Annual Report 2016

DKSH

Think Asia. Think DKSH.

DKSH at a glance

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

Our Business Units

Our Business Units focus on the fields of consumer goods, healthcare, performance materials and technology and offer a comprehensive range of Market Expansion Services to business partners in their respective areas.

Consumer Goods

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

Healthcare

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

Performance Materials

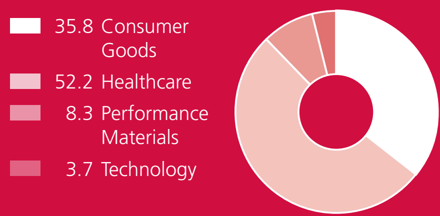
We source, develop, market and distribute a wide range of specialty chemicals and ingredients for the specialty chemicals, food and beverage, pharmaceutical and personal care industries.

Technology

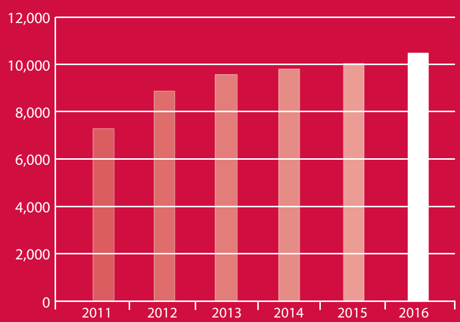
We cover a broad range of capital investment goods and analytical instruments for which we offer marketing, sales, distribution and after-sales services.

Net sales 2016 by region in %

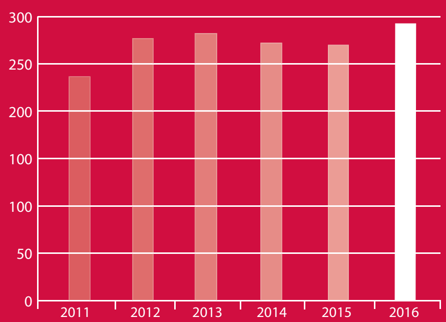
Net sales 2016 by Business Unit in %



Net sales in CHF millions (2011–2016)

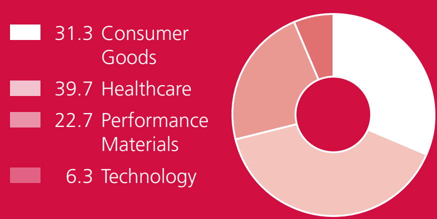


EBIT in CHF millions (2011–2016)[1]



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

EBIT 2016 by Business Unit in %[2]



[2] EBIT excl. segment "Other"

Contents

Letter to shareholders

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

Dear Shareholders,

In 2002, DKSH was formed through the merger of long-established Swiss trading houses Diethelm Keller Services Asia and SiberHegner. Since then, DKSH has become the leader among the Market Expansion Services providers in Asia.

The success in numbers means that in the past 14 years we have tripled net sales, increased operating profit by five times and created more than 15,000 jobs. At the same time, we expanded our leading market position, strengthened our balance sheet and enhanced our reputation among clients and customers. A further milestone in our history was the initial public offering in Switzerland in 2012.

We are therefore delighted to inform you that DKSH performed well in 2016 and, despite challenging market conditions, exceeded 2015 record numbers.

Net sales in 2016 increased by 4.5% to CHF 10.5 billion. Organic growth was 4.4% and 0.2%-points were derived from acquisitions. This result was achieved despite exchange rate fluctuations which had a slightly negative impact of 0.1%.

DKSH completed only one acquisition in 2016. In September, we acquired the majority of Shanghai Sweets International (eSweets). With the takeover DKSH continues its strategic expansion in the fast-growing Chinese e-commerce market.

Operating profit (EBIT) increased over-proportionally to CHF 293.0 million. Profit after tax of CHF 213.0 million was significantly above last year's level. The revaluation effect of derivatives used for hedging foreign exchange rate fluctuations at year-end resulted in a lower finance result when compared to 2015.

The positive result reflects the development of our four Business Units.

DKSH managed to continuously expand its leading positions in Business Units Consumer Goods and Healthcare. In Thailand DKSH stabilized growth rates that were slowing due to political challenges in 2015 and in Malaysia the investments of recent years are further paying off.

The restructuring measures initiated in the luxury goods business had a positive effect. Despite further market contractions, DKSH improved results in this business significantly and at the same time successfully divested assets. This course will be continued in 2017.

Net sales of Business Units Performance Materials and Technology rose due to higher demand for capital investment goods and specialty raw materials.

In line with the progressive dividend policy practiced since many years, the Board of Directors will propose to the Ordinary Annual General Meeting (AGM) in March 2017 an ordinary dividend of CHF 1.50 per share for the financial year 2016. The ordinary dividend thereby would be CHF 0.20 or 15.4% higher than last year.

Additionally, the Board of Directors proposes to distribute a special dividend of CHF 3.00 per share to reduce excess cash for the benefit of shareholders. Payment date for these dividends, if approved by the AGM, is set starting March 29, 2017 (record date: March 28, 2017; ex-dividend date: March 27, 2017).

At year-end 2016, DKSH for the first time ever employed more than 30,000 specialists, representing an increase of some 2,000 employees or 7.0% compared to 2015.

For us, as a service company, our employees and their engagement are the base of our continued success. They guarantee continuity at DKSH – even during times of change.

On the occasion of the AGM in March 2017, we will propose Dr. Joerg Wolle to succeed Adrian T. Keller as Chairman of the Board of Directors. Adrian T. Keller will remain member of the Board of Directors.

As announced at the beginning of 2016, DKSH has appointed a successor to take over operational management of the company at an early stage. Stefan P. Butz, who has been member of the Executive Board since January 1, 2017, will succeed Dr. Joerg Wolle as CEO. With this move we ensure continuity in pursuing our strategy.

Based on this distinct strategy and our broadly diversified and scalable business model, DKSH is ideally positioned to continue to benefit from the growing middle class, the rising inner-Asian trade and the increased outsourcing to specialist services providers like DKSH.

From today's perspective, net sales and profit growth should continue for DKSH.

Not only operationally, but as well financially, DKSH can look back on a very prosperous performance. DKSH has launched one of the most successful IPOs in Switzerland in the past years. Since the listing, we have generated a total return of more than 60% and thus, dear loyal shareholders, DKSH's success is yours as well.

We thank our business partners, employees and shareholders for their commitment and look forward to a successful joint future.

Sincerely yours,

Adrian T. Keller
Chairman

Dr. Joerg Wolle
President & CEO

DKSH share information

Share price and market capitalization

in CHF	2016	2015
Share price (end of period)[1]	69.95	63.35
High[1]	73.25	81.95
Low[1]	56.90	57.80
Market capitalization (in CHF millions)[1]	4,550	4,120
Ordinary dividend per share	1.50[2]	1.30
Special dividend per share	3.00[2]	–

Share information

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

Significant shareholders

	Number of shares	in %
Diethelm Keller Holding Ltd., Switzerland	29,267,730	45.0
FFP Invest SAS, France	3,820,000	5.9
George Loening, USA[3]	3,094,902	4.8
Matthews Pacific Tiger Fund, USA	2,738,062	4.2
Rainer-Marc Frey, Switzerland	2,509,666	3.9

1 Source: SIX Swiss Exchange
2 Proposed by the Board of Directors
3 Including voting rights that can be exercised at one's own discretion

Key figures

Consolidated income statement

in CHF millions	2016	2015	Change in %	At CER[1] Change in %
Net sales	10,505.2	10,050.8	4.5	4.6
Operating profit (EBIT)	293.0	270.2	8.4	6.9
Profit after tax	213.0	199.6	6.7	5.8
EBIT margin (in %)	2.8	2.7	–	–

Consolidated statement of financial position

in CHF millions	December 31, 2016	December 31, 2015
Total assets	4,415.3	4,095.8
Equity attributable to the shareholders of the Group	1,641.8	1,509.2
Net operating capital (NOC)	1,142.8	1,049.4
Net cash	512.5	468.8
Return on net operating capital (RONOC) (in %)	26.7	24.3
Return on equity (ROE) (in %)	12.7	13.4

Earnings per share

in CHF	2016	2015
Basic earnings per share	3.21	3.12
Diluted earnings per share	3.21	3.11

Other

	December 31, 2016	December 31, 2015
Specialists	30,318	28,340

[1] Constant exchange rates: 2016 figures converted at 2015 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, 2016, and follows the Directive's structure. The Corporate Governance Report and the Compensation Report also contain the legally required disclosure of compensation and participation rights at the highest corporate level. The principles and rules of Corporate Governance as practiced by the Company are laid down in the Articles of Association and further internal regulations. These are reviewed on a regular basis by the Board of Directors of the Company.

1. Structure of the Group and shareholders

1.1 Group structure

Operational group structure

The operational structure of the Group corresponds to the segment reporting and the geographical information presented in Note 3 of the Consolidated Financial Statements (pages 62 to 64) and can be summarized as follows:

Reported segments consisting of the following Business Units:

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

Geographical information by region:

- Thailand
- Greater China
- Malaysia/Singapore
- Other

Listed companies of the Group

The Company, the ultimate holding company of the Group, has its registered office in Zurich, Switzerland, and its shares are listed on the SIX Swiss Exchange, Zurich, according to the Main Standard. On December 31, 2016, the Company's market capitalization amounted to CHF 4,550 million (65,042,185 marketable shares at CHF 69.95 per share).

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, 2016, DKSH Holdings (Malaysia) Berhad's market capitalization amounted to MYR 704.7 million (157,658,076 ordinary shares at MYR 4.47 per share). DKSH Holdings (Malaysia) Berhad shares are traded under the stock name "DKSH," the stock code is 5908 and ISIN is MYL5908OO008.

On December 31, 2016, of the total of the Company's share capital on the closing date:

- the free float consisted of 31,955,233 shares = 49.1%, and
- treasury shares consisted of 778 shares = 0.00%

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

Significant Group companies

The principal subsidiaries of the Group are disclosed in Note 34 to the Consolidated Financial Statements (pages 94 to 95), including particulars as to the country, name of the company, registered office, share capital and the Group's shareholding in percent.

1.2 Significant shareholders

Under the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), anyone holding shares in a company listed on the SIX Swiss Exchange is required to notify the company and the SIX Swiss Exchange if their holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 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, 2016, the Company has as of December 31, 2016 the following principal shareholders:

Shareholders	% of voting rights*
Diethelm Keller Holding Ltd., Mühlebachstrasse 20, 8008 Zurich, Switzerland (domicile: Zurich) [1)]	45.0
FFP Invest SAS, 66 Avenue Charles de Gaulle, 92200 Neuilly Sur Seine, France [2)]	5.9
George Loening, New York, USA [3)]	4.8
Matthews Pacific Tiger Fund, 4 Embarcadero Center, Suite 550, San Francisco, 94111 USA	4.2
Rainer-Marc Frey, 8807 Freienbach, Switzerland	3.9

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

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

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

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

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

In addition, information on disclosures by significant shareholders as to the Company under the Swiss Stock Exchange Act until December 31, 2016, 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, 2016, 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, 2016, 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, 2016, the Company does not have any authorized share capital.

Conditional share capital

As of December 31, 2016, the Company's share capital may be increased in the amount of up to CHF 28,253.70 by issuing up to 282,537 fully paid registered shares with a nominal value of CHF 0.10 each. Such shares may be used for the purpose of employee participation. The Board of Directors determines the issue price as well as the date of the dividend entitlement and resolves on the allocation of the shares pursuant to the relevant participation plan. Shareholders have no pre-emptive rights.

2.3 Change in capital over the past three years

The following table provides an overview as to the changes in capital during the years 2014 through 2016.

	2014	2015	2016
Number of shares, January 1	64,330,829	65,042,963	65,042,963
Share capital in CHF, January 1	6,433,082.90	6,504,296.30	6,504,296.30
Number of shares, change during year	712,134	0	0
Share capital in CHF, change during year	71,213.40	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 2015 through 2016 is presented in Note 25 to the Consolidated Financial Statements (page 84).

2.4 Shares and participation certificates

As of December 31, 2016, 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, 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, 2016, the Company held 778 treasury shares.

As of December 31, 2016, 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, 2016, 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 2016.

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, 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.

2.7 Convertible bonds and options

As of December 31, 2016, 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 Board 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, 2016:

Name	Function	Committee Membership	Director since	Term expires
Adrian T. Keller	Chairman	• Strategy Committee	2002	2017
Rainer-Marc Frey	Member	• Audit Committee • Strategy Committee	2008	2017
Dr. Frank Ch. Gulich	Member	• Nomination and Compensation Committee	2009	2017
David Kamenetzky	Member		2014	2017
Andreas W. Keller	Member	• Nomination and Compensation Committee (Chairman)	2002	2017
Robert Peugeot	Member	• Nomination and Compensation Committee	2008	2017
Dr. Theo Siegert	Member	• Strategy Committee (Chairman) • Audit Committee	2006	2017
Dr. Hans Christoph Tanner	Member	• Audit Committee (Chairman)	2011	2017
Dr. Joerg Wolle	Member/President & CEO	• Strategy Committee	2002	2017

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 and Chairman since 2004. He is also a member of the Strategy Committee. Since 2000, he has been Vice Chairman of Diethelm Keller Holding Ltd., the anchor shareholder of DKSH. Since 1991, he has been a Board member and from 1995 on, Vice Chairman of Eduard Keller Holding, which in 2000 became Diethelm Keller Holding Ltd., Zurich. From 1990 to 1995, he was also 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 Berenberg Bank (Schweiz) AG and is Chairman of Baur & Cie, a private real estate company. On a pro bono basis, he also is a 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 as well as 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.

Rainer-Marc Frey
(1963, Swiss)

Rainer-Marc Frey has been a member of the Board of Directors since 2008 and is currently a member of the Audit Committee and the Strategy Committee. He is Chairman of the Board of Directors for SO Holding AG and certain of its subsidiaries, including Horizon21 AG, a private Investment Office established in 2005. In 1992, he created one of Europe's first hedge fund groups, RMF Investment Group, becoming its CEO. Between 1989 and 1992, he was a Director at Salomon Brothers Inc., based in Zurich, Frankfurt and London. Mr. Frey began his career at Merrill Lynch Inc. in 1987 working in equity, fixed income and swaps markets. He is the main shareholder and Vice Chairman of Lonrho Holdings Ltd., a diversified conglomerate active in Sub-Saharan Africa. In addition, he is a Member of the Board of the Frey Charitable Foundation, Switzerland. He was a member of the Board of Directors of UBS AG from October 2008 to May 2014. Mr. Frey holds a degree in economics (lic. oec. HSG) from the University of St. Gallen, Switzerland.

Dr. Frank Ch. Gulich
(1963, Swiss)

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

David Kamenetzky
(1969, Swiss and German)

David Kamenetzky currently is Chief Strategy and External Relations officer at AB InBev. He was previously with Mars, Incorporated, last as Vice President for Corporate Strategy, Corporate Affairs and Strategic Initiatives and a member of the global management team. From 2000 to 2006, he worked for Goldman Sachs & Co in London and Frankfurt. Between 1993 to 1998, he served as Chief of Staff to the late Ignatz Bubis, President of the Central Council of Jews in Germany. David Kamenetzky holds a degree in Finance, Accounting and Controlling (lic. oec. HSG) from the University of St. Gallen, Switzerland and a Master of Science in Foreign Relations from Georgetown University, USA.

