for all employees. This contribution covers benefits paid out in the event of retirement, death, illness or disability. The plan provides a lump sum payment to members at the retirement age of 60. The amount of pension payable is calculated based on the conversion rate of final salary and years in service at the retirement date. There is no provision for funding levels under Philippine law. As of December 31, 2019 and 2018, respectively, the pension fund had a net surplus and thus additional contributions are not expected to be made next year.

### Defined benefit plan in Thailand

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

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

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Current service costs | 6.6 | 7.2 |
| Past service costs | 1.1 | (0.1) |
| Net interest cost | 0.3 | 0.4 |
| **Expense for defined benefit pension plans** | **8.0** | **7.5** |

The funded and unfunded defined benefit obligations are as follows:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Defined benefit obligations | (166.8) | (161.6) |
| thereof unfunded | (23.9) | (15.0) |
| Fair value of plan assets | 157.3 | 153.1 |
| **Funded status** | **(9.5)** | **(8.5)** |
| Impact of minimum funding requirement/asset ceiling | (16.6) | (11.0) |
| **Net retirement benefit obligations recognized in the statement of financial position** | **(26.1)** | **(19.5)** |
| Retirement benefit assets recognized in the statement of financial position | 7.4 | 7.5 |
| Retirement benefit obligations recognized in the statement of financial position | 33.5 | 27.0 |

As of December 31, 2019, pension plans in Japan, the Philippines and the principal plan in Switzerland were in a surplus situation and other pension plans in Switzerland were in a deficit situation. The pension plan in Thailand does not include a funding requirement and the plan in Taiwan requires only partial funding.

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **Switzerland** | | |
| Defined benefit obligations | (124.5) | (127.7) |
| Fair value of plan assets | 141.7 | 138.5 |
| **Funded status** | **17.2** | **10.8** |
| | | |
| **Other countries** | | |
| Defined benefit obligations | (42.3) | (33.9) |
| thereof unfunded | (23.9) | (15.0) |
| Fair value of plan assets | 15.6 | 14.6 |
| **Funded status** | **(26.7)** | **(19.3)** |

The movement in present value of the defined benefit obligations are as follows:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **As of January 1** | **161.6** | **186.1** |
| Current service cost | 6.6 | 7.2 |
| Past service cost | 1.1 | (0.1) |
| Interest cost | 2.0 | 1.8 |
| Remeasurements included in other comprehensive income | | |
| Actuarial (gain)/loss from the effect of changes in demographic assumptions | 0.1 | - |
| Actuarial (gain)/loss from the effect of changes in financial assumptions | 10.1 | (4.5) |
| Actuarial (gain)/loss from the effect of experience adjustments | (2.0) | (1.9) |
| Employee contributions | 2.3 | 2.6 |
| Benefits paid | (17.7) | (22.6) |
| Acquisitions/divestments | 1.8 | (6.4) |
| Insurance premiums for risk benefits | (0.3) | (0.4) |
| Exchange differences | 1.1 | (0.2) |
| **As of December 31** | **166.7** | **161.6** |

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

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **As of January 1** | **153.1** | **176.9** |
| Interest income | 1.8 | 1.4 |
| Remeasurements included in other comprehensive income | | |
| Return on plan assets (excluding interest income) | 9.3 | (7.6) |
| Employee contributions | 2.3 | 2.6 |
| Employer contributions | 5.4 | 5.3 |
| Benefits paid | (14.7) | (20.7) |
| Acquisitions/divestments | - | (4.3) |
| Insurance premiums for risk benefits | (0.3) | (0.4) |
| Exchange differences | 0.4 | (0.1) |
| **As of December 31** | **157.3** | **153.1** |

The Group expects to contribute CHF 3.8 million to its defined benefit pension plans in 2019 (2018: CHF 5.3 million).

Plan assets are composed as follows:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Cash | 5.8 | 6.2 |
| Investments quoted in active markets | | |
| Equity funds | 38.8 | 36.1 |
| Fixed-income funds | 68.3 | 65.4 |
| Real Estate funds | 28.7 | 27.5 |
| Corporate bonds | 4.6 | 4.6 |
| Unquoted investments | | |
| Debt investments | 0.1 | 0.2 |
| Real estate | 2.6 | 2.5 |
| Assets held by insurance companies | 8.4 | 10.6 |
| **Total** | **157.3** | **153.1** |

Pension plan assets include a property, occupied by the Group, with a market value of CHF 2.6 million in the current and previous period in the Philippines.

The principal actuarial assumptions used are as follows:

| in % | 2019 | 2018 |
|---|---|---|
| **Switzerland** | | |
| Discount rate | | |
| Active | 0.3 | 1.0 |
| Retired | 0.2 | 0.7 |
| Future salary increases | 1.5 | 1.5 |
| **Other countries** | | |
| Discount rate | 0.1–5.5 | 0.2–8.2 |
| Future salary increases | 3.0–6.0 | 3.0–6.0 |
| Future pension increases | 1.1–4.5 | 1.1–4.5 |

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

The life expectancy post retirement as at December 31, 2019, is as follows:

| in years | 2019 | 2018 |
|---|---|---|
| **Switzerland** | | |
| Male | 22.6 | 22.6 |
| Female | 24.7 | 24.6 |

The sensitivity of the defined benefit obligations to changes of significant assumptions as at December 31, 2019, is as follows:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **Switzerland** | | |
| Discount rate (increase)/decrease by 0.5% | (7.8)/8.0 | (7.5)/7.6 |
| Rate of salary increase/(decrease) by 0.5% | 1.4/(1.3) | 1.2/(1.5) |
| Rate of pension increase/(decrease) by 0.5% | 6.5/(7.3) | 5.8/(7.3) |
| Life expectancy increase/(decrease) by 1 year | 4.1/(5.6) | 3.4/(5.6) |

The weighted average duration of the defined benefit plan obligations as December 31, 2019, is 14.6 years (2018: 12.3 years).

## 27. Equity, share capital and treasury shares

| | Nominal value in CHF | Total number of shares |
|---|---|---|
| **As of January 1, 2018** | **0.1** | **65,042,963** |
| As of December 31, 2018 and January 1, 2019 | 0.1 | 65,042,963 |
| **As of December 31, 2019** | **0.1** | **65,042,963** |

In 2019 and 2018, the Group had no changes in its share capital.

An ordinary dividend of CHF 1.85 per common registered share was paid in 2019 (2018: CHF 1.65 ordinary dividend). Total dividend payments amounted to CHF 120.3 million (2018: CHF 107.3 million).

The total authorized number of shares as of December 31, 2019, of DKSH Holding Ltd. is 65,042,963 (2018: 65,042,963) with a par value of CHF 0.10 per share. All issued shares are fully paid in. In 2019 the Group purchased 52,042 treasury shares for an amount of CHF 3.2 million. The Group used 30,942 treasury shares (CHF 2.0 million) for vested share-based payment awards and 20,000 treasury shares (CHF 1.1 million) to settle an obligation. 1,100 treasury shares were sold for an amount of CHF 0.1 million. The Group holds no treasury shares as of December 31, 2019 and 2018.

The Ordinary General Meeting held on April 16, 2013, approved the Board of Directors' proposal to increase conditional share capital by 500,000 shares or CHF 0.1 million. As of December 31, 2019, the Company's conditional share capital amounts to 282,537 shares (2018: 282,537 shares) or CHF 0.03 million (2018: CHF 0.03 million).