Andreas W. Keller
(1945, Swiss)

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

Robert Peugeot
(1950, French)

Robert Peugeot has been a member of the Board of Directors since 2008 and is currently a member of the Nomination and Compensation Committee. Since 2002, Robert Peugeot has been Chairman and CEO of FFP SA. He has held various senior positions at PSA Peugeot Citroën since 1975. From 1998 to 2007, he served as Vice-President for innovation and quality and was a member of the Executive Committee of PSA Peugeot Citroën. He is permanent representative for FFP SA on the Supervisory Board of Peugeot SA. He is also member of the Board of Directors of Hermès International SA, Faurecia SA, Sanef SA, Tikehau Capital Advisors (from July 2016), Imerys SA (until May 2016), Holding Reinier SAS (until March 2016), Etablissements Peugeot Frères SA, Sofina SA, Financière Guiraud SAS and FFP Invest SAS. He studied at the École Centrale de Paris engineering school and at INSEAD business school in Fontainebleau, France.

Dr. Theo Siegert
(1947, German)

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

Dr. Hans Christoph Tanner
(1951, Swiss)

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

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

Dr. Joerg Wolle has been a member of the Board of Directors since 2002. Dr. Joerg Wolle was appointed President & CEO of DKSH in June 2002, following the merger of Diethelm Keller Services Asia and SiberHegner Holding Ltd. to form DKSH. Previously, he was President & CEO of SiberHegner Holding Ltd. from early 2000. Before that, he worked in various positions within the SiberHegner group from 1991 onward, when he joined SiberHegner in Hong Kong as Sales Director. From 1988 until 1990 he worked as Manager International Projects for SKF group. Dr. Wolle obtained his PhD in Engineering in 1987 from the University of Technology Chemnitz, Germany. He graduated from the Senior Executive Program at Stanford Business School, USA and is an honorary professor of intercultural communication at the University of Applied Sciences, Zwickau, Germany. Dr. Wolle is Chairman of the Board of Directors of Kuehne + Nagel International AG and a member of the Board of Directors of Diethelm Keller Holding Ltd. He is also a member of the Board of Directors of Kuehne Holding AG, as well as the Supervisory Board of Louis Dreyfus Company B.V. in Amsterdam. From 2006 until 2009, he served on the Board of Directors of UBS AG, Switzerland. Dr. Wolle will be proposed as new Chairman of the Board of Directors as from March 23, 2017 and will step down from his function of CEO of the Company.

Information about managerial positions and significant business connections of non-executive directors
Other than Dr. Joerg Wolle, all members of the Board of Directors are non-executive. None of the non-executive members has held a management position within the Group during the last three years.

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

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

3.2 Other activities and functions

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

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

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

3.4 Elections and terms of office

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

3.5 Internal organization structure

Allocation of tasks within the Board of Directors

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

Quorum and decision-making of the Board of Directors is 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:
www.dksh.com/governance

Board Committees

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

Audit Committee

The Audit Committee consists of two or more members of the Board of Directors who must be non-executive and independent. Its current members are Dr. Hans Christoph Tanner (Chairman), Rainer-Marc Frey and Dr. Theo Siegert. The Audit Committee has the following powers and duties in relation to the statutory auditors and Group auditors:
(i) reviewing and assessing the effectiveness of the statutory auditors and the Group auditors, in particular their independence from the Company. In connection therewith, it reviews in particular additional assignments given by the Company or its subsidiaries. The Audit Committee may issue binding regulations or directives in connection with such additional assignments;
(ii) reviewing and assessing the scope and plan of the audit, the examination process and the results of the audit and examining whether the recommendations issued by the auditors have been implemented by the Executive Board;
(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 President & CEO and the CFO, whether the accounting principles and the financial control mechanism of the Company and its subsidiaries are appropriate in view of the size and complexity of the Group. Furthermore, the Audit Committee has the following powers and duties in relation to the preparation of the financial statements:
(i) reviewing the annual and interim statutory and consolidated financial statements;
(ii) discussing these financial statements with the CFO and, separately, with the Group external auditor for the annual financial statements; and
(iii) making proposals to the Board of Directors with respect to the annual and interim statutory and consolidated financial statements (the responsibility for approving the annual and interim financial statements at the level of the Board of Directors remains with the Board of Directors).

The Audit Committee usually holds four meetings annually. The Chairman of the Board of Directors takes part in the meetings as an advisor. Unless otherwise determined by the Audit Committee, the CFO, the Head Corporate Affairs and the lead auditor take part in all meetings, while the Head of Internal Audit is invited as an advisor whenever needed. In 2016, the lead audit partner attended two meetings of the Audit Committee. The Audit Committee's Chairman reports to the other members of the Board of Directors about the topics discussed in detail and decisions made and/or to be submitted to the entire Board of Directors for approval. For an overview of the number of Audit Committee meetings, the average duration and the average attendance, please refer to the section "Work methods of the Board of Directors and its Board Committees" below.

Nomination and Compensation Committee

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

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

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

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

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

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

Strategy Committee

The Strategy Committee consists of at least two members of the Board of Directors and the Chairman and the President & CEO. Its current members are Adrian T. Keller, Dr. Joerg Wolle, Dr. Theo Siegert (Chairman) and Rainer-Marc Frey. The Strategy Committee has the following powers and duties:
(i) to review the Group strategy for approval by the Board of Directors;
(ii) to assist the Board of Directors in fulfilling its duties by providing independent and objective review and advice to the Board of Directors and President & CEO (as appropriate) with respect to the development and implementation of the Group strategy; and
(iii) to assist the Board of Directors in connection with the management of transactions or other special projects of importance to the Company or the Group. The Board of Directors may entrust the Strategy Committee with additional duties in strategic or business development matters.

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

Work methods of the Board of Directors and its Board Committees

According to the Organizational Regulations, the Board of Directors must meet regularly and as often 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 President & CEO the communication with the public.

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

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

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

The following chart provides an overview of the attendance of Board meetings and Board Committee meetings of each member of the Board of Directors and the Executive Board, and the average meeting time in 2016:

Attendance per Board meeting through 2016

	February 5, 2016 **13:00–16:40**	**March 30, 2016** **12:20–12:35**	**July 12, 2016** **14:00–14:30** **Conference call**	**September 4, 2016** **13:00–16:00** **(Singapore)**	**December 15, 2016** **14:00–18:30**
Adrian T. Keller (Chair)	•	•	•	•	•
Rainer-Marc Frey	•	•	•	•	•
Dr. Frank Ch. Gulich	•	•	•	•	•
David Kamenetzky	•	•	•	per telephone	partial attendance per telephone
Andreas W. Keller	•	•	•	•	•
Robert Peugeot	•	•	•	per telephone	•
Dr. Theo Siegert	•	•	•	•	•
Dr. Hans Christoph Tanner	•	•	•	•	•
Dr. Joerg Wolle	•	•	•	•	partial attendance

Attendance Executive Board Members

Martina Ludescher	14:45–15:00				
Bernhard Schmitt	14:30–15:15		•	•	15:00–16:00
Bruno Sidler	15:00–15:30				
Stephen Ferraby	15:15–15:30				

Attendance per Audit Committee meeting through 2016

	February 5, 2016 09:00–11:30	July 12, 2016 13:00–14:00 Conference call	September 14, 2016 08:00–10:30 (Singapore)	December 15, 2016 09:00–11:00
Dr. Hans Christoph Tanner (Chair)	•	•	•	•
Rainer-Marc Frey	•	•	•	•
Dr. Theo Siegert	•	•	•	•
Adrian T. Keller (as guest)	•	•	•	•

Attendance Executive Board Members

Dr. Joerg Wolle		13:20–13:30		
Bernhard Schmitt	•	•	•	•
Stephen Ferraby				09:45–10:15 per telephone

Attendance per Strategy Committee meeting through 2016

	March 19, 2016 16:00–18:30	December 15, 2016 11:00–13:00
Dr. Theo Siegert (Chair)	•	•
Rainer-Marc Frey	•	•
Adrian T. Keller	•	•
Dr. Joerg Wolle	•	•

Attendance Executive Board Members

Martina Ludescher	•	•
Bernhard Schmitt	18:00–18:15	

Attendance per Nomination and Compensation Committee meeting through 2016

	February 5, 2016 13:00–14:00	June 29, 2016 15:00–17:00	July 3, 2016 18:00–21:00	July 6, 2016 14:30–15:00	July 12, 2016 15:00–15:45 Conference call	December 15, 2016 13:00–14:00
Andreas W. Keller (Chair)	•	•	•	•	•	•
Dr. Frank Ch. Gulich	•	•	•	•	•	•
Robert Peugeot	•	per telephone	per telephone	per telephone	•	•
Dr. Joerg Wolle (as guest)	•		partial attendance	•	•	partial attendance
Adrian T. Keller (as guest)	•	partial attendance	partial attendance	•		•

3.6 Board of Directors and Executive Board: areas of responsibilities

The Board of Directors exercises supreme and ultimate management, supervision and control over the conduct of the Company's and the Group's business. It represents the Company and resolves all matters that are not reserved or delegated to another body of the Company. In accordance with the Articles of Association and based on the Organizational Regulations of the Company, the Board of Directors has delegated the conduct of the Company's business to the Executive Board under the leadership of the President & 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 Board;
(viii) preparation of the General Meeting and the implementation of its resolutions;
(ix) notification of the courts in the event of overindebtedness;
(x) resolutions on the determination of capital increases and respective amendments to the Articles of Association.

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

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

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 Board may attend meetings of the Board of Directors, if required, and the CFO and the Head Corporate Affairs attend meetings of the Audit Committee.

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

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

4. Executive Board

4.1 Members of the Executive Board

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

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

(For biography, see members of the Board of Directors)

Bernhard Schmitt
(1959, German)

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

Bruno Sidler
(1957, Swiss)

Bruno Sidler took on the newly created function of Chief Operating Officer in 2013. In September 2013, he also joined the Board of Directors of the Neptune Orient Line Group (NOL) as a member of the Executive Committee. Prior to this, Mr. Sidler spent six years with CEVA Logistics, Zurich/Amsterdam, as member of the Executive Board responsible for EMEA and Northern European Business from 2007 until 2010, when he was appointed Chief Operating Officer. Between 1980 and 2006, he held various management positions with the Panalpina Group in Africa, Asia and Switzerland. In 1998, he was appointed CEO of the Panalpina Group. Mr. Sidler completed a commercial education from KV Zurich Business School with a specialization in freight forwarding. He also participated in various management courses at the International Institute for Management Development (IMD) Lausanne, Switzerland. Bruno Sidler will step down from his function of COO on March 23, 2017.

Martina Ludescher
(1977, Swiss)

Martina Ludescher has been since January 1, 2017, the Chief Commercial Officer responsible for the Business Unit Consumer Goods including Business Segments Fast Moving Consumer Goods, Luxury & Lifestyle and Gourmet Fine Foods. She is also responsible for Supply Chain, Field Marketing, the Center of Excellence for Sales & Marketing, People & Organization (HR) and Investor & Media Relations. Prior to 2017, Martina Ludescher held the role of Head Corporate Development from 2011 with responsibility for HR, Strategy, Investor Relations, Corporate Communications, Branding, Internal Consulting, Business Process Re-engineering and the Center of Excellence for Digital Business. In addition, in November 2015, Martina Ludescher took over the responsibility for both the Luxury & Lifestyle and Gourmet Fine Foods Business Segments. As Vice President of Strategy and Corporate Communications from 2007, she led a comprehensive review of DKSH's Corporate and Business Unit strategies and built up the Corporate Communications Function completing the global rebranding and strategic repositioning of the DKSH brand. Prior to joining DKSH in 2003 as Assistant to the CEO, Martina Ludescher was a Financial Auditor at Credit Suisse First Boston in Zurich. She holds an MBA from the University of St. Gallen, Switzerland.

Stephen Ferraby
(1964, Australian)

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

4.2 Other activities and functions

Any activities of members of the Executive Board 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 Executive Board).

4.3 External mandates

Pursuant to article 30 of the Articles of Association, the members of the Executive Board 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 Board 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 Board, please refer to the Compensation Report on page 26 of this Annual Report.

6. Shareholders' participation rights

6.1 Voting right restrictions and representation

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

There are no voting right restrictions. Therefore, there are no procedures or conditions for cancelling restrictions and no rules on making exceptions to them. Consequently, no such exceptions were made in 2016, provided, however, that for the discharge of the members of the Board of Directors and of the Executive Board, shareholders who take part in the Company's management in any manner do not have voting rights.

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

Independent Shareholder Representative

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

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

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

The Board of Directors determines the procedure and the conditions for the assignment of proxies and instructions to 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 7 of the Articles of Association, a purchaser of shares in the Company must submit a public takeover offer pursuant to Art. 32 of the Federal Stock Exchange and Securities Trading Act ("SESTA") if it exceeds the threshold of 49% of the voting rights in the Company (opting up).

7.2 Clauses on changes of control

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

The contracts of employment with the members of the Executive Board 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.

In case of an ordinary termination, all such members of the Executive Board would be entitled to the fixed salary throughout the remainder of the applicable termination period. Furthermore, all such members of the Executive Board 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 2016 was confirmed at the Ordinary General Meeting in 2016 with the declaration of acceptance dated March 31, 2016. The appointment of the auditor is for one year and is renewed annually.

8.2 Auditing fees

The fees charged for auditing services for the year 2016 amounted to CHF 2.1 million.

8.3 Additional fees

In addition to the auditing fees mentioned above, the statutory auditors charged an amount of CHF 0.1 million in 2016. 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 Board 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

Additional Fees EY – 2016	CHF
Tax-related services: Additional tax support in Singapore, Latvia, Denmark and Malaysia	30,020
Other audit-related services: Additional work on statutory audits in Denmark, Italy and Malaysia	43,600
Total	**73,620**

and the collaboration with the Internal Audit function of the Company to report on the review of the half-year results and the audit of the year-end closing, to assess their own independence and, if required, obtain approvals from the Audit Committee in regard to non-audit-related assignments.

9. Information policy

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

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

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

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

Representatives of the Group also regularly meet with the financial community at media conferences, road shows 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 2016 by qualifying members of the Executive Board 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 Board related to the business year 2016.

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

DKSH's compensation philosophy and principles

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

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

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

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

Compensation of the members of the Board of Directors

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

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

For the year 2016, the members of the Board of Directors received the following compensation:

in CHF thousands	Function	Director fees (Cash)	Compensation for committees (Cash)	Allowances/ Social security contribution[1]	Total[2]
Adrian T. Keller	Chairman	750	30	11	791
Rainer-Marc Frey	Member	150	80	11	241
Dr. Frank Ch. Gulich	Member	150	30	11	191
David Kamenetzky	Member	150	-	11	161
Andreas W. Keller	Member	150	50	11	211
Robert Peugeot	Member	150	30	5	185
Dr. Theo Siegert	Member	150	100	5	255
Dr. Hans Christoph Tanner	Member	150	75	11	236
Dr. Joerg Wolle	Member/President & CEO	150	30	5	185
Total		**1,950**	**425**	**81**	**2,456**

[1] In compliance with the Ordinance, mandatory employer social security contributions of CHF 35.8 thousand, which provide a right to the maximum future insured government benefit, are included. The total mandatory amount paid by the Company or its affiliates to Swiss governmental social security systems is CHF 127.5 thousand

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

For the year 2015, the members of the Board of Directors received the following compensation:

in CHF thousands	Function	Director fees (Cash)	Compensation for committees (Cash)	Allowances/ Social security contribution[1]	Total[2]
Adrian T. Keller	Chairman	750	23	11	784
Rainer-Marc Frey	Member	150	72	11	233
Dr. Frank Ch. Gulich	Member	150	23	11	184
David Kamenetzky	Member	150	-	11	161
Andreas W. Keller	Member	150	50	5	205
Robert Peugeot	Member	150	23	5	178
Dr. Theo Siegert	Member	150	100	5	255
Dr. Hans Christoph Tanner	Member	150	75	11	236
Dr. Joerg Wolle	Member/President & CEO	150	23	5	178
Total		**1,950**	**389**	**75**	**2,414**

[1] In compliance with the Ordinance, mandatory employer social security contributions of CHF 34.3 thousand, which provide a right to the maximum future insured government benefit, are included. The total mandatory amount paid by the Company or its affiliates to Swiss governmental social security systems is CHF 134.4 thousand.

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

Compensation components for members of the Executive Board

The compensation for members of the Executive Board (including the President & CEO) consists of a fixed element (annual fixed salary and employee benefits) and a variable element (annual variable pay). Depending on their role, members of the Executive Board 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 Board 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 President & 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 Board 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 Board.

Annual variable pay (AVP)

For the President & CEO as well as for members of the Executive Board, the annual variable pay is directly linked to the achievement of actual financial results. Financial KPI (Key Performance Indicators) are set at Group level for EBIT (Earnings Before Interest and Taxes), RONOC (Return On Net Operating Capital, twelve months average) and PAT (Profit After Tax). The annual variable pay is derived from these KPIs, following a pre-defined formula that is regularly reviewed by the Nomination and Compensation Committee and determined and approved by the Board of Directors. The KPI weightings that define the variable compensation for members of the Executive Board are set for each member of the Executive Board individually. While the COO is incentivized mainly on Group EBIT, Group RONOC and Group PAT, the KPIs for all other members of the Executive Board are geared mainly toward Group PAT and Group RONOC. The payout 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 Board. In the fiscal year 2016, variable pay for individual members of Executive Board ranged from 32.5% to 56.5% of their total compensation. On average, variable pay in 2016 for all members of the Executive Board was 49.0% of total compensation. This entrepreneurial approach ensures the alignment of the interests of the President & CEO and Executive Board members to create sustainable value for the Company, its shareholders and its business partners.

Long-term incentive

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

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

For the purposes of the LTIP, the Company's long-term performance is gauged by a 50% 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 50% 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.

Other employee benefits

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

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

For the year 2016, the members of the Executive Board received the following compensation:

in CHF thousands	Dr. Joerg Wolle President & CEO[2]	Other members of the Executive Board[3]	Total[3]
Fixed compensation	1,800	1,681	3,481
Variable compensation – cash	3,068	1,514	4,582
Value of performance share units at grant (LTIP)	760	1,100	1,860
Allowances	195	414	609
Pension/Social security contribution [1]	376	317	693
Total	**6,199**	**5,026**	**11,225**

[1] In compliance with the Ordinance, mandatory employer social security contributions of CHF 17.9 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 477.6 thousand.
[2] Highest total compensation.
[3] All amounts are gross amounts (i.e., before deduction of social security and income tax due by the executives).

For the year 2015, the members of the Executive Board received the following compensation:

in CHF thousands	Dr. Joerg Wolle President & CEO[2]	Other members of the Executive Board[3]	Total[4]
Fixed compensation	1,800	2,014	3,814
Variable compensation – cash	2,877	1,489	4,366
Value of performance share units at grant (LTIP)	700	1,100	1,800
Allowances	124	468	592
Pension/Social security contribution [1]	331	486	817
Total	**5,832**	**5,557**	**11,389**

[1] In compliance with the Ordinance, mandatory employer social security contributions of CHF 28.6 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 683.0 thousand.
[2] Highest total compensation.
[3] Including Marcel Schmid who stepped down from the Executive Board on June 30, 2015 and Gonpo Tsering who retired from the Executive Board on October 31, 2015.
[4] All amounts are gross amounts (i.e., before deduction of social security and income tax due by the executives).

Participations

The following tables provide information on the ownership of registered shares in the Company by members of the Board of Directors and the Executive Board as of December 31, 2016, and December 31, 2015, respectively (the table is identical to the one appearing on page 107 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 2016 – 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 Board. In addition, as of December 31, 2016, no loans, advances or credits had been granted by the Group or by any of its subsidiary companies to the members of the Board of Directors or the Executive Board, respectively.

Compensation Governance

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

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

Shareholdings by the members of the Board of Directors:

Number of shares held	2016	2015
Adrian T. Keller	58,026	58,026
Rainer-Marc Frey	2,509,666	2,509,666
Frank Gulich	3,066	3,066
David Kamenetzky	125	125
Andreas W. Keller	18,366	18,186
Robert Peugeot	9,666	9,666
Dr. Theo Siegert	71,966	71,966
Dr. Hans Christoph Tanner	1,166	1,166
Dr. Joerg Wolle	380,000	940,000
Total	**3,052,047**	**3,611,867**

Shareholdings by the members of the Executive Board:

Number of shares held	2016	2015
Dr. Joerg Wolle	380,000	940,000
Stephen Ferraby	-	-
Martina Ludescher	18,000	95,228
Bernhard Schmitt	141,596	141,596
Bruno Sidler	6,658	6,658
Total	**546,254**	**1,183,482**

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

Performance management

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

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 Board		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 Board	proposes	reviews	approves	
Compensation report		proposes	approves	

Rules in the Articles of Association on compensation

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

rable 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 Board 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 Board 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 Board retirement benefits (such as pensions, the purchase of health insurance policies and so forth) outside of the occupational pension scheme and pay these out after their departure. Such retirement benefits outside of the occupational pension scheme may not exceed CHF 850,000 a year. The employment contracts of the Executive Board members may provide for post-contractual non-competition undertakings up to a maximum of twelve months whereby the compensation for non-competition may not exceed the timely pro-rated fixed annual compensation prior to termination.

(iii) vote on pay: concerning the approval of compensation amounts by the General Meeting, the total amount of compensation for the Board of Directors shall be approved annually by the General Meeting in a binding vote for their following term of office, while the maximum amount of compensation of the Executive Board 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 Board, the Board of Directors shall decide on how to proceed. In particular, the Board of Directors may convene an Extraordinary General Meeting for the purpose of submitting a new compensation proposal or determine compensation for the current financial year on an interim basis subject to subsequent approval by the next Ordinary General Meeting. The Board of Directors may continue to pay out compensation to the individual members of the Board of Directors or of the Executive Board 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 Board for the relevant compensation period available for all members of the Executive Board being appointed after the General Meeting which already resolved the maximum aggregate compensation for the Executive Board. 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 Board.

Building a better working world

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To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, February 3, 2017

Report of the statutory auditor on the compensation report

We have audited the compensation report (pages 28, 30 and 31) of DKSH Holding Ltd. for the year ended December 31, 2016. 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, 2016, of DKSH Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Andreas Bodenmann
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 2016 and provides an outlook into DKSH's further growth.

Summary

DKSH, the leading Market Expansion Services provider with a focus on Asia, reports for 2016 the highest ever results in its history despite challenging market conditions. DKSH increased all key figures – in some cases considerably.

Consolidated net sales in 2016 increased by 4.5% to CHF 10.5 billion. Organic growth was 4.4% and 0.2%-points were derived from acquisitions. This was achieved despite exchange rate fluctuations which had a slightly negative impact of 0.1%. In 2015, DKSH terminated two client contracts in Business Unit Consumer Goods that generated insufficient profitability. Adjusted for the termination, net sales grew by 7.2%.

Thereby, DKSH once again demonstrated the robustness and resilience of its business model in a difficult market environment and emphasizes the unique position which the company has built up over many years.

DKSH increased operating profit (EBIT) over-proportionally to CHF 293.0 million. Profit after tax of CHF 213.0 million was significantly above last year's level. The revaluation effect of derivatives used for hedging foreign exchange rate fluctuations at year-end and the gain from the disposal of the own brand health supplements business BiO-LiFE nearly offset each other in the net finance result.

Free Cash Flow added up to CHF 128.8 million. As the year-end fell on a weekend, Free Cash Flow has been impacted by the effect of this closing date.

Return on equity (ROE) reached a solid 12.7% (13.4% in 2015) and return on net operating capital (RONOC) of 26.7% was achieved (24.3% in 2015).

At year-end 2016, DKSH for the first time ever employed more than 30,000 specialists, representing an increase of some 2,000 employees or 7.0% compared to 2015.

During 2016, DKSH enhanced its infrastructure and capacity to enable further growth. Several new distribution centers were opened to provide clients and customers additional services.

In April 2016, the growth platform in New Zealand was enhanced with the opening of a new distribution center in Palmerston. The 14,000 square meter state-of-the-art facility replaces an older distribution center which was operating at full capacity. The distribution center is connected to DKSH's global SAP platform, includes a cool store area and uses latest hands-free data collection systems.

Backed by strong economic growth and a rapidly growing middle class, DKSH expanded its infrastructure in Myanmar in May 2016. DKSH's central healthcare distribution center had opened only two years ago and given the strong demand now capacity has been tripled to over 4,200 square meters.

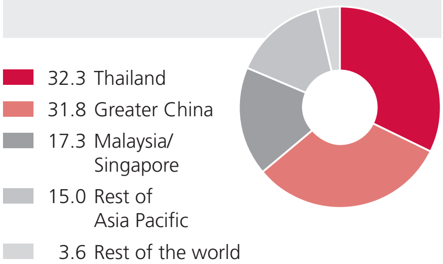
To address Vietnam's fast-growing demand for consumer and healthcare products, DKSH opened a new distribution center in Da Nang in central Vietnam. In line with DKSH's dedication to quality assurance and compliance, the facility is temperature-controlled and adheres to the strictest international standards.

In August, DKSH sold premium watch brand Glycine to the US-based watch manufacturer Invicta Watch Group. With this step, DKSH continued the restructuring of its luxury goods business which has made good progress since being announced in mid-2015.

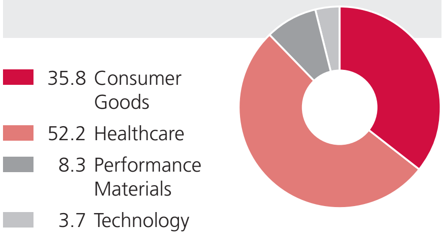
In September, DKSH acquired the majority of Shanghai Sweets International (eSweets). With the takeover, DKSH continues its strategic expansion in the fast-growing Chinese e-commerce market.

Procter & Gamble Company (P&G), a leading consumer goods multinational, ap-

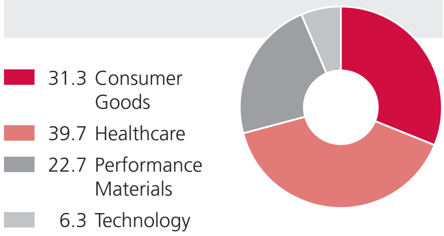
Net sales by region
in %



Net sales by Business Unit
in %



EBIT by Business Unit
in %



pointed DKSH in October to sell and distribute its product portfolio and to provide order management for all sales in independent stores as well as field marketing for P&G's business with the chain retailers in Hong Kong.

In November, DKSH sold BiO-LiFE, a company that develops and markets health products and nutritional supplements under its own brand in Malaysia.

With all these activities, DKSH confirmed its strategy to focus on its core competencies and act as consolidator in the fast-growing, yet still highly fragmented Market Expansion Services industry.

Consolidated statement of financial position

Total assets grew by 7.8% to CHF 4,415.3 million in 2016. Cash and cash equivalents increased by 7.0% to CHF 611.3 million and the Group's net cash position grew by CHF 43.7 million to CHF 512.5 million.

Thanks to the underlying profit growth, and compared to year-end 2015, total equity increased by 9.0% to CHF 1,677.7 million, translating into an equity ratio of 38.0% (37.6% at year-end 2015).

Cash Flow

Free Cash Flow was CHF 128.8 million. Net cash from operations reached CHF 166.4 million. For investing activities, the company had a net outflow of CHF 29.7 million for capital expenditures to further grow the business (Capex) and payments for the acquisitions of eSweets as well as payments for part of earlier acquisitions. Cash outflow from financing activities was CHF 97.7 million, including CHF 84.6 million for dividend payments. Cash and cash equivalents at end December 2016 were CHF 611.3 million, an increase of CHF 39.9 million compared to year-end 2015.

Business Units

Consumer Goods

In 2016, net sales decreased by 4.0% to CHF 3.8 billion (–3.6% at CER). As part of the portfolio optimization, DKSH decided to discontinue contracts with two clients in Thailand and Malaysia. Excluding this, net sales would have grown slightly. Whereas demand for consumer goods in Thailand remained at low levels, DKSH reported improvements in Malaysia. In Hong Kong, the economic slowdown led to a drop in consumption.

Despite these difficult market conditions, EBIT increased by 19.7% (20.0% at CER) to CHF 105.8 million. The efficiency measures initiated at the end of 2015 in fast-moving consumer goods (FMCG) and supply chain management led to an improvement in profitability.

The market environment for luxury goods further deteriorated in 2016. DKSH continued the restructuring that started in 2015 and significantly improved results for this business compared to last year. At the same time, divestments have been executed successfully and inventory has been substantially reduced.

Through the acquisition of eSweets, DKSH further strengthened its online activities for fast moving consumer goods in China and Hong Kong.

DKSH remains well positioned to benefit from the growing demand for consumer goods by the Asian middle class. Moreover, increasing inner-Asian trade is also a growth driver for DKSH's business model of supporting Asian manufacturers to expand within Asia itself. The trend for companies to outsource non-core activities like product registration, marketing, sales, distribution and cash collection is supporting growth in Business Unit Consumer Goods, too.

Healthcare

For Business Unit Healthcare, net sales grew 10.3% year-on-year to CHF 5.5 billion (11.1% at CER), with nearly all major countries contributing to this growth.

EBIT fell by 10.8% and reached CHF 134.3 million (–9.8% at CER), due to one-time contract adjustments. As expected, business performance was better in the second half-year of 2016. Despite this one-time contract adjustment, the underlying healthcare business continued to perform due to further organic growth with existing clients, multiplying success stories from country to country and new business development.