As of December 31, 2019, the Company does not have authorized share capital (2018: CHF 0.0 million).

At the Ordinary General Meeting scheduled for March 19, 2020, a CHF 1.90 dividend is to be proposed in respect of 2019 (2018: CHF 1.85 ordinary dividend per registered shares). These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending December 31, 2020. Dividends payable are not accounted for until they have been ratified at the Ordinary General Meeting.

Other reserves and retained earnings include statutorily restricted reserves of CHF 127.5 million as of December 31, 2019 (2018: CHF 127.8 million).

## 28. Earnings per share

The following reflects the data used in the basic and diluted earnings per share computations for the years ending December 31, 2019:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Profit after tax attributable to the shareholders of the DKSH Holding Ltd. | 172.6 | 254.8 |
| Weighted average number of outstanding shares during the year | 65,038,284 | 65,037,572 |
| Dilutive shares | 48,959 | 43,251 |
| Adjusted weighted number of shares applicable to diluted earnings per share | 65,087,243 | 65,080,823 |

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

## 29. Share-based payments

### Long-Term Incentive Plan (LTIP)

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

| Year | Number of PSUs granted | Fair Value of PSUs[1] |
|---|---|---|
| 2018 | 47,843 | 68.01 |
| 2019 | 70,738 | 55.20 |

[1] in CHF.

The total expense recognized for the period relating to share-based payment transactions amounted to CHF 2.1 million (2018: CHF 2.0 million).

## 30. Acquisitions and disposals

### Acquisitions

During the business year 2019, the Group acquired shares in the following companies:

| Business | Country of incorporation | Legal ownership | Effective date | Consolidation method | Employees |
|---|---|---|---|---|---|
| Auric Pacific Group | Malaysia, Singapore | 100% | March 29, 2019 | Full | 435 |
| SPC (Asset purchase) | Thailand | 100% | April 5, 2019 | Full | 430 |
| Dols International B.V. | Netherlands | 100% | May 24, 2019 | Full | 7 |
| Club Trading & Distribution Pty Ltd | Australia | 100% | July 1, 2019 | Full | 13 |

Effective March 29, 2019, the Group purchased the shares of the Auric Pacific Group via various share transactions of subsidiaries, from a public listed company. The Auric business activities include distribution of fast moving consumer goods, retailing, food manufacturing, restaurant management as well as food court management in Singapore and Malaysia.

Effective April 5, 2019, the Group purchased the business of SPC, a privately held company based in Thailand via asset purchase. SPC represents a technology distributor of scientific instrumentation of laboratory equipment and sector specific services for pharma, cosmetics and oil and gas companies in Thailand.

Effective May 24, 2019, the Group purchased the shares of Dols International B.V., a privately held company and specialty chemicals distributor based in the Netherland. Dols International focuses on marketing, sales and distribution of specialty chemicals in the Benelux.

Effective July 1, 2019, the Group purchased the shares of Club Trading & Distribution Pty Ltd (CTD), a privately held company based in Australia. CTD distributes consumer goods in Australia.

From the dates of acquisition, the Auric business contributed net sales amounting to CHF 147.4 million and a combined profit after tax of CHF 6.0 million. Assuming the business had been acquired as of January 1, 2019, the contribution for the net sales would have been CHF 195.5 million with a corresponding profit after tax of CHF 8.0 million as of December 31, 2019.

From the dates of acquisition, the CTD business contributed net sales amounting to CHF 31.8 million and a profit after tax of CHF 1.3 million. Assuming the business had been acquired as of January 1, 2019, the contribution for the net sales would have been CHF 63.6 million with a corresponding profit after tax of CHF 2.5 million as of December 31, 2019.

From the dates of acquisition, the other acquired businesses contributed net sales amounting to CHF 29.9 million and a combined profit after tax of CHF 3.2 million. Assuming the businesses had been acquired as of January 1, 2019, the contribution for the net sales would have been CHF 41.7 million with a corresponding profit after tax of CHF 4.3 million as of December 31, 2019.

The goodwill of CHF 132.5 million relates to synergies and footprint improvements. None of the goodwill is expected to be deductible for income tax purposes.

The total purchase consideration for CTD is capped at an amount of CHF 30.3 million. An amount of CHF 17.4 million has been paid in cash in 2019. Contingent consideration liabilities with a fair value of CHF 12.2 million were recognised at the acquisition date. Payments are contingent on the achievement of normalized EBITDA targets of the acquired business for financial years 2020 and 2021 and the retention of key suppliers and becomes payable in 2020 and 2021. The agreement also foresees a catch-up mechanism in the second year. If the target achievement is below a stated reference amount, no consideration would be payable.

The total purchase consideration for SPC is capped at an amount of CHF 45.1 million. An amount of CHF 21.6 million has been paid in cash in 2019. Contingent consideration liabilities with a fair value of CHF 8.9 million were recognized at the acquisition date. Payments are contingent on the achievement of normalized EBITDA targets of the acquired business for financial years 2020 and 2021 and the retention of suppliers representing at least 80% of the aggregate gross profit for the fiscal year 2018 and becomes payable in 2020 and 2021.

Refer to Note 33 for further information on the determination and sensitivity of fair value.

The fair value of the identifiable assets and liabilities relating to the following acquisitions:

| in CHF millions | Total fair value recognized on acquisition of Auric Group | Total fair value recognized on acquisition of CTD | Total fair value recognized on acquisition of SPC, Dols | Total fair value recognized on acquisitions |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 7.4 | 1.4 | 0.4 | 9.2 |
| Trade receivables | 46.9 | 3.2 | 1.3 | 51.4 |
| Inventories | 34.9 | 7.4 | 7.0 | 49.3 |
| Other current assets | 8.6 | 0.1 | 0.3 | 9.0 |
| Intangible assets | 33.6 | 7.2 | 6.5 | 47.3 |
| Property, plant and equipment | 2.4 | - | 2.9 | 5.3 |
| Right-of-use Asset | 0.4 | - | 0.6 | 1.0 |
| Deferred tax assets | 1.0 | 0.1 | - | 1.1 |
| **Liabilities** | | | | |
| Trade payables | (31.0) | (7.6) | (1.3) | (39.9) |
| Current borrowings | (7.2) | - | - | (7.2) |
| Other current liabilities | (23.9) | (1.3) | (0.1) | (25.3) |
| Provisions | (0.9) | - | - | (0.9) |
| Lease Liabilities | (0.4) | - | (0.6) | (1.0) |
| Deferred tax liabilities | (4.8) | (2.4) | - | (7.2) |
| Other non-current liabilities | - | - | (0.7) | (0.7) |
| **Net assets acquired** | **67.0** | **8.1** | **16.3** | **91.4** |
| Goodwill on acquisitions | 91.1 | 21.5 | 19.9 | 132.5 |
| **Purchase consideration** | **158.1** | **29.6** | **36.2** | **223.9** |
| Contingent consideration | - | (12.2) | (11.4) | (23.6) |
| **Purchase consideration paid in cash** | **158.1** | **17.4** | **24.8** | **200.3** |
| Cash and cash equivalents acquired | 7.4 | 1.4 | 0.4 | 9.2 |
| **Net cash outflow** | **(150.7)** | **(16.0)** | **(24.4)** | **(191.1)** |

**Prior year acquisitions**
During the business year 2018, the Group acquired shares in the following companies:

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

Effective January 15, 2018, as part of the mandatory public offering the Group purchased additional 5.2% of the shares of PT. Wicaksana O.l.Tbk for an amount of CHF 3.2 million.

Effective September 6, 2018, the Group acquired additional 39% of the shares of eSweets Trading Co., Ltd., for a purchase price of CHF 6.8 million (CHF 0.9 million was paid in 2019). In combination with the acquisition of a majority stake in 2016, the Group's ownership in eSweets Trading co.,Ltd. is 90%.

### Disposals
The Group did not dispose any business in 2019. Actual net proceeds received in 2019 relating to the disposal of the healthcare business in China were CHF 7.5 million. Cash outflows relating to disposal costs accrued in prior year were CHF 1.6 million.

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

Effective October 31, 2018, the Group disposed its shareholding in Queloz SA in Switzerland representing a business specialized in the manufacturing of specific parts of luxury watches. The Group issued a vendor loan to the buyer of Queloz SA of CHF 3.7 million to be settled in equal annual installments until 2021.

Details on net assets disposed are as follows:

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

## 31. Related party transactions

The following transactions were with related parties in 2019:

| in CHF millions | Shareholders | Associates | Joint ventures | Total |
|---|---|---|---|---|
| **Income statement balances** | | | | |
| Sales of goods and services | - | - | 1.6 | 1.6 |
| Purchases of goods and services | 1.4 | 0.3 | 0.1 | 1.8 |
| Depreciation expenses of right-of-use assets | 1.8 | - | - | 1.8 |
| Fees & royalties | 0.4 | - | - | 0.4 |
| Interest expenses relating to lease liabilities | 0.1 | - | - | 0.1 |
| **Balance sheet items** | | | | |
| Other receivables and prepayments | - | - | 0.2 | 0.2 |
| Loans to related parties | - | 2.2 | - | 2.2 |
| Right-of-use assets | 2.9 | - | - | 2.9 |
| Lease liabilities | 2.9 | - | - | 2.9 |
| Trade payables | - | - | 0.1 | 0.1 |
| Other payables | 0.1 | - | - | 0.1 |

The following transactions were with related parties in 2018:

| in CHF millions | Shareholders | Associates | Joint ventures | Total |
|---|---|---|---|---|
| **Income statement balances** | | | | |
| Sales of goods and services | - | - | 1.6 | 1.6 |
| Purchases of goods and services | 1.4 | 0.7 | 0.1 | 2.2 |
| Fees & royalties | 0.4 | - | - | 0.4 |
| **Balance sheet items** | | | | |
| Other receivables and prepayments | - | - | 0.3 | 0.3 |
| Loans to related parties | - | 2.2 | - | 2.2 |
| Other payables | 0.1 | - | - | 0.1 |

The total remuneration recognized as an expense in the reporting period for the Board of Directors and Executive Committee is as follows:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Executive Committee | 10.1 | 13.7 |
| Board of Directors | 2.3 | 2.6 |

The total remuneration recognized as an expense in the reporting period for the Executive Committee includes short-term employee benefits of CHF 6.8 million (2018: CHF 10.1 million), including both salary and incentive-based compensation, share-based compensation expenses of CHF 1.6 million (2018: CHF 1.4 million), post-employment benefits of CHF 0.4 million (2018: CHF 0.6 million), and other short- and long-term employee benefits of CHF 1.3 million (2018: CHF 1.6 million).

The total remuneration recognized as employee benefit expenses in the reporting period for the Board of Directors is CHF 2.3 million (2018: CHF 2.6 million).

As of December 31, 2019 and 2018, no loans or any other commitments were outstanding to members of the Board of Directors and Executive Committee (Note 29 for more details regarding share-based payments).

For contingencies with or in favor of related parties (Note 25).

## 32. Commitments

On December 18, 2019 DKSH Smollan, of which the Group holds 51%, signed an agreement to acquire Crossmark in Australia and New Zealand for a consideration of about CHF 25 million. Crossmark is a field marketing provider for consumer goods and generates annual net sales of approximate CHF 50.0 million.

On December 23, 2019 the Group signed an agreement to acquire Axieo in Australia and New Zealand for a consideration of about CHF 50 million. Axieo is a specialty chemical distributor and generates annual net sales of approximate CHF 130.0 million.

The closing of these transactions are expected in the first quarter of 2020 and is subject to certain conditions.

## 33. Financial instruments

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

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

### (i) Foreign exchange risk

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

#### Foreign exchange risk on commercial transactions

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

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

The total notional amount (outstanding gross settlement risk) and net positive market value for financial counterparties were as follows:

| in CHF millions | Notional amount | Notional amount | Positive market value | Positive market value |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| AA- or higher | 84.9 | 90.1 | 0.7 | 0.7 |
| A+, A or A- | 518.9 | 582.4 | 2.7 | 2.6 |
| BBB+, BBB or BBB- | 121.5 | 187.1 | 0.9 | 0.5 |
| **Total** | **725.3** | **859.6** | **4.3** | **3.8** |

For derivatives revalued through income statement, the Group recorded a net loss of CHF 8.0 million (2018: net gain of CHF 3.3 million) within the net foreign exchange result to recognize the change in the fair values.

These gains and losses on derivative instruments offset the balance sheet revaluation of financial assets and liabilities with the exception of the amount relating to derivatives used to hedge cash flows. In 2019, the Group recorded a net loss of CHF 0.3 million (2018: net loss of CHF 5.6 million) from revaluation of balance sheet items.

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Current assets | 4.0 | 3.7 |
| Current liabilities | (2.5) | (3.7) |
| **Net fair value of foreign exchange contracts** | **1.5** | **-** |
| Swiss Franc equivalent notional amount of derivative financial instruments | 674.2 | 744.1 |

### Net investment hedges

The Group entered into forward foreign exchange contracts that are designated as hedging the foreign currency exposures of net investments in foreign operations. The hedges are fully effective and there was no ineffectiveness to be recognized in the profit and loss statement.

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Current assets | 0.3 | 0.1 |
| Current liabilities | (0.4) | (1.8) |
| **Net fair value of net investment hedges** | **(0.1)** | **(1.7)** |
| Swiss Franc equivalent notional amount of forward exchange contracts | 51.1 | 115.5 |

The notional amount of forward exchange contracts represents the gross amount of the contracts and includes outstanding transactions as of December 31, 2019.

The derivative assets and liabilities relating to foreign exchange risk on commercial transactions and net investmnet hedges have been included in other receivables and other payables and accrued expenses in the statement of financial position. The amount of derivative assets of CHF 4.3 million as of December 31, 2019 (2018: CHF 3.8 million) represents the Group's exposure to credit risk from derivative financial instruments.

### Foreign exchange risk on other transactions

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

### Foreign exchange risk on monetary assets and liabilities

Foreign exchange risk arises when recognized monetary assets or liabilities are denominated in a currency that is not the entity's functional currency. Group companies are not authorized to borrow or hold cash in a currency other than their functional currency unless such borrowings or cash holdings are the result of short-term liquidity management, regulatory restrictions or market inefficiencies.

### Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR and JPY exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in carrying amount of monetary assets and liabilities including foreign currency derivatives. The Group's exposure to foreign currency changes for all other currencies is not material.

| Currency | Change foreign currency exchange rate | 2019 | 2018 |
|---|---|---|---|
| USD | +5%/-5% | 4.4/(4.4) | 4.0/(4.0) |
| EUR | +5%/-5% | 0.9/(0.9) | 2.9/(2.9) |
| JPY | +5%/-5% | 0.2/(0.2) | 0.1/(0.1) |

### (ii) Interest rate risk

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

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

As of December 31, 2019, if variable interest rates on interest-bearing borrowings had been 0.5% higher with all other variables held constant that the Group assumes to be reasonably possible, and the higher interest rates are applied to the borrowings as of December 31, pre-tax profit for the year would have been CHF 1.4 million (2018: CHF 0.7 million) lower. Assuming the higher interest rates increase the yield on interest-bearing cash and financial assets, the impact of the higher interest rates on the Group's pre-tax profit for the year will be offset by the increased income from these instruments. If interest rates on interest-bearing cash and financial assets had been 0.5% higher with all other variables held constant, and the higher interest rates are applied to the interest-bearing cash and financial assets as of December 31, 2019, pre-tax profit for the year would have been CHF 3.0 million (2018: CHF 3.1 million) higher.

### (iii) Credit risk

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

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

### Cash and cash equivalents

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 of the Group are with institutions with the following ratings:

| in CHF millions | 2019 | 2018 |
|---|---|---|
| AA- or higher | 58.7 | 119.5 |
| A+, A or A- | 309.3 | 304.6 |
| BBB+, BBB or BBB- | 184.2 | 169.8 |
| Non-investment grade/unrated | 40.4 | 20.4 |
| **Total** | **592.6** | **614.3** |

### Trade receivables

Trade receivables are subject to credit limits, control and approval procedures in all the affiliated companies. Customer specific credit limits are set and monitored on an ongoing basis. The debtors are mainly internationally acting customers with own local entities with business activities in the wholesale sector and governmental institutions. None of these customers exceed 10% of total accounts receivable.

### (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.

The Corporate Center holds a strategic liquidity reserve consisting of either cash and/or undrawn committed credit facilities. As of December 31, 2019, this strategic reserve amounted to CHF 417.8 million (2018: CHF 490.1 million) consisting of cash and the undrawn portion of the CHF 200 million five-year committed credit facility closed on July 15, 2015.

| in CHF millions | 2019 | 2018 |
|---|---|---|
| Centrally held cash and cash equivalents | 217.8 | 290.1 |
| Committed credit facility | 200.0 | 200.0 |
| **Total** | **417.8** | **490.1** |

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

| in CHF millions | Up to 1 month or on demand | 1-3 months | 3-12 months | 1-5 years | More than 5 years | Total Cash Flows | Carrying value |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2019** | | | | | | | |
| Borrowings | 14.3 | 9.8 | 48.6 | 224.5 | - | 297.2 | 279.7 |
| Trade and other payables | 1,269.6 | 1,003.0 | 411.5 | 2.4 | - | 2,686.5 | 2,686.5 |
| Lease liabilities | 10.5 | 12.4 | 68.7 | 133.7 | 43.3 | 268.6 | 221.2 |
| Contingent considerations | - | - | 12.4 | 12.4 | - | 24.8 | 24.5 |
| **Total** | **1,294.4** | **1,025.2** | **541.2** | **373.0** | **43.3** | **3,277.1** | **3,211.9** |
| **As of December 31, 2018** | | | | | | | |
| Borrowings | 25.9 | 3.5 | 31.1 | 86.3 | - | 146.8 | 140.5 |
| Trade and other payables | 1,268.8 | 925.7 | 488.0 | 2.4 | - | 2,684.9 | 2,684.9 |
| Finance lease liabilities | - | - | 0.2 | - | - | 0.2 | 0.2 |
| **Total** | **1,294.7** | **929.2** | **519.3** | **88.7** | **-** | **2,831.9** | **2,825.6** |

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

The amounts disclosed, refer to the contractual undiscounted cash flows until maturity date that will be settled on a gross basis.

| in CHF millions | Up to 1 month or on demand | 1–3 months | 3–12 months | 1–5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **As of December 31, 2019** | | | | | | |
| **Forward FX contracts** | | | | | | |
| Outflow | (422.9) | (225.6) | (75.3) | - | - | (723.8) |
| Inflow | 423.8 | 225.3 | 75.9 | - | - | 725.0 |
| **As of December 31, 2018** | | | | | | |
| **Forward FX contracts** | | | | | | |
| Outflow | (377.6) | (374.0) | (108.7) | - | - | (860.3) |
| Inflow | 377.6 | 372.3 | 107.7 | - | - | 857.6 |

### (v) Fair value

The table below analyzes financial assets and liabilities by measurement category. In case of recurring fair value measurments, the specific fair value level is indicated. The different fair value levels are defined as follows:

• Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group reflects the current bid price
• Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates ; and
• Level 3: One or more of the significant inputs is not based on observable market data.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year. The group's policy is to recognize transfers into and out of fair value hierarchy levels as at the end of the reporting period.

| in CHF millions | Level | 2019 | 2018 |
|---|---|---|---|
| **Financial assets at fair value through profit and loss** | | | |
| Derivative assets | 2 | 4.3 | 3.8 |
| Unlisted equity securities | 3 | 30.5 | 30.7 |
| Convertible loan | 3 | 3.0 | - |
| **Total** | | **37.8** | **34.5** |
| | | | |
| **Financial assets at fair value through other comprehensive income** | | | |
| Other equity securities | 1 | 3.2 | 3.5 |
| **Total** | | **3.2** | **3.5** |
| | | | |
| **Financial assets at amortized cost[2]** | | | |
| Cash and cash equivalents[1] | | 592.6 | 614.3 |
| Trade receivables [1] | | 2,241.2 | 2,219.1 |
| Other receivables[1 2] | | 336.2 | 355.8 |
| Deposits to third party[1] | | 20.8 | 18.1 |
| Loans to third party[1] | | 4.7 | 6.2 |
| **Total** | | **3,195.5** | **3,213.5** |
| | | | |
| **Total financial assets** | | **3,236.5** | **3,251.5** |
| | | | |
| **Financial liabilities at fair value through profit and loss** | | | |
| Contingent consideration liabilities | 3 | 24.5 | - |
| Derivative liabilities | 2 | 2.9 | 5.4 |
| **Total** | | **27.4** | **5.4** |
| | | | |
| **Financial liabilities at amortized cost** | | | |
| Borrowings[1] | | 279.7 | 140.5 |
| Lease liabilities[4] | | 221.2 | - |
| Trade payables[1] | | 2,415.0 | 2,436.1 |
| Other payables[1 3] | | 142.3 | 118.4 |
| **Total** | | **3,058.2** | **2,695.0** |
| | | | |
| **Total financial liabilities** | | **3,085.6** | **2,700.4** |

1 Carrying amount is a resonable approximation for fair value.
2 Excluding VAT and other tax receivables and derivative financial instruments.
3 Excluding VAT and other tax payables, derivative liabilities.
4 No fair value disclosure required.

**Measurement of fair values**
The Group's financial instruments for which Level 2 and Level 3 fair values are determined as per below valuation techniques and specific unobservable inputs.

The forward exchange contracts represent Level 2 in the fair value hierarchy and are classified as financial instruments at fair value through profit and loss. The fair value is determined using the discounting method applying the zero-coupon curve at the financial reporting date.

The interest rate swaps represent Level 2 in the fair value hierarchy and are classified as financial instruments at fair value through profit and loss. The fair value is calculated as the present value of the estimated future cash flows reflecting the credit rating of the group. Estimates of future floating-rate cash flows are based on interbank borrowing rates. Estimated cash flows are discounted using the zero-coupon curve at the financial reporting date.