The rising Asian middle class is a growth driver for Business Unit Healthcare as it creates increased demand for pharmaceuticals, over-the-counter healthcare products and medical devices. The South East Asian healthcare market overall still benefits from significant under-penetration in most countries. This means that pharmaceutical products are still not available for all consumers, for example in Myanmar or Cambodia.

Stricter regulation of pricing, the establishment of generics and bio-similar competition as well as capability and resource constraints often lead clients to outsource more and more parts of their value chain to Market Expansion Services providers. This in turn should drive growth in the healthcare business.

Performance Materials
Net sales grew by 11.3% to CHF 870.6 million (6.9% at CER). Improvements are mainly attributable to the increasing demand for specialty raw materials for the development and expansion of local industries.

EBIT increased by 49.8% to CHF 77.0 million (40.1% at CER). This performance was supported by all regions, in particular by strong growth in the core market Japan. Besides this translational currency effect, derived from a stronger Japanese yen, EBIT has been further positively impacted on a transactional basis. The cost of raw materials sourced in Asia and Europe, and converted into yen, decreased as a result of the yen strengthening. While this exchange rate effect is hedged, the corresponding losses are reported in the net finance result below the EBIT line. Accordingly, this led to a reallocation from profit after tax to EBIT. Without this reallocation effect and at constant exchange rates, EBIT for Business Unit Performance Materials would still have increased double-digits.

Group				At CER[1]
in CHF millions	2016	2015	Change in %	Change in %
Net sales	10,505.2	10,050.8	4.5	4.6
EBIT	293.0	270.2	8.4	6.9
EBIT margin (in %)	2.8	2.7	–	–

Consumer Goods				At CER[1]
in CHF millions	2016	2015	Change in %	Change in %
Net sales	3,768.5	3,925.6	(4.0)	(3.6)
EBIT[2]	105.8	88.4	19.7	20.0
EBIT margin (in %)[2]	2.8	2.3	–	–

Healthcare				At CER[1]
in CHF millions	2016	2015	Change in %	Change in %
Net sales	5,481.5	4,971.0	10.3	11.1
EBIT[3]	134.3	150.5	(10.8)	(9.8)
EBIT margin (in %)[3]	2.5	3.0	–	–

Performance Materials				At CER[1]
in CHF millions	2016	2015	Change in %	Change in %
Net sales	870.6	782.5	11.3	6.9
EBIT	77.0	51.4	49.8	40.1
EBIT margin (in %)	8.8	6.6	–	–

Technology				At CER[1]
in CHF millions	2016	2015	Change in %	Change in %
Net sales	385.4	372.2	3.5	1.0
EBIT	21.3	20.1	6.0	2.0
EBIT margin (in %)	5.5	5.4	–	–

[1] Constant exchange rates: 2016 figures converted at 2015 exchange rates (CER)
[2] Excl. effect from luxury goods business (CHF –58.7 million) in 2015
[3] Excl. CMS transaction (CHF 64.5 million) in 2015

Technology
Net sales increased by 3.5% to CHF 385.4 million (1.0% at CER). The Business Unit recorded positive top line development across major markets such as China and Hong Kong. The higher demand for capital investment goods and analytical instruments was one of the growth drivers showing the strong positioning of DKSH in these industries.

As a general trend, more and more technology companies are reaching out to providers of Market Expansion Services like DKSH to access Asian customers.

EBIT came in at CHF 21.3 million. In the second half-year of 2016, more higher-margin projects were closed which had a positive effect on results.

Other (non-Business Unit)
Other expenses, amounting to CHF 45.4 million in 2016, are not allocated to Business Units and primarily include corporate services expenses. In spite of the further growth of the company, the amount in 2016 was slightly lower as in 2015 due to DKSH's focus on further driving cost efficiencies.

Regional performance

In a challenging market situation, net sales in DKSH's largest country, Thailand, increased single digit when compared to previous year. The Greater China region grew at a mid-single-digit rate, while net sales in the region Malaysia/Singapore declined due to DKSH terminating relationships with one larger client in Malaysia. Growth in the rest of Asia Pacific on average was double-digit where DKSH is well positioned in frontier markets like Vietnam, Myanmar, Cambodia and Laos. The solid Group net sales growth in challenging market conditions is as well attributable to the broad presence of DKSH with regards to markets, industries and services.

Outlook

With its diversified and scalable business model, DKSH is ideally positioned to benefit from the growing middle class, rising inner-Asian trade and increased outsourcing to specialized service providers like DKSH. Due to the robust business model and intact long-term growth drivers in Asia, from today's perspective, net sales and profit growth should continue for DKSH.

Consolidated financial statements DKSH Group

Consolidated income statement

in CHF millions [1]	Notes[2]	2016	2015
Net sales	4	10,505.2	10,050.8
Other income	5	25.2	89.0
Goods and materials purchased and consumables used		(9,022.4)	(8,669.9)
Employee benefit expenses	6	(594.4)	(545.9)
Depreciation, amortization and impairments	14/16	(39.5)	(71.6)
Other operating expenses	7	(579.5)	(586.8)
Share of profit/(loss) of associates and joint ventures	17/18	(1.6)	4.6
Operating profit (EBIT)		**293.0**	**270.2**
Net finance result	8	(10.5)	3.4
Gain on sale of shareholding	17/28	10.7	0.7
Profit before tax		**293.2**	**274.3**
Income tax expenses	9	(80.2)	(74.7)
Profit after tax		**213.0**	**199.6**
Attributable to:			
Shareholders of the Group		208.6	202.6
Non-controlling interest		4.4	(3.0)
Earnings per share for profit attributable to the shareholders of the Group			
Basic earnings per share	26	3.21	3.12
Diluted earnings per share	26	3.21	3.11

1 Except for earnings per share (in CHF)
2 The accompanying notes on pages 47 to 95 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

in CHF millions	Notes[1]	2016	2015
Profit after tax		**213.0**	**199.6**
Other comprehensive income			
Net gains/(losses) on available-for-sale financial assets, net of tax of CHF 0.0 million in current and prior period		(0.6)	1.0
Net gains/(losses) on interest rate swap, net of tax of CHF 0.1 million in current period and CHF 0.0 million in prior period		0.2	(0.2)
Net investment hedges, net of tax of CHF 0.0 million in current and prior period		(1.8)	(0.4)
Recycling of currency translation losses	28	–	0.2
Currency translation differences		11.4	(72.9)
Items that may be reclassified to profit or loss		**9.2**	**(72.3)**
Remeasurement gains/(losses) on defined benefit plans, net of tax of CHF 0.4 million in current period and CHF 0.5 million in prior period		1.5	(2.2)
Items that will not be reclassified to profit or loss		**1.5**	**(2.2)**
Other comprehensive income		**10.7**	**(74.5)**
Total comprehensive income		**223.7**	**125.1**
Attributable to:			
Shareholders of the Group		219.7	134.4
Non-controlling interest		4.0	(9.3)

[1] The accompanying notes on pages 47 to 95 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

in CHF millions	Notes[1]	2016	2015
Cash and cash equivalents	10	611.3	571.4
Trade receivables	11	2,004.1	1,801.9
Inventories	13	1,036.2	978.8
Prepaid expenses		29.9	31.3
Other receivables	15	349.0	315.9
Current income tax receivable		7.7	8.8
Current assets		**4,038.2**	**3,708.1**
Intangible assets	14	125.1	130.1
Other receivables	15	3.2	3.1
Property, plant and equipment	16	124.7	128.5
Financial assets	12	22.4	21.5
Investments in associates and joint ventures	17/18	54.6	58.4
Retirement benefit assets	24	5.9	4.7
Deferred tax assets	19	41.2	41.4
Non-current assets		**377.1**	**387.7**
Total assets		**4,415.3**	**4,095.8**
Borrowings	20	41.6	26.3
Trade payables		2,129.9	1,946.2
Current income tax liabilities		29.7	34.2
Other payables and accrued expenses	21	433.5	421.8
Current provisions	22	3.1	3.5
Current liabilities		**2,637.8**	**2,432.0**
Borrowings	20	57.2	76.3
Other non-current liabilities	23	1.1	6.0
Deferred tax liabilities	19	12.7	10.9
Non-current provisions	22	3.5	4.7
Retirement benefit obligations	24	25.3	26.2
Non-current liabilities		**99.8**	**124.1**
Total liabilities		**2,737.6**	**2,556.1**
Share capital		6.5	6.5
Reserves and retained earnings		1,635.3	1,502.7
Equity attributable to the shareholders of the Group		**1,641.8**	**1,509.2**
Non-controlling interest		**35.9**	**30.5**
Total equity		**1,677.7**	**1,539.7**
Total equity and liabilities		**4,415.3**	**4,095.8**

[1] The accompanying notes on pages 47 to 95 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

in CHF millions	Share capital	Currency translation	Other reserves	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interest	Total equity
As of January 1, 2015	**6.5**	**(124.9)**	**234.2**	**1,333.2**	**1,449.0**	**40.9**	**1,489.9**
Profit after tax	–	–	–	202.6	202.6	(3.0)	199.6
Other comprehensive income	–	(66.8)	–	(1.4)	(68.2)	(6.3)	(74.5)
Total comprehensive income	**–**	**(66.8)**	**–**	**201.2**	**134.4**	**(9.3)**	**125.1**
Share-based payment transactions	–	–	–	0.6	0.6	–	0.6
Dividend	–	–	–	(74.8)	(74.8)	(1.1)	(75.9)
As of December 31, 2015	**6.5**	**(191.7)**	**234.2**	**1,460.2**	**1,509.2**	**30.5**	**1,539.7**
Profit after tax	–	–	–	208.6	208.6	4.4	213.0
Other comprehensive income	–	10.0	–	1.1	11.1	(0.4)	10.7
Total comprehensive income	**–**	**10.0**	**–**	**209.7**	**219.7**	**4.0**	**223.7**
Change in ownership	–	–	–	(3.0)	(3.0)	(1.8)	(4.8)
Share-based payment transactions	–	–	–	0.5	0.5	–	0.5
Dividend	–	–	–	(84.6)	(84.6)	(1.5)	(86.1)
Acquisition of subsidiary	–	–	–	–	–	4.7	4.7
As of December 31, 2016	**6.5**	**(181.7)**	**234.2**	**1,582.8**	**1,641.8**	**35.9**	**1,677.7**

The accompanying notes on pages 47 to 95 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

in CHF millions	Notes[1]	2016	2015
Profit before tax		**293.2**	**274.3**
Non-cash adjustments			
Depreciation, amortization and impairments on			
Property, plant and equipment	16	30.9	33.3
Intangible assets	14	8.6	38.3
Recycling of currency translation losses of business disposed	28	–	0.2
Share-based payment transaction expense	27	0.5	0.6
Gain on sale of tangible assets, intangible assets and financial assets	5/7	(1.0)	(70.4)
Net finance result	8	10.5	(3.4)
Share of (profit)/loss of associates and joint ventures	17/18	1.6	(4.6)
Dividend received from associates and joint ventures		4.3	3.8
Gain on sale of shareholdings	17/28	(10.7)	(0.7)
Change in provisions and other non-current liabilities		(5.6)	(20.5)
Change in other non-current assets		0.9	1.5
Working capital adjustments			
Increase in trade and other receivables and prepayments		(190.1)	(94.7)
Increase in inventories		(52.2)	(79.8)
Increase in trade and other payables		161.3	241.4
Interest received		1.7	1.9
Interest paid		(5.7)	(5.4)
Taxes paid		(81.8)	(70.9)
Net cash flows from operations		**166.4**	**244.9**
Proceeds from sale of property, plant and equipment		5.3	2.0
Purchase of property, plant and equipment		(32.2)	(39.3)
Proceeds from sale of intangible assets		1.2	76.6
Purchase of intangible assets		(5.4)	(14.8)
Proceeds from sale and repayment of financial assets		1.2	3.4
Purchase of financial assets		(2.9)	(16.4)
Acquisition of subsidiary net of cash	28	(19.1)	(8.7)
Disposal of subsidiary net of cash	28	21.1	1.3
Disposal of investments in associates		1.1	-
Net cash flows from/(used in) investing activities		**(29.7)**	**4.1**

in CHF millions	Notes[1]	2016	2015
Proceeds from current and non-current borrowings		89.4	107.7
Repayment of current and non-current borrowings		(95.8)	(91.0)
Dividend paid	25	(84.6)	(74.8)
Proceeds/(Payments) relating to net investment hedges		(0.4)	0.8
Dividend paid to non-controlling interest		(1.5)	(1.1)
Buyout non-controlling interest		(4.8)	
Net cash flows used in financing activities		**(97.7)**	**(58.4)**
Cash and cash equivalents, as of January 1		**571.4**	**393.6**
Effect of exchange rate changes		0.9	(12.8)
Net increase in cash and cash equivalents		39.0	190.6
Cash and cash equivalents, as of December 31		**611.3**	**571.4**

[1] The accompanying notes on pages 47 to 95 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

DKSH (the "Group") is a Market Expansion Services Group with a focus on Asia. DKSH helps other companies and brands to grow their business in new or existing markets with 30,318 specialized staff.

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

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

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

These consolidated financial statements include the consolidated financial statements of the Group and its subsidiaries as of December 31, 2016. They were approved by the Board of Directors on February 3, 2017 and are subject to approval by the annual meeting of share-holders on March 23, 2017.

2. Accounting policies

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

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

(a) Consolidation
Subsidiaries, being those companies in which the Group, directly or indirectly, has power to exercise control over the financial and operating policies, have been consolidated. The cost of an acquisition is measured as the fair value of the consideration given, including contingent consideration and the fair value of any previous equity interest. Acquisition-related costs are expensed as incurred.

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

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

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

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

Business combinations and related goodwill

The excess of the cost of an acquisition over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired is capitalized. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in other 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 (i) of these policies.

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

(b) Investments in associates 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 presented as part of the Group's 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 of an associate and a joint venture" 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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

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

Available-for-sale financial assets

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

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

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

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

(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. The full fair value of a derivative is classified as a non-current asset or liability when it matures more than twelve months after the reporting date; it is classified as a current asset or liability when it matures within twelve months of the reporting date. Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to the income statement.

Additionally, the Group designates some forward contracts as hedges of net investments in foreign operations. Gains and losses from these contracts are recorded directly in other comprehensive income and will be recycled to the income statement on disposal of the underlying investment. Effectiveness for the forward contracts is measured monthly using the forward basis. Each month the cumulative movement in intrinsic value is compared to the movement in the notional underlying value.

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

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

(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) Research and development

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

(g) 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).

(h) 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.

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

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

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

(i) 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 to sell and value-in-use. Generally, the Group starts with a value-in-use calculation based on the future projected free cash flows discounted at an appropriate after-tax rate of return. These calculations use free cash flow projections for the next five years based on financial budgets and economic growth rates approved by the Executive Board. The discount rate reflects the current assessment of the weighted average cost of capital and the risks specific to the CGUs (essentially country risks).

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

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

(j) Finance and operating leases

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

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

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

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

(k) 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.

(l) Cash and cash equivalents

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

(m) 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.

(n) Provisions

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

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

(o) Share-based payments

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

(p) Retirement benefit assets and obligations

The Group operates a number of defined benefit pension plans in various countries that, in some cases require, contributions to be made to a separately administered fund. In some countries, the Group's employees participate in state-controlled pension schemes, especially through Provident Funds.

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

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding 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.

(q) Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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.

(r) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amounts can be reliably measured, regardless of when the payment is being made. For arrangements where features such as the primary responsibility for providing the goods or services or for fulfilling the order, pricing latitude, inventory risk and credit risk indicate that the Group is the principal, revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment (e.g. trade discounts, cash discounts and volume rebates) and excluding taxes or duty. In cases where the Group is not the principal, only the margin on sale, fee or commission earned is recorded in net sales.

(i) Sale of products

Revenue from the sale of products is recognized upon transfer to the customer of significant risks and rewards. In most cases, this occurs upon delivery of products and customer acceptance.

(ii) Sale of services

Sales from services are recognized when the services are performed.

(s) 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 Board, which makes strategic and key operating decisions. No segments have been aggregated to a reporting segment.

(t) Changes in accounting policy and disclosures

New and amended IFRS as of January 1, 2016

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, 2016:

Amendments to IAS 1 Disclosure Initiative: The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify the materiality requirements in IAS 1, that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, that entities have flexibility as to the order in which they present the notes to financial statements and that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments affect disclosure only and have no impact on the financial position or performance of the Group.

New standards and interpretations and amendments to existing standards that are not yet effective and that the Group has not adopted early. The standards and interpretations that are issued, but not yet effective, are disclosed below. The Group intends to adopt these standards when they become effective.

IFRS 9 "Financial Instruments": The standard replaces IAS 39 and introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2018, with early adoption permitted. The Group has not adopted IFRS 9 early. The Group is currently assessing the impact that this standard will have on the financial position and performance.

IFRS 15 "Revenue from Contracts with Customers": IFRS 15 was issued in May 2014 and establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

IFRS 16 "Leases": IFRS 16 was issued on January 13, 2016. The standard replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. The standard must be applied starting January 1, 2019, with early adoption permitted, but not before IFRS 15 is applied. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

(u) Critical accounting estimates and assumptions

The presentation of the consolidated financial statement 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 vital importance for the consolidated financial statements are mentioned below:

(i) Estimated impairment of goodwill

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

(ii) Income taxes

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

(iii) Provisions

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

(iv) Retirement benefit obligations

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

(v) Fair value of financial instruments

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

(w) Exchange rates applied

The financial statements of foreign subsidiaries are drawn up in local currency and translated into Swiss francs for consolidation purposes. The following exchange rates were applied to translate the foreign currencies of major importance to the Group.

	Statement of financial position year-end rates	Statement of financial position year-end rates	**Income statement average rates**	Income statement average rates
Currency	**2016**	**2015**	**2016**	**2015**
1 AUD	0.736	0.722	0.733	0.724
1 CNY	0.147	0.153	0.148	0.153
1 EUR	1.073	1.083	1.090	1.069
1 GBP	1.253	1.468	1.335	1.472
1 HKD	0.132	0.128	0.127	0.124
100 JPY	0.871	0.823	0.906	0.795
100 KRW	0.085	0.085	0.085	0.085
100 MMK	0.074	0.076	0.080	0.083
1 MYR	0.227	0.231	0.238	0.247
1 PHP	0.021	0.021	0.021	0.021
1 SGD	0.705	0.701	0.713	0.700
1 THB	0.028	0.028	0.028	0.028
1 TWD	0.032	0.030	0.031	0.030
1 USD	1.020	0.991	0.985	0.963
1000 VND	0.045	0.044	0.044	0.044

Risk management

(a) Risk management

Risks are assessed, monitored and mitigated in a decentralized manner, directly by respective risk owners in operational or support functions.

The Group focuses on significant risks potentially threatening to interfere with strategic and financial objectives. Annually, a risk assessment is conducted by the Executive Board, whereby key risks for the Group are identified, risk mitigation strategies are determined and a corresponding risk report is issued for the attention of the Board of Directors. Risk owners are assigned to each of the identified top risks, and these risk owners, in close cooperation with the Group's risk management, apply agreed risk mitigation strategies. Similar systematic risk assessments are conducted for the Group's business units and all major countries and support functions. The Group provides guidance and support on risk assessment methodologies and processes, ensures that appropriate risk mitigation plans are established and regularly follows up on the status of mitigation plans and actions.

DKSH Holding Ltd. furthermore operates an internal control system (ICS) in line with Swiss legal requirements. ICS focuses primarily on financial reporting risks and the respective mitigating controls and is subject to regular reviews by risk management and Internal Audit.

(b) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain exposures.

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

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Thai Baht, Japanese Yen, Singapore Dollar, Chinese Yuan Renminbi, New Taiwan Dollar, Vietnamese Dong, Hong Kong Dollar, Malaysian Ringgit, New Zealand Dollar, Myanmar Kyat, US Dollar and Euro. Foreign exchange risk arises from commercial transactions, recognized assets and liabilities and net investments in foreign operations.

a) Foreign exchange risk on commercial transactions

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

The Group's hedging policy seeks to mitigate the economic effect of adverse movements in foreign currency rates on the profitability, the assets or liabilities and cash flows of the local subsidiary in local currency. Focusing on the overall economic effects rather than, for example, accounting effects of currency movements will result in timing and valuation differences between the hedge, which is taken out as the economic transaction is closed, and the underlying, which is accounted for in line with the general accounting policies. Furthermore, the focus on committed transactions means that the policy does not protect the local subsidiary from the potential commercial or competitive effect of medium- and longer-term shifts in exchange rates.

The cash flows are hedged by the subsidiary entering into financial derivative contracts 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.

b) Foreign exchange risk on other transactions

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

This hedging policy seeks to mitigate the economic effect of adverse movements in foreign currency rates on the profitability, assets or liabilities, and cash flows of the local subsidiary in local currency. The cash flows are hedged by the subsidiary entering into financial derivative contracts 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.

c) Foreign exchange risk on financial assets and liabilities

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

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

d) Foreign exchange risk on investment in foreign operations

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

The most important currencies impact, with regard to profitability and net investment translation, are the THB, MYR, HKD, CNY and JPY. The Group has hedged, selectively, its net investment in some or all of these currencies through derivative financial instruments in 2015 and 2016. These foreign currency derivative transactions have been designated as net investment hedges and the changes in fair values have been recorded in other comprehensive income.

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

As of December 31, 2016 (2015), a strengthening or weakening of the THB by 10% against the CHF would have a translation impact ceteris paribus of –/+ CHF 5.5 million (CHF 4.9 million) on equity.

As of December 31, 2016 (2015), a strengthening or weakening of the MYR by 10% against the CHF would have a translation impact ceteris paribus of –/+ CHF 2.7 million (CHF 2.4 million) on equity.

As of December 31, 2016 (2015), a strengthening or weakening of the HKD by 10% against the CHF would have a translation impact ceteris paribus of –/+ CHF 4.3 million (CHF 0.9 million) on equity.

As of December 31, 2016 (2015), a strengthening or weakening of the CNY by 10% against the CHF would have a translation impact ceteris paribus of –/+ CHF 1.6 million (CHF 0.5 million) on equity.

As of December 31, 2016 (2015), a strengthening or weakening of the JPY by 10% against the CHF would have a translation impact ceteris paribus of –/+ CHF 2.7 million (CHF 0.1 million) on equity.

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

(ii) Interest rate risk

The Group's income and operating cash flows are fairly independent of changes in market interest rates. The Group's borrowings and cash are subject to changes in interest rates as the majority is contracted short-term at floating interest 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 month period. Of the long-term debt, at least one-third has to be held in fixed interest instruments. The Group also has the ability to enter into interest rate swaps to actively hedge its interest rate risk.

As of December 31, 2016, if interest rates on interest-bearing borrowings had been 0.5% higher with all other variables held constant that the Group assumes to be reasonably possible, and the higher interest rates are applied to the borrowings as of December 31, post-tax profit for the year would have been CHF 0.4 million (2015: CHF 0.4 million) lower. Assuming the higher interest rates increase the yield on interest-bearing cash and financial assets, the impact of the higher interest rates on the Group's post-tax profit for the year will be offset by the increased income from these instruments. If interest rates on interest-bearing cash and financial assets had been 0.5% higher with all other variables held constant, and the higher interest rates are applied to the interest-bearing cash and financial assets as of December 31, post-tax profit for the year would have been CHF 2.2 million (2015: CHF 2.1 million) higher.

(iii) Credit risk

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

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

a) Cash and cash equivalents

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

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

in %	2016	2015
AA– or higher	188.3	41.0
A+, A or A–	277.2	166.4
BBB+, BBB or BBB–	126.3	352.6
Non-investment grade/unrated	19.5	11.4
Total	**611.3**	**571.4**

b) Financial derivatives

Group treasury policy requires working with established financial institutions for any derivative transactions. The outstanding gross settlement risk (gross amount due in future settlements) and net positive market value for financial counterparties were as follows:

in CHF millions	**Gross settlement risk**	Gross settlement risk	**Positive market value**	Positive market value
	2016	**2015**	**2016**	**2015**
AA– or higher	201.7	26.5	3.3	0.1
A+, A or A–	438.9	564.2	3.3	2.8
BBB+, BBB or BBB–	278.1	85.9	4.4	0.4

c) Committed borrowings

On July 15, 2015, the Group entered into a CHF 200 million five-year committed credit facility with Deutsche Bank AG, Sumitomo Mitsui Banking Corporation, Australia and New Zealand Banking Group Limited, Bank of America N.A., Standard Chartered Bank, The Hongkong and Shanghai Banking Corporation Limited, UBS AG and Zürcher Kantonalbank. The facility is undrawn as of December 31, 2016. The facility reflects a liquidity back-up for the Group.

The ratings of the banks as of December 31, 2016, are:

Australia and New Zealand Banking Group Limited	AA–
Bank of America N.A.	BBB+
Deutsche Bank AG	BBB+
The Hongkong and Shanghai Banking Corporation Limited	A
Standard Chartered Bank	BBB+
Sumitomo Mitsui Banking Corporation	A–
UBS AG	A–
Zürcher Kantonalbank	AAA

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

d) Credit risk on trade receivables

Trade receivables are subject to credit limits, control and approval procedures in all the affiliated companies. DKSH provides distribution services mainly to the mass market and to a diverse group of customers that are based mainly in Asia. Customer specific credit limits are set and monitored on an ongoing basis. As of December 31, 2016, 13 (2015: 10) mainly internationally acting debtors with own local entities made up 20% of total trade accounts receivable, none of which individually exceeded 10%. These debtors are mainly doing business in the retail and wholesale sector or are governmental institutions. Of all trade accounts receivable, 55.4% (2015: 60%) are individual positions with a value of less than CHF 1.0 million.

(iv) Liquidity risk

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

It is the Group's policy that Corporate Center holds a strategic liquidity reserve consisting of either cash and/or undrawn committed credit facilities. As of December 31, 2016, this strategic reserve amounted to CHF 550.4 million (2015: CHF 559.3 million) consisting of cash held at Corporate Center and the undrawn portion of the CHF 200 million five-year committed credit facility closed on July 15, 2015.

in CHF millions	**2016**	**2015**
Centrally held cash and cash equivalents	350.4	359.3
Committed credit facility	200.0	200.0
Total	**550.4**	**559.3**

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

in CHF millions	Up to 1 month or on demand	1–3 months	3–12 months	1–5 years	Over 5 years	Total
As of December 31, 2016						
Borrowings	36.9		3.7	57.2	–	97.8
Financial guarantees	46.8	–	–	–	–	46.8
Trade and other payables	1,157.4	919.3	279.3	–	–	2,356.0
Lease obligation	–	–	1.0	–	–	1.0
As of December 31, 2015						
Borrowings	16.5	9.0	0.8	76.2	–	102.5
Other non-current liabilities	–	–	–	6.0	–	6.0
Financial guarantees	20.4	–	–	–	–	20.4
Trade and other payables	1,052.7	874.3	240.7	–	–	2,167.7
Lease obligation	–	–	–	0.1	–	0.1

The table below analyzes the Group's derivative financial instruments in relevant maturity groupings as per financial reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows until maturity date 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, 2016						
Forward FX contracts						
Outflow	(553.4)	(164.7)	(198.4)	–	–	(916.5)
Inflow	554.3	166.3	198.1			918.7
As of December 31, 2015						
Forward FX contracts						
Outflow	(241.5)	(184.6)	(257.6)	–	–	(683.7)
Inflow	239.9	182.7	253.9	–	–	676.5

(v) Fair value estimation

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

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

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Assets and liabilities by level of fair value measurements as of December 31, 2016, are as follows:

in CHF millions	Level 1	Level 2	Level 3	Total
Derivatives	–	10.9	–	10.9
Available-for-sale financial assets	3.4	–	–	3.4
Total assets	**3.4**	**10.9**	**–**	**14.3**
Derivatives	–	7.8	–	7.8
Total liabilities	**–**	**7.8**	**–**	**7.8**

In 2016 and 2015, there were no changes in the valuation techniques and no transfers of assets and liabilities within the fair value hierarchy.

Assets and liabilities by level of fair value measurements as of December 31, 2015, are as follows:

in CHF millions	Level 1	Level 2	Level 3	Total
Derivatives	–	3.1	–	3.1
Available-for-sale financial assets	4.1	–	–	4.1
Total assets	**4.1**	**3.1**	**–**	**7.2**
Derivatives	–	9.5	–	9.5
Total liabilities	**–**	**9.5**	**–**	**9.5**

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

(vi) Capital risk management

The Group’s capital includes share capital, reserves, retained earnings and borrowings. The capital of the Group as of December 31, 2016, is CHF 1,740.6 million (2015: CHF 1,611.8 million). The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of leverage ratio and debt to total capitalization ratio. The leverage ratio is calculated as total assets divided by total equity. The debt to total capitalization ratio is calculated as total borrowings divided by the sum of borrowings and equity. The ratios as of December 31, 2016 and 2015, were as follows:

	2016	2015
Leverage ratio	2.6	2.7
Debt to total capitalization	5.7%	6.4%

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, 2016, and for the entire financial year 2016, the Group did not have any breaches of such loan agreements.