The non-listed equity shares of aCommerce Group Ltd. represent Level 3 in the fair value hierarchy and are classified as equity instruments designated at fair value through profit and loss. Reassessment of this investment as per December 31, 2019, did not result in a change of fair value and therefore no adjustment was required. According to the start-up nature of this non-listed business, the fair value has been determined using a revenue multiple model derived from listed and unlisted companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities, and the specific business model. The Group used a revenue multiple of 1.1 applied to full year 2019 revenues to determine fair value (2018: a multiple of 1.65 was applied to 2018 revenues). In comparison to prior year a lower multiple has been used as the business model of aCommerce has evolved into lower margin business and the composition of the peer group has changed accordingly. Quantitative sensitivity analysis reflecting multiples of 1.0 and 1.2 (2018: 1.5 and 1.8), with all other variables (e.g. revenues) held constant, results in a decrease and increase in fair value by CHF 2.9 million, respectively.

The contingent considerations represent Level 3 in the fair value hierarchy and are classified as financial liabilities at fair value through profit and loss. The contingent consideration liabilities as per acquisition date of CHF 23.7 million principally related to the acquisitions of CTD (CHF 12.2 million) and SPC (CHF 8.9 million) in 2019.

CTD: Management has estimated the normalized EBITDA targets (significant unobservable inputs) for the financial years 2020 and 2021 and the impact of the key supplier retention clause (significant unobservable input) and has determined that the maximum amount of the agreed consideration would be payable. The estimated future cashflows have been discounted to present value (level 2 input). If the normalized EBITDA is reduced by 10%, holding all other variables constant, the fair value would be unchanged. However, if the normalized EBITDA is reduced by 20%, holding all other variables constant, the fair value would be lower by CHF 12.2 million.

SPC: Management has estimated the normalized EBITDA targets (significant unobservable inputs) for the financial years 2020 and 2021 and the impact of the supplier retention clause (significant unobservable input) and has determined that the target amount of the agreed EBITDA would be achieved and therefore target consideration would be payable. The estimated future cashflows have been discounted to present value (Level 2 input). If the normalized EBITDA is higher/lower by 10%, holding all other variables constant, the fair value would be unchanged. If the normalized EBITDA is higher/lower by 20%, holding all other variables constant, the fair value would be higher/lower by CHF 0.9 million.

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

| in CHF millions | Unlisted equity securities | Convertible loan | Contingent consideration | Total |
|---|---|---|---|---|
| **As of January 1, 2018** | **30.8** | **-** | **-** | **30.8** |
| Exchange differences | (0.1) | - | - | (0.1) |
| **As of December 31, 2018** | **30.7** | **-** | **-** | **30.7** |
| Additions / Acquisitions | - | 3.0 | 23.6 | 26.6 |
| Fair value changes | - | - | 0.3 | 0.3 |
| Exchange differences | 1.1 | - | 0.6 | 1.7 |
| **As of December 31, 2019** | **31.8** | **3.0** | **24.5** | **59.3** |

(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, 2019, is CHF 2,054.0 million (2018: CHF 1,851.0 million). The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of asset-to-equity ratio and total debt-to-capitalization ratio. The asset-to-equity ratio is calculated as total assets divided by total equity. The total debt-to-capitalization ratio is calculated as total borrowings divided by the sum of borrowings and equity attributable to the shareholders of the Group. The ratios as of December 31, 2019 and 2018, were as follows:

| | 2019 | 2018 |
|---|---|---|
| Asset-to-equity | 2.9 | 2.8 |
| Total debt-to-capitalization | 13.6% | 7.6% |

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, 2019, and for the entire financial year 2019, the Group did not have any breaches of such loan agreements.

## 34. Events after financial reporting date

There are no significant events after the balance sheet date.

## 35. Principal subsidiaries as of December 31, 2019

| Company name | Currency | Capital in thousands | Ownership and voting rights % |
|---|---|---|---|
| **Holding and management companies** | | | |
| DKSH Management Ltd., Zurich [1] | CHF | 2,000 | 100.00 |
| Maurice Lacroix S.A. (International), Saignelégier [1] | CHF | 1,000 | 100.00 |
| DKSH China Holding Ltd., Hong Kong [1] | HKD | 20,000 | 100.00 |
| DKSH Corporate Shared Services Center Sdn. Bhd., Kuala Lumpur [1] | MYR | 5,000 | 100.00 |
| DKSH Holdings (Asia) Sdn Bhd., Kuala Lumpur [1] | MYR | 30,000 | 100.00 |
| DKSH Holding (S) Pte Ltd., Singapore [1] | SGD | 83,703 | 100.00 |
| DKSH Management Pte Ltd., Singapore [1] | SGD | 2,000 | 100.00 |
| DKSH Management (Thailand) Ltd., Bangkok [1] | THB | 10,000 | 100.00 |
| **Operating companies** | | | |
| **Switzerland** | | | |
| DKSH Switzerland Ltd., Zurich [1] | CHF | 20,000 | 100.00 |
| DKSH International Ltd., Zurich [1] | CHF | 700 | 100.00 |
| Medinova AG, Zurich [1] | CHF | 250 | 100.00 |
| **Asia** | | | |
| DKSH Australia Pty Ltd., Hallam [1] | AUD | 8,465 | 100.00 |
| Club Trading & Distribution Pty Ltd, Hallam [1] | AUD | 2 | 100.00 |
| DKSH Hong Kong Ltd., Hong Kong [1] | HKD | 100,000 | 100.00 |
| PT DKSH (Indonesia), Jakarta [1] | IDR | 180,755,650 | 100.00 |
| PT Wicaksana Overseas International Tbk, Jakarta [1] | IDR | 411,798,739 | 64.90 |
| DKSH India Pvt. Ltd., Bombay-Mumbai [1] | INR | 100,000 | 100.00 |
| DKSH Japan K.K., Tokyo [1] | JPY | 1,600,000 | 100.00 |
| DKSH (Cambodia) Ltd., Phnom Penh [1] | KHR | 4,000,000 | 100.00 |
| EUROP Continents S.A.R.L, Phnom Penh [1] | KHR | 320,000 | 100.00 |
| DKSH Korea Ltd., Seoul [1] | KRW | 30,000,000 | 100.00 |
| DKSH (Myanmar) Ltd., Yangon [1] | MMK | 10,000 | 100.00 |
| DKSH Smollan Field Marketing Myanmar Limited, Yangon | MMK | 67,600 | 51.00 |
| The Glory Medicine Ltd., Macao | MOP | 120,000 | 100.00 |
| DKSH Resources Sdn. Bhd., Petaling Jaya | MYR | 60,000 | 100.00 |
| DKSH Malaysia Sdn Bhd., Petaling Jaya | MYR | 50,000 | 74.31 |
| DKSH Technology Sdn. Bhd., Kuala Lumpur | MYR | 5,000 | 100.00 |
| The Famous Amos Chocolate Chip Cookie Corp (M) Sdn Bhd., Petaling Jaya | MYR | 1,000 | 74.31 |
| DKSH Smollan Field Marketing (Malaysia) Sdn Bhd., Kuala Lumpur [1] | MYR | 1,500 | 51.00 |
| DKSH Food Services (M) Sdn Bhd | MYR | 1,000 | 100.00 |
| DKSH Market Expansion Services Sdn Bhd | MYR | 12,000 | 100.00 |