3. Segment information

2016 by Business Unit

in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Other	Eliminations	Group Total
Net sales third parties	3,768.5	5,480.9	870.5	385.3	–	–	10,505.2
Net sales intersegment	–	0.6	0.1	0.1	0.2	(1.0)	–
Net sales	**3,768.5**	**5,481.5**	**870.6**	**385.4**	**0.2**	**(1.0)**	**10,505.2**
EBIT	105.8	134.3	77.0	21.3	(45.4)	–	293.0
Additions of property, plant and equipment	10.7	11.2	1.0	3.5	5.8	–	32.2
Additions of intangible assets	0.5	2.9	0.6	0.1	1.3	–	5.4
Depreciation and amortization	14.0	13.5	1.8	2.9	7.3	–	39.5
Investments in associates and joint ventures	41.0	8.6	0.1	4.9	–	–	54.6
Share of profit/(loss) of associates and joint ventures	(3.7)	(1.2)	–	3.3	–	–	(1.6)
Total employees	16,369	9,740	991	1,356	1,862		30,318

2016 by region

in CHF millions	Thailand	Greater China	Malaysia/ Singapore	Other	Group Total
Net sales third parties[1]	3,395.1	3,342.3	1,809.9	1,957.9	10,505.2
Non-current assets[2]	31.6	62.2	16.7	200.4	310.9

2016 country information

in CHF millions	Net sales third parties[1]	Non-current assets[2]
Switzerland (domicile)	123.8	90.2
Malaysia	1,267.0	8.5
Hong Kong	1,244.5	5.8

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

2015 by Business Unit

in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Other	Eliminations	Group Total
Net sales third parties	3,925.6	4,970.6	782.5	372.1	-	-	10,050.8
Net sales intersegment	–	0.4	–	0.1	0.1	(0.6)	–
Net sales	**3,925.6**	**4,971.0**	**782.5**	**372.2**	**0.1**	**(0.6)**	**10,050.8**
EBIT[1]	29.7	215.0	51.4	20.1	(46.0)	–	270.2
Additions of property, plant and equipment	15.4	11.0	2.0	2.8	8.1	–	39.3
Additions of intangible assets	1.3	9.0	0.4	0.7	3.4	–	14.8
Depreciation and amortization	48.1	11.6	2.6	2.6	6.7	–	71.6
of which impairment	32.3	–	–	–	–	–	32.3
Investments in associates and joint ventures	48.1	–	0.2	10.1	–	–	58.4
Share of profit/(loss) of associates and joint ventures	(0.1)	–	0.1	4.6	–	–	4.6
Total employees	14,773	9,594	968	1,366	1,639	–	28,340

[1] Including loss of CHF 58.7 million in Consumer Goods from restructuring of luxury business and gain of CHF 64.5 million in Healthcare on disposal of two China pharma brands. The loss from restructuring principally includes write-downs of inventories to net realizable value of CHF 17.8 million and losses from the impairment of intangible assets and property, plant and equipment of CHF 30.7 million and CHF 1.6 million, respectively.

2015 by region

in CHF millions	Thailand	Greater China	Malaysia/ Singapore	Other	Group Total
Net sales third parties[1]	3,339.2	3,186.1	1,924.5	1,601.0	10,050.8
Non-current assets[2]	34.0	53.7	23.8	208.6	320.1

2015 country information

in CHF millions	Net sales third parties[1]	Non-current assets[2]
Switzerland (domicile)	120.5	96.9
Malaysia	1,392.9	15.9
Hong Kong	1,286.4	4.0

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

As of December 31, 2016, the Group is organized on a worldwide basis into four main Business Units that reflect the business segments according to IFRS 8:

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

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

DKSH Business Unit Performance Materials is a leading specialty chemicals distributor and provider of Market Expansion Services for performance materials, covering Europe, North America and the whole of Asia. The Business Unit sources, develops, 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 the Business Unit "Other."

There are generally very limited transactions between the Business Units and between the regions. The majority of costs relating to a given Business Unit/region 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

in CHF millions	2016	2015
Gross sales	11,871.3	11,238.2
Sales deductions	(1,366.1)	(1,187.4)
Net sales	**10,505.2**	**10,050.8**

Net sales by category:

in CHF millions	2016	2015
Sale of goods	10,155.7	9,711.8
Other services	349.5	339.0
Net sales	**10,505.2**	**10,050.8**

5. Other income

in CHF millions	2016	2015
Gain on sale of tangible and intangible assets	2.4	70.4
Supplier compensation	8.7	5.7
Insurance claims	0.7	2.4
Rental income	1.7	1.8
Commission income	0.5	0.2
Other	11.2	8.5
Total other income	**25.2**	**89.0**

The gain on sale of tangible and intangible assets in 2015 principally relates to the disposal of two pharma brands in China.

6. Employee benefit expenses

in CHF millions	2016	2015
Salaries and bonuses	441.5	395.8
Sales and other commissions	45.1	41.6
Social security costs	29.0	28.1
Temporary staff	12.0	18.1
Expenses for defined contribution pension plans	12.3	11.4
Expenses for defined benefit pension plans (see Note 24)	7.5	9.3
Staff training costs	1.7	1.6
Other personnel expenses	45.3	40.0
Total employee benefit expenses	**594.4**	**545.9**
Total employees	**30,318**	**28,340**

7. Other operating expenses

in CHF millions	2016	2015
Selling costs	144.8	147.3
Logistics and distribution costs	177.7	177.8
Rent	101.2	101.7
Travel and entertainment	43.0	44.6
Information technology	16.3	15.5
Utilities	13.3	14.0
Stationery and office supplies	10.8	10.6
Maintenance and repairs	10.0	9.6
Fees and royalties	10.0	8.6
Communication	9.9	10.7
Consulting services	7.5	9.6
Insurance	5.9	6.2
Legal services	4.4	5.2
Bank charges	4.1	3.9
Research and development	2.5	2.8
Professional fees	2.5	2.8
Loss on sale of tangible and intangible assets	1.4	1.4
Other	14.2	14.5
Total other operating expenses	**579.5**	**586.8**

8. Net finance result

in CHF millions	2016	2015
Interest income		
Interest income on bank deposits	1.6	1.8
Income from financial assets	0.1	7.3
Financial income	**1.7**	**9.1**
Net foreign exchange transaction losses	(6.3)	–
Interest expenses		
Interest expenses on bank borrowings	(5.9)	(5.7)
Financial expenses	**(12.2)**	**(5.7)**
Net finance result	**(10.5)**	**3.4**

9. Income tax expenses

in CHF millions	2016	2015
Current income tax	79.0	79.3
Adjustments in respect of current income tax of previous years	(0.4)	(0.7)
Deferred tax	1.6	(3.9)
Total income tax expenses	**80.2**	**74.7**

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	2016	2015
Profit before tax	293.2	274.3
Applicable income tax based on 23.8% (20.1% in 2015)	69.7	55.1
Different tax rate impact on income tax	–	0.4
Tax releases relating to prior years	(0.7)	1.2
Impact of tax rate changes	0.4	0.4
Tax effect of WHT/foreign tax not recoverable	7.9	5.7
Tax effect on non-deductible expenses	2.7	4.2
Tax effect of income that is not taxable	(7.4)	(4.0)
Tax effect related to tax losses and tax credits	5.6	10.0
Others	2.0	1.7
Total income tax expenses	**80.2**	**74.7**

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

10. Cash and cash equivalents

in CHF millions	2016	2015
Cash at bank and on hand	482.1	328.9
Short-term deposits	129.2	242.5
Total cash and cash equivalents	**611.3**	**571.4**

The average effective interest rate on short-term bank deposits was 0.96% (2015: 1.16%).

11. Trade receivables

in CHF millions	2016	2015
Trade receivables – gross	2,027.1	1,822.7
Provision for doubtful debts	(23.0)	(20.8)
Total trade receivables	**2,004.1**	**1,801.9**

The aging of trade receivables gross is as follows:

in CHF millions	2016	2015
Not overdue	1,721.2	1,572.2
Up to 3 months overdue	247.4	205.0
Between 3 and 6 months overdue	22.1	21.0
Between 6 and 9 months overdue	9.0	5.3
Between 9 and 12 months overdue	14.7	7.5
More than 12 months overdue	12.7	11.7
Total trade receivables – gross	**2,027.1**	**1,822.7**

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

in CHF millions	2016	2015
As of January 1	**20.8**	**17.6**
Impairment of accounts receivable	13.2	12.4
Receivables written off	(0.4)	(2.6)
Unused amount reversed	(10.7)	(5.1)
Exchange differences	0.1	(1.5)
As of December 31	**23.0**	**20.8**

Provisions for impaired receivables are recognized in selling costs in the income statement (see Note 7). The maximum exposure to credit risk at the reporting date relates to the fair value of the amount of total trade receivables. The Group does not hold any collateral as security and pledged trade receivables as per end of 2016 and 2015.

12. Financial assets

in CHF millions	2016	2015
Financial assets available-for-sale at fair value	3.4	4.1
Financial assets available-for-sale at cost	0.3	0.3
Deposits to third parties	15.6	15.2
Loans to third parties	3.1	1.9
Total financial assets	**22.4**	**21.5**

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

in CHF millions	Available-for-sale at fair value	Available-for-sale at cost	Group Total
As of January 1, 2015	**2.6**	**1.3**	**3.9**
Disposals	–	(1.0)	(1.0)
Revaluation	1.5	–	1.5
As of December 31, 2015	**4.1**	**0.3**	**4.4**
Revaluation	(1.0)	–	(1.0)
Exchange differences	0.3	–	0.3
As of December 31, 2016	**3.4**	**0.3**	**3.7**

Financial assets available-for-sale include principally marketable debt and equity securities and are fair valued at each financial reporting date. For investments traded in active markets, fair value is determined by reference to stock exchange quoted bid prices. Investments not traded in active markets and for which fair value cannot be reliably measured are valued at cost.

All financial assets available-for-sale are subject to review for impairment at each financial reporting date, with any impairment losses being recognized in the income statement. No impairment was recorded in 2016 and 2015.

13. Inventories

in CHF millions	2016	2015
Raw materials	42.3	49.1
Work in progress	6.6	11.1
Finished goods	1,038.4	979.9
Total inventories – gross	**1,087.3**	**1,040.1**
Provision for obsolete and slow moving stock	(51.1)	(61.3)
Total inventories	**1,036.2**	**978.8**

Details of change in impairment for inventories:

in CHF millions	2016	2015
As of January 1	**61.3**	**43.2**
Acquisitions and disposals	(0.6)	0.2
Increase in provision for inventories	6.3	25.5
Unused amount reversed	(9.0)	(4.5)
Utilized during the year	(7.4)	(1.6)
Exchange differences	0.5	(1.5)
As of December 31	**51.1**	**61.3**

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

Details to the basis of valuation:

in CHF millions	2016	2015
Inventories carried at cost	814.1	776.1
Inventories carried at fair value less cost to sell	222.1	202.7
Total inventories	**1,036.2**	**978.8**

As of December 31, 2016 and 2015, no inventories have been pledged as security for borrowings.

14. Intangible assets

in CHF millions	Trademarks [1]	Other intangible assets [2]	Goodwill	Total
As of January 1, 2015	**55.5**	**88.0**	**101.6**	**245.1**
Additions	–	13.8	1.0	14.8
Acquisitions/divestments	–	–	9.4	9.4
Disposals	(10.8)	(1.9)	(0.5)	(13.2)
Exchange differences	(1.6)	(7.1)	(5.7)	(14.4)
As of December 31, 2015	**43.1**	**92.8**	**105.8**	**241.7**
Accumulated amortization and impairments				
As of January 1, 2015	**(21.9)**	**(64.2)**	**(0.3)**	**(86.4)**
Amortization	(1.9)	(5.7)	–	(7.6)
Impairments[3]	(18.0)	(12.7)	–	(30.7)
Reclassifications	0.6	(0.6)	–	–
Disposals	4.4	1.7	–	6.1
Exchange differences	1.1	6.2	(0.3)	7.0
As of December 31, 2015	**(35.7)**	**(75.3)**	**(0.6)**	**(111.6)**
Net book value				
As of January 1, 2015	**33.6**	**23.8**	**101.3**	**158.7**
As of December 31, 2015	**7.4**	**17.5**	**105.2**	**130.1**
As of January 1, 2016	**43.1**	**92.8**	**105.8**	**241.7**
Additions	0.6	4.7	0.1	5.4
Acquisitions/divestments	(1.6)	(2.2)	(2.1)	(5.9)
Disposals	–	(4.8)	(0.3)	(5.1)
Exchange differences	–	0.7	0.4	1.1
As of December 31, 2016	**42.1**	**91.2**	**103.9**	**237.2**
Accumulated amortization and impairments				
As of January 1, 2016	**(35.7)**	**(75.3)**	**(0.6)**	**(111.6)**
Amortization	(1.1)	(7.5)	–	(8.6)
Acquisitions/divestments	0.7	4.5	–	5.2
Disposals	–	3.9	–	3.9
Exchange differences	–	(1.0)	–	(1.0)
As of December 31, 2016	**(36.1)**	**(75.4)**	**(0.6)**	**(112.1)**
Net book value				
As of January 1, 2016	**7.4**	**17.5**	**105.2**	**130.1**
As of December 31, 2016	**6.0**	**15.8**	**103.3**	**125.1**

[1] Includes acquired trademark rights to sell 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.
[3] As part of the restructuring of the luxury business, the group concluded during 2015 certain carrying values to be exceeding their recoverable amounts and therefore recognized impairments of intangible assets of CHF 30.7 million.

Impairment tests for goodwill

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

Goodwill from other acquisitions amounts to a net book value of CHF 69.7 million in 2016 (2015: CHF 71.6 million). An amount of CHF 6.3 million (2015: CHF 6.0 million) relates to New Zealand, CHF 9.0 million (2015: CHF 8.9 million) to Australia, CHF 11.4 million (2015: CHF 11.4 million) to Denmark, CHF 1.3 million (2015: CHF 1.3 million) to India, CHF 9.4 million (2015: CHF 9.4 million) to Switzerland, CHF 1.7 million (2015: CHF 1.6 million) to Taiwan, CHF 6.1 million (2015: CHF 6.3 million) to Indonesia, CHF 2.5 million (2015: CHF 2.5 million) to Korea, CHF 12.6 million (2015: CHF 12.8 million) to Spain, CHF 3.3 million (2015: CHF 3.3 million) to Portugal, CHF 2.3 million (2015: CHF 2.3 million) to Macao and CHF 3.1m (2015: CHF 0 million) to China. Goodwill in other countries amounts to CHF 0.7 million in 2016 (2015: CHF 0.6 million).

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

Key assumptions used for value-in-use calculations by regions (grouped as in Note 3):

in %	Greater China	Malaysia/ Singapore	Others
Net sales growth rate CAGR (2017–2021)	2–21	8–9	2–20
Country specific WACC (pre tax)	9–10	14–15	9–21
Country specific growth rate terminal value	2–3	3	1–5

Based on the annual goodwill impairment test reflecting the above assumptions, no impairment on goodwill was recognized in 2016 (2015: CHF 0.0 million). 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 pre-tax WACC would result in an impairment of CHF 5.8 million (CHF 0.3 million relating to the combined Performance Materials and Technology business in Switzerland, CHF 2.0 million relating to the Performance Materials business in Germany, CHF 2.1 million relating to the Healthcare business in Macao and Korea, CHF 0.9 million relating to the FMCG business in Taiwan and CHF 0.5 million relating to the Technology business in Australia.)
- Lowered revenue projections for 2017 and thereafter by 10% would result in an impairment of CHF 2.5 million (CHF 1.9 million relating to the FMCG business in Taiwan, CHF 0.4 million relating to the Healthcare business in Korea and CHF 0.2 million relating to the Performance Materials business in Germany)
- Reduced projections of EBIT by 5% during forecast period 2017 – 2021 would result in an impairment of CHF 2.4 million (CHF 1.2 million relating to the Performance Materials business in Germany, CHF 0.8 million relating to the Healthcare business in Macao and Korea, CHF 0.3 million relating to the Technology business in Indonesia and CHF 0.1 million relating to other businesses)

The Group has no intangible assets with indefinite useful lives as of December 31, 2016, and December 31, 2015, other than goodwill.

15. Other receivables

in CHF millions	2016	2015
Current		
Supplier accounts receivable	190.4	175.6
Advances and deposits	50.8	41.1
VAT and other taxes receivable	36.9	39.2
Derivative financial instruments	10.9	3.1
Other current receivables	60.0	56.9
Total other receivables current	**349.0**	**315.9**
Non-current		
Other non-current receivables	3.2	3.1
Total other receivables non-current	**3.2**	**3.1**

16. Property, plant and equipment

in CHF millions	Land, buildings/ leasehold	Machinery/ tools	Furniture/ fixtures	IT/ comm-unication	Vehicles	Assets under construction	Total
As of January 1, 2015	**87.5**	**56.1**	**93.6**	**51.1**	**15.0**	**1.0**	**304.3**
Additions	5.6	8.1	14.2	6.2	2.3	2.9	39.3
Reclassifications	0.5	1.5	0.4	0.4	–	(2.8)	–
Acquisitions/divestments	–	–	(0.1)	–	–	–	(0.1)
Disposals	(2.6)	(3.4)	(4.0)	(3.9)	(2.0)	–	(15.9)
Exchange differences	(4.9)	(4.7)	(9.2)	(5.9)	(1.1)	(0.3)	(26.1)
As of December 31, 2015	**86.1**	**57.6**	**94.9**	**47.9**	**14.2**	**0.8**	**301.5**
Accumulated depreciation and impairments							
As of January 1, 2015	**(22.2)**	**(34.8)**	**(62.7)**	**(41.3)**	**(10.1)**	**–**	**(171.1)**
Depreciation	(5.7)	(7.2)	(11.5)	(5.9)	(1.4)	–	(31.7)
Impairments	(0.9)	–	(0.7)	–	–	–	(1.6)
Reclassification	0.3	(0.3)	–	–	–	–	–
Acquisitions/divestments	–	–	0.1	–	–	–	0.1
Disposals	1.7	2.5	3.5	3.8	1.8	–	13.3
Exchange differences	2.3	3.3	6.9	4.7	0.8	–	18.0
As of December 31, 2015	**(24.5)**	**(36.5)**	**(64.4)**	**(38.7)**	**(8.9)**	**–**	**(173.0)**
Net book value							
As of January 1, 2015	**65.3**	**21.3**	**30.9**	**9.8**	**4.9**	**1.0**	**133.2**
As of December 31, 2015	**61.6**	**21.1**	**30.5**	**9.2**	**5.3**	**0.8**	**128.5**
As of January 1, 2016	**86.1**	**57.6**	**94.9**	**47.9**	**14.2**	**0.8**	**301.5**
Additions	2.5	9.1	10.7	5.0	1.8	3.1	32.2
Reclassifications	1.7	0.1	1.4	0.3	–	(3.5)	–
Acquisitions/divestments	–	(0.2)	(0.5)	(0.1)	0.1	–	(0.7)
Disposals	(5.2)	(3.6)	(6.3)	(1.2)	(0.9)	–	(17.2)
Exchange differences	4.3	1.1	1.2	0.5	0.4	(0.4)	7.1
As of December 31, 2016	**89.4**	**64.1**	**101.4**	**52.4**	**15.6**	**–**	**322.9**
Accumulated depreciation and impairments							
As of January 1, 2016	**(24.5)**	**(36.5)**	**(64.4)**	**(38.7)**	**(8.9)**	**–**	**(173.0)**
Depreciation	(5.9)	(6.7)	(11.2)	(5.5)	(1.6)	–	(30.9)
Acquisitions/divestments	–	0.2	0.4	0.1	(0.1)	–	0.6
Disposals	2.1	2.9	5.0	1.1	0.8	–	11.9
Exchange differences	(2.9)	(2.3)	(1.0)	(0.3)	(0.3)	–	(6.8)
As of December 31, 2016	**(31.2)**	**(42.4)**	**(71.2)**	**(43.3)**	**(10.1)**	**–**	**(198.2)**
Net book value							
As of January 1, 2016	**61.6**	**21.1**	**30.5**	**9.2**	**5.3**	**0.8**	**128.5**
As of December 31, 2016	**58.2**	**21.7**	**30.2**	**9.1**	**5.5**	**–**	**124.7**

No bank borrowings are secured with assets of property, plant and equipment as of December 31, 2016 and 2015.

During 2016 and 2015, constructions of property, plant and equipment were financed entirely from own resources and therefore, no interest cost on borrowings was capitalized.

17. Investments in associates

The investments in associates are as follows:

Company in %	Country of incorporation	2016	2015
Agrofert Norden A/S, Birkerod	Denmark	50.0	50.0
Bovet Fleurier S.A., Plan-les-Ouates	Switzerland	25.0	25.0
Trumpf China (Hong Kong) Ltd., Hong Kong	Hong Kong	-	25.1
aCommerce Group Ltd., Hong Kong	Hong Kong	21.4	21.4
Kulara Holdings Pte Ltd., Singapore	Singapore	30.0	30.0

The following financial information reflects the financial position and performance of the associates. The income the company received from Trumpf China (Hong Kong) Ltd. reflects a transaction-based fee that is calculated based on net sales.

in CHF millions	2016	2015
Assets	87.6	82.3
Liabilities	(65.3)	(38.5)
Equity	22.3	43.8
Net sales	54.0	54.3
Profit/(loss)	(10.5)	(10.1)
Group's share of profit/(loss) for the year	**(3.4)**	**1.9**

Effective September 30, 2016 the Group disposed it’s shareholding in Trumpf China (Hong Kong) Ltd. and recorded a gain on sale of shareholding of CHF 1.1 million as well as other operating income of CHF 2.4 million to reflect the remuneration for the contract termination.

18. Interest in joint ventures

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

Company in %	Country of incorporation	2016	2015
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)	Myanmar	50.0	–
DKSH Klingelnberg Service Ltd., Shanghai	China	50.0	50.0

The following amounts represent the Group’s share of the assets and liabilities and net sales and expenses of the joint ventures. The Group’s share of net asset and profit for the year is included in the consolidated statement of financial position and income statement.

in CHF millions	2016	2015
Current assets	40.3	33.3
Non-current assets	2.1	1.8
	42.4	**35.1**
Current liabilities	(27.5)	(20.2)
Non-current liabilities	(0.4)	(0.3)
	(27.9)	**(20.5)**
Net asset	**14.5**	**14.6**
Proportion of the Group's ownership	50.0%	50.0%
Group's share of net asset	**7.3**	**7.3**
Net sales	60.6	66.0
Expenses	(57.0)	(60.5)
Profit after tax	3.6	5.5
Group's share of profit for the year	**1.8**	**2.7**

19. Deferred income tax

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

in CHF millions	2016	2015
Deferred tax assets (net)	41.2	41.4
Deferred tax liabilities (net)	(12.7)	(10.9)
Net deferred tax assets	**28.5**	**30.5**

Deferred tax assets (gross):

in CHF millions	2016	2015
As of January 1	**54.3**	**59.2**
Credited/(charged) to the income statement	8.1	(1.5)
Credited/(charged) to equity	(0.5)	0.1
Exchange difference	1.3	(3.5)
As of December 31	**63.2**	**54.3**

Deferred tax assets (gross) relating to:

in CHF millions	2016	2015
Trade receivables	24.1	15.0
Inventories	7.1	6.3
Property, plant and equipment	1.8	1.6
Intangible assets	5.9	8.7
Other assets	1.7	3.2
Employee benefits	3.8	2.8
Provisions and other liabilites	10.4	7.2
Tax loss carryforwards	8.4	9.5
Total deferred tax assets	**63.2**	**54.3**

The Group recognized deferred tax assets of CHF 9.2 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 in future periods.

Deferred tax liabilities (gross):

in CHF millions	2016	2015
As of January 1	**23.8**	**30.4**
Charged/(credited) to the income statement	9.7	(5.4)
Charged/(credited) to equity	(0.1)	(0.4)
Acquisitions/divestments	0.6	-
Exchange difference	0.7	(0.8)
As of December 31	**34.7**	**23.8**

Deferred tax liabilities (gross) relating to:

in CHF millions	2016	2015
Inventories	4.1	3.7
Property, plant and equipment	2.0	2.4
Intangible assets	1.2	0.8
Employee benefits	1.5	1.2
Other assets	4.4	1.7
Provisions, other liabilies and undistributed profits	21.5	14.0
Total deferred tax liabilities	**34.7**	**23.8**

The Group has recognized deferred tax liabilities with regards to temporary differences associated with its investments in subsidiaries, associates and joint ventures of CHF 9.0 million (2015: CHF 8.1 million) due to expected distribution in the foreseeable future. The temporary differences associated with investments in the Group's subsidiaries, associate and joint venture, 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 316.1 million (2015: CHF 260.6 million).

Deferred tax assets relating to tax loss carryforwards are recognized to the extent that realization of the related tax benefit with future taxable profits is probable. The Group did not recognize deferred tax assets related to accumulated losses amounting to CHF 153.9 million (2015: CHF 135.1 million) that can be carried forward against future taxable income. These tax losses will expire as follows:

in CHF millions	2016	2015
Expiring next year	12.5	2.1
Expiring in 2 years	10.5	12.3
Expiring in 3 years	1.8	12.7
Expiring in 4 years	1.4	4.4
Expiring in 5 years	7.0	4.2
Expiring later than 5 years	120.7	99.4
Total unrecognized tax losses	**153.9**	**135.1**

20. Borrowings

in CHF millions	2016	2015
Current		
Bank overdraft	1.8	4.6
Bank borrowings	31.1	6.0
Bankers acceptance and promissory notes	7.7	15.7
Lease liabilities	1.0	-
Total borrowings current	**41.6**	**26.3**
Non-current		
Bank loans	57.2	76.2
Lease liabilities	–	0.1
Total borrowings non-current	**57.2**	**76.3**
Weighted average effective interest rates on borrowings	4.2%	4.2%
Non-current borrowings per maturity		
Between 1 and 5 years	57.2	76.3
Total borrowings non-current	**57.2**	**76.3**

As of December 31, 2016, the Group has undrawn committed and uncommitted bank borrowings and guarantee facilities amounting to CHF 892.7 million (2015: CHF 815.9 million).

Bank loans and borrowings are entered into locally by subsidiaries. As of December 31, 2016 and 2015, 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.

21. Other payables and accrued expenses

in CHF millions	2016	2015
Accrued expenses third parties	169.8	148.3
Accrued expenses and payables employees	67.2	61.3
VAT and other tax payable	61.7	56.7
Prepayments and deposits received	37.1	27.5
Payables distribution and logistics suppliers	22.5	22.7
Accrued expenses and payables advertising and promotion suppliers	21.6	29.9
Payables for rent, repair and maintenance and tangible assets	7.7	16.0
Derivative liability	7.8	9.5
Prepaid income	3.5	3.2
Deferred purchase consideration	2.6	19.0
Other non-trade payables	32.0	27.7
Total other payables and accrued expenses	**433.5**	**421.8**

22. Provisions

in CHF millions	Product warranty	Employee entitlements	Others	Total
Current				
As of January 1, 2015	**4.9**	**0.2**	**0.7**	**5.8**
Additions	2.9	0.1	1.4	4.4
Unused amount reversed	(2.1)	–	(0.1)	(2.2)
Utilized in current year	(3.3)	(0.1)	(0.6)	(4.0)
Exchange differences	(0.4)	–	(0.1)	(0.5)
As of December 31, 2015	**2.0**	**0.2**	**1.3**	**3.5**
Additions	2.0	0.1	(0.1)	2.0
Unused amount reversed	(1.4)	–	–	(1.4)
Utilized in current year	(0.9)	–	(0.1)	(1.0)
As of December 31, 2016	**1.7**	**0.3**	**1.1**	**3.1**

in CHF millions	Employee entitlements	Others	Total
Non-current			
As of January 1, 2015	**1.5**	**1.6**	**3.1**
Additions	0.3	0.8	1.1
Utilized in current year	0.8	(0.1)	0.7
Exchange differences	(0.1)	(0.1)	(0.2)
As of December 31, 2015	**2.5**	**2.2**	**4.7**
Additions	0.1	–	0.1
Unused amount reversed	(0.7)	(0.1)	(0.8)
Utilized in current year	(0.5)	(0.1)	(0.6)
Exchange differences	0.1	–	0.1
As of December 31, 2016	**1.5**	**2.0**	**3.5**

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

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

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

23. Other non-current liabilities

in CHF millions	2016	2015
Deferred purchase consideration	–	4.4
Other non-current liabilities	1.1	1.6
Total other non-current liabilities	**1.1**	**6.0**

The deferred purchase consideration relates to the acquisition of businesses in 2015.