| Company name | Currency | Capital in thousands | Ownership and voting rights % |
|---|---|---|---|
| **Asia (continued)** | | | |
| DKSH New Zealand Ltd., Auckland [1] | NZD | 230 | 100.00 |
| Edward Keller (Philippines) Inc., Manila [1] | PHP | 500,000 | 100.00 |
| DKSH Philippines Inc., Manila [1] | PHP | 11,500 | 100.00 |
| DKSH Singapore Pte Ltd., Singapore | SGD | 20,998 | 100.00 |
| DKSH Smollan Field Marketing, Singapore [1] | SGD | 1,020 | 51.00 |
| DKSH South East Asia Pte Ltd., Singapore | SGD | 11,900 | 100.00 |
| DKSH (Thailand) Ltd., Bangkok [1] | THB | 200,000 | 75.55 |
| The United Drug (1996) Co. Ltd., Bangkok [1] | THB | 40,000 | 75.55 |
| Diethelm Keller Logistics Ltd., Bangkok | THB | 6,000 | 100.00 |
| DKSH Smollan Field Marketing (Thailand) Limited, Bangkok | THB | 5,100 | 51.00 |
| SPC RT Co., Ltd., Bankok | THB | 3,000 | 99.99 |
| DKSH Supply Chain Solutions (Taiwan) Ltd., Tao Yuan County | TWD | 500,000 | 98.55 |
| DKSH Taiwan Ltd., Taipei [1] | TWD | 300,000 | 100.00 |
| United International Drug Co. Ltd., Taipei [1] | TWD | 5,000 | 100.00 |
| DKSH Vietnam Co. Ltd., Binh Duong [1] | USD | 3,300 | 100.00 |
| DKSH Technology Co. Ltd (VND), Ho Chi Minh City [1] | USD | 546 | 100.00 |
| DKSH Shanghai Ltd., Shanghai | USD | 200 | 100.00 |
| DKSH Laos Company Ltd. (LAK), Vientiane | USD | 400,000 | 100.00 |
| IMA Marketing JSC, Ho Chi Minh City | VND | 5,000,000 | 99.00 |
| **Europe** | | | |
| DKSH Nordic A/S, Birkerod | DKK | 500 | 100.00 |
| DKSH GmbH, Hamburg [1] | EUR | 3,068 | 100.00 |
| DKSH Luxury and Lifestyle Europe GmbH, Pforzheim [1] | EUR | 5,000 | 100.00 |
| DKSH France S.A., Miribel [1] | EUR | 2,400 | 100.00 |
| DKSH Iberica, S.L.U., Barcelona [1] | EUR | 24 | 100.00 |
| DKSH Marketing Services Spain, S.A.U., Barcelona | EUR | 648 | 100.00 |
| DKSH Italy S.r.l., Milano [1] | EUR | 110 | 100.00 |
| DKSH Great Britain Ltd., Wimbledon [1] | GBP | 500 | 100.00 |
| **America** | | | |
| DKSH North America Inc., Baltimore [1] | USD | 500 | 100.00 |
| DKSH Luxury & Lifestyle North America Inc., Princeton [1] | USD | 0 | 100.00 |

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

Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, February 7, 2020

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

### Opinion

We have audited the consolidated financial statements of DKSH Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 46 to 99) give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

### Basis for opinion

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

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

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

### Key audit matters

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

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

Building a better working world

**Revenue recognition**

| | |
|---|---|
| **Risk** | Total net sales for the business year 2019 amount to CHF 11,579 million. Based on its business model, DKSH has different streams of revenues arising from different types of contracts with its customers. This requires contracts to be assessed regarding timing of revenue recognition and regarding gross/net accounting. The corresponding accounting policy is discussed in Note 2 (q) to the consolidated financial statements. Assessing whether an entity acts as a principal and accounts for a sales transaction on a gross basis or whether it acts as an agent of another party and therefore recognizes revenue on a net basis requires an analysis of various factors and involves significant judgment. |
| **Our audit response** | We evaluated Management's controls around the revenue recognition process and performed analytical review procedures in order to identify any material new revenue streams. On a sample basis, we reviewed agreements for unusual contract terms and agreed amounts recognized to underlying customer contracts, focusing on correct timing of revenue recognition and appropriate presentation (gross vs. net) based on Management's assessment regarding the principal vs. agent definition. Our audit procedures did not lead to any reservations concerning the recognition, measurement and presentation of net sales. |

**Goodwill**

| | |
|---|---|
| **Risk** | As at December 31, 2019, DKSH reported CHF 241 million of goodwill. The carrying values of goodwill and other assets allocated to a cash-generating unit (CGU) are dependent on future cash flows. The determination of the recoverable amount is based on these cash flows and other assumptions such as discount rate and growth rate. The annual impairment testing process is complex, contains judgmental items and includes assumptions that are affected by expected future market conditions. There is a risk that future cash flows may differ from estimated values. The assumptions, sensitivities and results of the impairment tests performed are disclosed in Note 15 to the consolidated financial statements. |
| **Our audit response** | We involved our valuation specialists in the audit of significant assumptions and methods that were used by Management, such as discount rates for each CGU and the valuation model that is applied to determine the recoverable amount of the CGUs. Furthermore, we evaluated DKSH's controls around the annual impairment test and tested related expected future cash flows and growth rates for each CGU. We assessed whether projected future cash flows were based on the strategic plan of the company as prepared by Management and approved by the Executive Board of the Group. We also assessed whether the disclosures of the assumptions applied and their sensitivity to the results of the impairment test in the notes to the financial statements are in compliance with IFRS. Our audit procedures did not lead to any reservations relating to goodwill. |

EY
Building a better working world

### Other information in the annual report

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

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

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

### Responsibility of the Board of Directors for the consolidated financial statements

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

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

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

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

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

Building a better working world

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

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

Ernst & Young Ltd

| | |
|---|---|
| Simon Zogg<br>Licensed audit expert<br>(Auditor in charge) | Johannes Bachmann<br>Licensed audit expert |

# Financial statements DKSH Holding Ltd.

# Income statement

| in CHF millions | Notes | 2019 | 2018 |
|---|---|---|---|
| Dividend income | | 135.3 | 251.7 |
| Financial income | | 0.8 | 0.7 |
| Profit from sale of investments | | - | 5.0 |
| Other operating income | | 1.7 | 0.8 |
| Financial expenses | | (6.1) | (4.0) |
| Personnel expenses | 2 | (2.3) | (2.6) |
| Other operating expenses | 2 | (15.3) | (17.4) |
| Loan forgiveness | | - | (1.8) |
| Valuation adjustments on non-current assets | 4 | (1.2) | (9.7) |
| **Profit before tax** | | **112.9** | **222.7** |
| Income taxes | | - | - |
| **Profit after tax** | | **112.9** | **222.7** |

# Balance sheet

| in CHF millions | Notes | 2019 | 2018 |
|---|---|---|---|
| Cash and cash equivalents | | 50.4 | 72.2 |
| Other receivables | | | |
| Other receivables from third parties | | 0.4 | 0.3 |
| Other receivables from Group companies | | 309.7 | 342.3 |
| Accrued income and prepaid expenses | | 0.4 | 0.4 |
| **Current assets** | | **360.9** | **415.2** |
| Loans | | | |
| Loans to third parties | | 2.5 | 3.7 |
| Loans to Group companies | | 4.5 | 5.0 |
| Accrued income and prepaid expenses | | - | 0.1 |
| Investments | 4 | 431.8 | 383.7 |
| **Non-current assets** | | **438.8** | **392.5** |
| **Total assets** | | **799.7** | **807.7** |
| | | | |
| Payables | | | |
| Non-trade payables to third parties | | 1.7 | 3.6 |
| Deferred income and accrued expenses | | 0.5 | 0.4 |
| **Current liabilities** | | **2.2** | **4.0** |
| Payables | | | |
| Non-trade payables to third parties | | 1.2 | - |
| **Non-current liabilities** | | **1.2** | **-** |
| **Total liabilities** | | **3.4** | **4.0** |
| Share capital | 5 | 6.5 | 6.5 |
| Legal reserves from capital contribution | | 2.8 | 2.8 |
| Legal reserves from retained earnings | | 96.6 | 96.6 |
| Free reserves | | | |
| Retained earnings | | 577.5 | 475.1 |
| Net Income | | 112.9 | 222.7 |
| **Total equity** | | **796.3** | **803.7** |
| **Total equity and liabilities** | | **799.7** | **807.7** |

# Notes to the financial statements

## 1. General

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

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

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

Own shares are valued at the nominal value.

## 2. Other operating and personnel expenses

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

## 3. Contingent liabilities

The total of guarantees and warranties in favor of third parties amounted to CHF 174.3 million (2018: CHF 194.1 million) as of December 31, 2019.

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

## 4. Investments

| in CHF millions | 2019 | 2018 |
|---|---|---|
| **As of January 1** | **383.7** | **369.9** |
| Increase | 52.5 | 23.5 |
| Decrease | (3.2) | - |
| Valuation adjustment | (1.2) | (9.7) |
| **As of December 31** | **431.8** | **383.7** |

The direct and principal indirect investments held by DKSH Holding Ltd. as of December 31, 2019:

| Company name | Currency | Capital in thousands | Ownership and voting rights % |
|---|---|---|---|
| **Holding and management companies** | | | |
| DKSH Management Ltd., Zurich[1] | CHF | 2,000 | 100.00 |
| Diethelm & Co Ltd., Zurich[1] | CHF | 3,000 | 100.00 |
| Maurice Lacroix S.A. (International), Saignelégier[1] | CHF | 1,000 | 100.00 |
| DKSH China Holding Ltd., Hong Kong[1] | HKD | 20,000 | 100.00 |
| DKSH Corporate Shared Services Center Sdn. Bhd., Kuala Lumpur[1] | MYR | 5,000 | 100.00 |
| DKSH Holdings (Asia) Sdn. Bhd., Kuala Lumpur[1] | MYR | 30,000 | 100.00 |
| DKSH Holdings (Malaysia) Bhd., Petaling Jaya | MYR | 500,000 | 74.31 |
| DKSH Holding (S) Pte Ltd., Singapore[1] | SGD | 83,703 | 100.00 |
| DKSH Management Pte Ltd., Singapore[1] | SGD | 2,000 | 100.00 |
| DKSH Management (Thailand) Ltd., Bangkok[1] | THB | 10,000 | 100.00 |
| **Operating companies** | | | |
| **Switzerland** | | | |
| DKSH Switzerland Ltd., Zurich[1] | CHF | 20,000 | 100.00 |
| DKSH International Ltd., Zurich[1] | CHF | 700 | 100.00 |
| Medinova AG, Zurich[1] | CHF | 250 | 100.00 |
| **Asia** | | | |
| DKSH Australia Pty Ltd., Hallam[1] | AUD | 8,465 | 100.00 |
| Shanghai Sweets International Trading Co., Ltd., Shanghai | CNY | 5,400 | 90.00 |
| DKSH Hong Kong Ltd., Hong Kong[1] | HKD | 100,000 | 100.00 |
| DKSH CL (Hong Kong) Ltd. Taiwan Branch, Taipei | HKD | 5,000 | 100.00 |
| DKSH India Pvt. Ltd., Bombay-Mumbai[1] | INR | 100,000 | 100.00 |
| DKSH Japan K.K., Tokyo[1] | JPY | 1,600,000 | 100.00 |
| DKSH (Cambodia) Ltd., Phnom Penh[1] | KHR | 4,000,000 | 100.00 |
| EUROP Continents S.A.R.L, Phnom Penh[1] | KHR | 320,000 | 100.00 |
| DKSH Korea Ltd., Seoul[1] | KRW | 30,000,000 | 100.00 |
| DKSH (Myanmar) Ltd., Yangon[1] | MMK | 10,000 | 98.04 |
| DKSH Services Ltd., Yangon[1] | MMK | 50 | 100.00 |
| DKSH Resources Sdn. Bhd., Petaling Jaya | MYR | 60,000 | 100.00 |
| DKSH Malaysia Sdn. Bhd., Petaling Jaya | MYR | 50,000 | 74.31 |
| DKSH Distribution (Malaysia) Sdn. Bhd., Kuala Lumpur | MYR | 50,000 | 74.31 |
| DKSH Technology Sdn. Bhd., Kuala Lumpur[1] | MYR | 5,000 | 100.00 |
| The Famous Amos Chocolate Chip Cookie Corp (M) Sdn. Bhd., Petaling Jaya | MYR | 1,000 | 74.31 |

| Company name | Currency | Capital in thousands | Ownership and voting rights % |
|---|---|---|---|
| **Asia (continued)** | | | |
| DKSH Smollan Field Marketing (Malaysia) Sdn. Bhd., Kuala Lumpur[1] | MYR | 1,500 | 51.00 |
| DKSH Smollan Field Marketing Myanmar Limited, Yangon | MMK | 67,600 | 51.00 |
| DKSH Smollan Field Marketing (Thailand) Limited, Bangkok | THB | 5,100 | 51.00 |
| DKSH Luxury & Lifestyle (Malaysia) Sdn. Bhd., Kuala Lumpur[1] | MYR | 335 | 100.00 |
| DKSH New Zealand Ltd., Auckland[1] | NZD | 230 | 100.00 |
| Edward Keller (Philippines) Inc., Manila[1] | PHP | 500,000 | 100.00 |
| DKSH Philippines Inc., Manila[1] | PHP | 11,500 | 100.00 |
| DKSH Singapore Pte Ltd., Singapore | SGD | 20,998 | 100.00 |
| DKSH (Thailand) Ltd., Bangkok[1] | THB | 200,000 | 75.55 |
| The United Drug (1996) Co. Ltd., Bangkok[1] | THB | 40,000 | 75.55 |
| Diethelm Keller Logistics Ltd., Bangkok | THB | 6,000 | 100.00 |
| DKSH Taiwan Ltd., Taipei[1] | TWD | 300,000 | 100.00 |
| DKSH Supply Chain Solutions (Taiwan) Ltd., Tao Yuan County | TWD | 500,000 | 98.55 |
| United International Drug Co. Ltd., Taipei[1] | TWD | 5,000 | 100.00 |
| DKSH (China) Co. Ltd., Shanghai | USD | 16,800 | 100.00 |
| DKSH Shanghai Ltd., Shanghai | USD | 200 | 100.00 |
| DKSH Vietnam Co. Ltd., Binh Duong[1] | USD | 3,300 | 100.00 |
| DKSH Technology Co. Ltd. (VND), Ho Chi Minh City[1] | USD | 546 | 100.00 |
| DKSH South East Asia Pte Ltd., Singapore | SGD | 11,900 | 100.00 |
| PT DKSH (Indonesia), Jakarta[1] | IDR | 180,755,650 | 99.87 |
| PT Harpers Marketing, Jakarta[1] | IDR | 6,700,600 | 100.00 |
| PT Wicaksana Overseas International Tbk, Jakarta[1] | IDR | 411,798,739 | 64.90 |
| DKSH Smollan Field Marketing, Singapore[1] | SGD | 1,020 | 51.00 |
| DKSH Guam Inc., Dededo | USD | 50 | 100.00 |
| DKSH Laos Company Ltd. (LAK), Vientiane | USD | 400,000 | 100.00 |
| The Glory Medicine Ltd., Macao | MOP | 120,000 | 100.00 |
| IMA Marketing JSC, Ho Chi Minh City | VND | 5,000,000 | 99.00 |
| **Europe** | | | |
| DKSH Luxury and Lifestyle Europe GmbH, Pforzheim[1] | EUR | 5,000 | 100.00 |
| DKSH GmbH, Hamburg[1] | EUR | 3,068 | 100.00 |
| DKSH France S.A., Miribel[1] | EUR | 2,400 | 100.00 |
| DKSH Great Britain Ltd., Wimbledon[1] | GBP | 500 | 100.00 |
| DKSH Nordic A/S, Birkerod[1] | DKK | 500 | 100.00 |
| DKSH Italy S.r.l., Milano[1] | EUR | 110 | 100.00 |
| DKSH Portugal Unipessoal Lda., Matosinhos[1] | EUR | 75 | 100.00 |
| DKSH Marketing Services Spain S.A.U., Barcelona | EUR | 648 | 100.00 |
| DKSH Iberica, S.L.U., Barcelona[1] | EUR | 24 | 100.00 |
| Dols International B.V. | EUR | 18,000 | 100.00 |
| **America** | | | |
| DKSH North America Inc., Baltimore[1] | USD | 500 | 100.00 |
| DKSH Luxury & Lifestyle North America Inc., Princeton[1] | USD | 0 | 100.00 |

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

## 5. Equity

### Share capital

| | Nominal value in CHF | Registered shares | Nominal value in CHF |
|---|---|---|---|
| **Balance as of January 1, 2019** | **0.1** | **65,042,963** | **6,504,296** |
| **Balance as of December 31, 2019** | **0.1** | **65,042,963** | **6,504,296** |

### Own shares

| | Number of shares | Total carrying amount[1] |
|---|---|---|
| **Balance as of January 1, 2018** | **778** | **22.3** |
| **Balance as of December 31, 2018** | **-** | **-** |
| **Balance as of December 31, 2019** | **-** | **-** |

[1] In CHF thousands.

### Significant shareholders

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

| Shareholders in % | 2019 | 2018 |
|---|---|---|
| Diethelm Keller Holding Ltd., Switzerland | 45.0 | 45.0 |
| FFP Invest SAS, France | - | 5.9 |
| George Loening, USA[1] | - | 5.7 |
| Matthews Pacific Tiger Fund, USA | 6.2 | 4.4 |
| Black Creek Investment Management, Canada | 4.7 | 3.6 |

[1] Including shares with voting and non-voting rights.

## 6. Shareholdings of Board of Directors and Executive Committee

### Shareholdings by members of the Board of Directors

As of December 31, 2019 and 2018, 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 | 2019 | 2018 |
|---|---|---|
| Adrian T. Keller | 58,026 | 58,026 |
| Dr. Wolfgang Baier (from 21.03.2019) | - | - |
| Jack Clemons (from 21.03.2019) | 1,000 | - |
| Dr. Frank Ch. Gulich | 3,066 | 3,066 |
| Andreas W. Keller | 18,366 | 18,366 |
| Prof. Dr. Annette G. Köhler | 150 | - |
| Dr. Hans Christoph Tanner | 1,166 | 1,166 |
| Eunice Zehnder-Lai | 1,600 | 400 |
| Dr. Joerg Wolle (up to 21.03.2019) | n.a. | 38,000 |
| David Kamenetzky (up to 21.03.2019) | n.a. | 125 |
| Robert Peugeot (up to 21.03.2019) | n.a. | 9,666 |
| Dr. Theo Siegert (up to 21.03.2019) | n.a. | 71,966 |
| **Total** | **83,374** | **200,781** |

### Shareholdings by members of the Executive Committee

As of December 31, 2019 and 2018, the following numbers of shares were held by members of the Executive Committee and/or parties closely associated with them.

| Number of shares held | Shares | Unvested PSUs [1] | 2019 | 2018 |
|---|---|---|---|---|
| Stefan P. Butz | 23,625 | 53,106 | 76,731 | 41,491 |
| Bernhard Schmitt | 29,253 | 21,744 | 50,997 | 39,816 |
| Natale Capri | 2,860 | 9,371 | 12,231 | 7,948 |
| Hanno Elbraechter | 2,617 | 1,812 | 4,429 | 1,757 |
| Stephen Ferraby | 4,094 | 9,758 | 13,852 | 9,770 |
| Michael Hutab | 2 | 4,704 | 4,706 | 1,986 |
| Terry Seremetis (from 01.08.2019) | - | - | - | n.a. |
| Laurent Sigismondi (from 01.07.2019) | 1,000 | 544 | 1,544 | n.a. |
| Bijay Singh | 3,225 | 10,216 | 13,441 | 4,467 |
| Thomas Sul | 3,460 | 7,420 | 10,880 | 6,302 |
| **Total** | **70,136** | **118,675** | **188,811** | **113,537** |

[1] Granted unvested PSUs see description of LTIP on page 33.

# Proposal appropriation of available earnings

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

| in CHF | 2019 |
|---|---|
| **Retained earnings** | |
| Retained earnings brought forward | 577,428,165 |
| | |
| Profit/Loss after tax | 112,943,438 |
| | |
| **Total available earnings** | **690,371,603** |
| | |
| | |
| | |
| Distribution of an ordinary dividend of CHF 1.90 per registered share (As per December 31, 2019 65,042,963 shares are entitled to dividends) | 123,581,630 |
| To be carried forward | 566,789,973 |

Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, February 7, 2020

## 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 105 to 111), for the year ended December 31, 2019.

### 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, 2019 comply with Swiss law and the company's articles of incorporation.

Building a better working world

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

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

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

**Valuation of investments**

| | |
|---|---|
| **Risk** | DKSH Holding Ltd. is the parent company of DKSH Group. As at December 31, 2019 investments amount to CHF 432 million and represent 54% of total assets. Corresponding disclosure can be found in Notes 1 and 4 to the financial statements. There is a risk that the carrying amount of the investments may no longer be supported by the value-in-use calculated on the basis of budgeted future cash flows. |
| **Our audit response** | We assessed the valuation methods and input parameters used by Management and reperformed the valuation of investments. In addition, we assessed the investments for impairment and the presentation and disclosure requirements. Our audit procedures did not lead to any reservations concerning the valuation of the investments. |

## Report on other legal requirements

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

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

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

Ernst & Young Ltd

| | |
|---|---|
| Simon Zogg<br>Licensed audit expert<br>(Auditor in charge) | Johannes Bachmann<br>Licensed audit expert |

**Publisher**
DKSH Holding Ltd.
Wiesenstrasse 8
P.O. Box 888
8034 Zurich
Switzerland
Phone +41 44 386 7272

**Investor and Media Relations**
Till Leisner
investors@dksh.com
Phone +41 44 386 7272