24. Retirement benefit assets and obligations

Defined benefit plans in Switzerland
According to the Swiss pension law (BVG), pension plans are to be managed by independent, legally autonomous units. The defined benefit plan covers all employees in Switzerland and exceeds the minimum benefit requirements under Swiss pension law. Contributions to the plan are paid by the employees and the employer. For all employees, contributions are calculated as a percentage of contributory salary and are deducted monthly. In addition, the company pays risk contributions, which are used to finance benefits paid out in the event of death and disability, as well as to finance retirement benefits and survivors' bridging pensions. The benefits of the plan participants include retirement benefits and disability, death and survivor pensions. The plan provides a lifetime pension to members at the retirement age of 65. At retirement, a portion or the full amount can be taken as a lump sum payment. The amount of pension payable is calculated based on the conversion rate applied on the accumulated savings balance of the individual plan participant's pension account at the retirement date. The accumulated savings balance on the pension account is based on the employee and employer contributions that have been made to the pension account of each individual plan participant, as well as the interest accrued on the accumulated balance. The interest rate accrued is defined annually by the Pension Foundation Board. The investment strategy of the plan is in line with Swiss pension law, including the rules and regulations relating to diversification of plan assets. The Pension Foundation Board strives for a medium- and long-term consistency and sustainability between assets and liabilities. According to Swiss pension law, a temporary limited underfunding is permitted. However, the Pension Foundation Board is required to take the necessary measures to ensure that full funding can be expected to be restored within a period up to a maximum of ten years. Under Swiss pension law, if a pension plan became significantly underfunded on a Swiss pension law basis, additional employer and employee contributions could be required. In these situations, the risk is shared between employer and employees, and the employer is not legally obliged to cover more than 50% of the additional contributions required. The Swiss pension plan has a technical funding ratio under Swiss pension law of 106.1% as of December 31, 2016 (2015: 103.3%), and thus it is not expected that 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 10-year pension to members at the retirement age of 62. At retirement, the employee can choose either a lump sum payment or a 10-year pension (pension option is available only for employees with more than 15 years of service). The accumulated savings balance on the pension account is based on the employer contributions that have been made to the pension account of each individual plan participant, as well as the interest accrued on the accumulated balance. A temporary limited underfunding is permitted. Once every 3 years, there is an assessment of funding according to Japanese regulations. If the pension plan is underfunded, the monthly contribution amounts are increased starting at the beginning of the following year. The pension plan has a technical funding ratio of 149.0% as of December 31, 2016 (2015: 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 the Philippines
The defined benefit plan in the Philippines is governed under the Philippine statute covering pension mandates and exceeds the minimum benefit requirements under Philippine labor law. The plan is managed by a separate autonomous unit. The pension plan covers all employees. Contributions to the plan are paid by the employer. The contribution is calculated as a percentage of basic salary for all employees. This contribution covers benefits paid out in the event of retirement, death, illness or disability. The plan provides a lump sum payment to members at the retirement age of 60. The amount of pension payable is calculated based on the conversion rate of final salary and years in service at the retirement date. There is no provision for funding levels under Philippine law. As of December 31, 2016 and 2015, 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 one-quarter of the last month's basic salary times the number of service years for each full year served under the gratuity pay plan. 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	2016	2015
Current service costs	7.3	8.8
Net interest cost	0.2	0.5
Expense for defined benefit pension plans	**7.5**	**9.3**

The funded and unfunded defined benefit obligation is as follows:

in CHF millions	2016	2015
Defined benefit obligation	(188.8)	(195.9)
thereof unfunded	(12.0)	(11.0)
Fair value of plan assets	170.0	174.5
Funded status	**(18.8)**	**(21.4)**
Impact of minimum funding requirement/asset ceiling	(0.6)	(0.1)
Net retirement benefit liability recognized in the statement of financial position	**(19.4)**	**(21.5)**
Retirement benefit assets recognized in the statement of financial position	5.9	4.7
Retirement benefit obligations recognized in the statement of financial position	25.3	26.2

As of December 31, 2016, 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	2016	2015
Switzerland		
Defined benefit obligation	(159.6)	(168.2)
Fair value of plan assets	155.1	162.7
Funded status	**(4.5)**	**(5.5)**
Other countries		
Defined benefit obligation	(29.2)	(27.7)
thereof unfunded	(12.0)	(11.0)
Fair value of plan assets	14.9	11.8
Funded status	**(14.3)**	**(15.9)**

The movement in the defined benefit obligation is as follows:

in CHF millions	2016	2015
At the beginning of the year	**195.9**	**201.9**
Current service cost	7.3	8.8
Interest cost	1.9	2.8
Remeasurements included in other comprehensive income		
Actuarial (gain)/loss from the effect of changes in demographic assumptions	1.5	(6.7)
Actuarial (gain)/loss from the effect of changes in financial assumptions	4.8	7.1
Actuarial (gain)/loss from the effect of experience adjustments	(6.7)	0.8
Employee contributions	2.8	3.2
Benefits paid	(18.6)	(19.9)
Acquisitions/divestments	(0.8)	-
Insurance premiums for risk benefits	(0.6)	(0.4)
Exchange differences	1.3	(1.7)
At the end of the year	**188.8**	**195.9**

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

in CHF millions	2016	2015
At the beginning of the year	**174.5**	**184.0**
Interest income	1.7	2.3
Remeasurements included in other comprehensive income		
Return on plan assets (excluding interest income)	2.2	(1.6)
Employee contributions	2.8	3.2
Employer contributions	6.6	6.2
Benefits paid	(17.8)	(18.6)
Acquisitions/divestments	(0.6)	-
Insurance premiums for risk benefits	(0.6)	(0.4)
Exchange differences	1.2	(0.6)
At the end of the year	**170.0**	**174.5**

The Group expects to contribute CHF 6.4 million to its defined benefit pension plans in 2016 (2015: CHF 6.1 million).

Plan assets are composed as follows:

in CHF millions	2016	2015
Cash	10.4	9.0
Investments quoted in active markets		
Equity funds	42.9	48.6
Fixed-income funds	57.7	60.5
Real Estate funds	35.0	29.5
Corporate bonds	4.6	4.5
Unquoted investments		
Debt investments	1.9	1.4
Real estate	2.8	2.0
Assets held by insurance companies	14.7	19.0
Total	**170.0**	**174.5**

Pension plan assets do not include buildings occupied by the Group, with the exception of one property with a market value of CHF 2.7 million (2015: CHF 2.0 million) in the Philippines.

The principal actuarial assumptions used are as follows:

in %	2016	2015
Switzerland		
Discount rate		
Active	0.6	0.9
Retired	0.4	0.5
Future salary increases	1.5	1.5
Other countries		
Discount rate	0.1 - 5.8	0.3 - 6.3
Future salary increases	3.0 - 6.5	3.0 - 6.0
Future pension increases	1.4	1.6

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, 2016, is as follows:

in years	2016	2015
Switzerland		
Male	22.3	21.6
Female	24.3	24.1
Other countries		
Male	14.2 - 18.8	14.5 - 18.5
Female	22.9 - 25.1	23.5 - 24.8

The sensitivity of the defined benefit obligation to changes of significant assumptions as at December 31, 2016, is as follows:

in CHF millions	2016
Switzerland	
Discount rate increase by 0.5%	(11.0)
Discount rate decrease by 0.5%	12.5
Rate of salary increase by 0.5%	2.6
Rate of salary decrease by 0.5%	(2.6)
Rate of pension increase by 0.5%	8.1
Rate of pension decrease by 0.5%	(7.3)
Life expectancy increase by 1 year	5.6
Life expectancy decrease by 1 year	(5.6)
Other countries	
Discount rate increase by 0.5%	(1.6)
Discount rate decrease by 0.5%	1.8
Rate of salary increase by 0.5%	1.6
Rate of salary decrease by 0.5%	(1.4)
Rate of pension increase by 0.5%	0.2
Rate of pension decrease by 0.5%	(0.1)
Life expectancy increase by 1 year	0.1
Life expectancy decrease by 1 year	(0.1)

The weighted average duration of the defined benefit plan obligation as December 31, 2016, is 13.5 years (2015: 14.5 years).

25. Equity, share capital and treasury shares

	Nominal value in CHF	Total number of shares
As of January 1, 2015	**0.1**	**65,042,963**
Issue of new shares 2015		–
As of December 31, 2015, and January 1, 2016	**0.1**	**65,042,963**
Issue of new shares 2016		–
As of December 31, 2016	**0.1**	**65,042,963**

In 2016 and 2015, the Group had no changes in its share capital.

An ordinary dividend of CHF 1.30 per common registered share was paid in 2016 (2015: CHF 1.15 ordinary dividend). Total dividend payments amounted to CHF 84.6 million (2015: CHF 74.8 million).

The total authorized number of shares as of December 31, 2016, of DKSH Holding Ltd. is 65,042,963 (2015: 65,042,963) with a par value of CHF 0.10 per share. All issued shares are fully paid in. The Group holds 778 treasury shares as of December 31, 2016 (2015: 778).

The Ordinary General Meeting held on April 16, 2013, approved the Board of Directors' proposal to increase conditional share capital by 500,000 shares or CHF 0.1 million. As of December 31, 2016, the Company's conditional share capital amounts to 282,537 shares (2015: 282,537 shares) or CHF 0.03 million (2015: CHF 0.03 million).

As of December 31, 2016, the Company does not have authorized share capital (2015: CHF 0.0 million).

At the Ordinary General Meeting scheduled for March 23, 2017, a CHF 4.50 (CHF 1.50 ordinary dividend per registered share and a CHF 3.00 special dividend per registered share) dividend is to be proposed in respect of 2016 (2015: CHF 1.30 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, 2017. 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 131.9 million as of December 31, 2016 (2015: CHF 134.3 million).

26. Earnings per share

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

in CHF millions	**2016**	**2015**
Profit after tax attributable to the shareholders of the Group	208.6	202.6
Weighted average number of shares during the year	65,042,963	65,042,963
Dilutive shares	45,401	25,131
Adjusted weighted number of shares applicable to diluted earnings per share	65,088,364	65,068,094

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

27. Share-based payments

Long-Term Incentive Plan (LTIP)

In 2015 a new LTIP was implemented with the purpose to provide eligible key managers of the DKSH Group the opportuinity 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 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 and the plan is contemplated to run from the financial year 2015. In principle, 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. In case the performance does not reach certain predetermined thresholds after three years, no shares of the Company will vest under the LTIP. For the purposes of the new LTIP, the Company's long-term performance is gauged by a 50% 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 50% 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. Under this plan, 40,722 restricted shares were granted in April 2016 (33,508 shares in March 2015).

Total expense recognized for the period relating to share-based payment transactions amounted to CHF 0.5 million (2015: CHF 0.6 million).

28. Acquisitions and disposals

Acquisitions

During the business year 2016, the Group acquired shares in the following companies:

Company	Country of incorporation	Legal ownership	Effective date	Consolidation method	Employees
Shanghai Sweets International Trading Co., Ltd.	China	51%	September 1, 2016	Full	46
HongKong Esweets Trading Co., Ltd.	Hong Kong	100%	September 1, 2016	Full	0

Effective September 1, 2016, the Group purchased 51% of the shares of Shanghai Sweets International Trading Co., Ltd. and HongKong Esweets Trading Co., Ltd., privately held companies based in Shanghai and Hong Kong. The business represents a distributor and online service provider of confectionary consumer goods.

From the dates of acquisition, acquired businesses contributed net sales amounting to CHF 11.9 million and a combined profit after tax of CHF 1.3 million. Assuming the business had been acquired as of January 1, 2016, the contribution for the net sales would have been CHF 14.1 million with a corresponding combined profit after tax of CHF 1.3 million as of December 31, 2016.

The fair value of the identifiable assets and liabilities acquired in 2016 as of the dates of acquisition are:

in CHF millions	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	0.1
Trade receivables	3.5
Inventories	1.0
Other current assets	5.7
Intangible assets	2.4
Other non-current assets	0.3
Liabilities	
Trade payables	3.2
Other current liabilities	5.5
Deferred tax liabilities	0.6
Net assets acquired	**3.7**
Goodwill on acquisitions	3.1
Non-controlling interest	4.7
Purchase consideration	**2.1**
Purchase consideration paid in cash	2.1
Cash and cash equivalents acquired	0.1
Net cash outflow	**2.0**

The fair value of trade receivables amounts to CHF 3.5 million and is equivalent to the gross contractual amount of trade receivables.

The goodwill of CHF 3.1 million relates to non-contractual supplier and customer relationships, synergies and footprint improvements. None of the goodwill is expected to be deductible for income tax purposes.

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

In 2016 the Group paid CHF 17.1 million relating to the exercise of the put/call option agreed as part of the acquisition of Maurice Lacroix in 2011.

During the business year 2015, the Group acquired shares in the following company:

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

From the dates of acquisition, acquired businesses contributed net sales amounting to CHF 12.6 million and a combined profit after tax of CHF 0.5 million. Assuming the business had been acquired as of January 1, 2015, the contribution for the net sales would have been CHF 25.2 million with a corresponding profit after tax of CHF 1.0 million as of December 31, 2015.

The fair value of the identifiable assets and liabilities acquired in 2015 as of the dates of acquisition are:

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

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

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

Disposals

Effective August 4, 2016, the Group disposed its shareholding in Glycine S.A., an international business and watch brand based in Switzerland.

Effective November 30, 2016, the Group disposed its shareholding in BiO-LiFE Marketing Sdn. Bhd., a business specialized in natural healthcare and holistic therapies in Malaysia.

Details on net assets disposed are as follows:

in CHF millions	Carrying value derecognized on disposal
Assets	
Cash and cash equivalents	0.9
Trade receivables	1.9
Inventories	5.0
Other current assets	0.2
Property, plant and equipment	0.2
Intangible assets	1.0
Liabilities	
Trade payables	0.3
Other current liabilities	1.2
Accrued expenses and prepaid income	1.1
Employee benefits – Liabilities	0.1
Deferred tax liabilities	0.2
Net assets disposed	**6.3**
Goodwill	5.2
Net gain on sale of shareholding	9.6
Cash and cash equivalents disposed	0.9
Proceeds from disposal	**22.0**

Total proceeds were received in cash in 2016.

Effective August 1, 2015, the Group disposed its shareholding in Premium Pet Product Norway A/S, a business specialized in the sale and marketing of leading international brands of pet care products in Norway.

Details on net assets disposed are as follows:

in CHF millions	Carrying value derecognized on disposal
Assets	
Cash and cash equivalents	0.3
Trade receivables	1.3
Inventories	1.0
Other current assets	0.2
Accrued income and prepaid expense	0.3
Property, plant and equipment	0.1
Liabilities	
Trade payables	(0.5)
Current borrowings	(0.5)
Other current liabilities	(1.0)
Accrued expenses and prepaid income	(0.3)
Net assets disposed	**0.9**
Recycling of currency translation losses	0.2
Net gain on sale of shareholding	0.5
Proceeds from disposal	**1.6**

The total proceeds were received in cash in 2015. In addition to the sale of Premium Pet Products Norway A/S, the Group recorded gain on sale of shareholding from other transactions in the amount of CHF 0.2 million.

29. Related party transactions

The following transactions were with related parties:

in CHF millions	2016	2015
Sales of goods and services		
Shareholders	0.4	–
Associates	–	1.1
Joint ventures	1.3	1.2
Others	–	1.1
	1.7	**3.4**
Purchases of goods and services		
Shareholders	1.1	1.3
Associates	0.2	2.7
Joint ventures	0.4	1.1
	1.7	**5.1**
Year-end balances arising from related party transactions		
Trade receivables		
Associates	–	0.1
	–	**0.1**
Other receivables and prepayments		
Joint ventures	0.2	0.2
	0.2	**0.2**
Trade payables		
Associates	0.2	0.1
Joint ventures	0.2	0.2
	0.4	**0.3**
Other payables		
Shareholders	0.1	0.1
	0.1	**0.1**

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

in CHF millions	2016	2015
Executive Board	9.9	10.6
Board of Directors	2.5	2.5

The total remuneration recognized as an expense in the reporting period for the Executive Board includes CHF 7.8 million (2015: CHF 8.2 million) cash-based payments, including both salary and awarded incentive-based compensation, CHF 0.4 million (2015: CHF 0.4 million) share-based payments, CHF 0.6 million (2015: CHF 0.8 million) post-employment benefits, and CHF 1.1 million (2015: CHF 1.2 million) other employee benefits.

The total remuneration recognized as an expense in the reporting period for the Board of Directors includes CHF 2.5 million (2015: CHF 2.5 million) cash-based payments.

As of December 31, 2016 and 2015, no loans or any other commitments were outstanding to members of the Board of Directors and Executive Board. See Note 27 for more details regarding share-based payments.

30. Contingencies

As of December 31, 2016, the Group has outstanding corporate guarantees of CHF 3.2 million (2015: CHF 2.6 million) in favor of joint ventures, as well as CHF 43.6 million (2015: CHF 17.8 million) in favor of related businesses. The Group assesses it is improbable that an outflow of resources embodying economic benefits will be required to settle the obligation. Therefore, no amount has been recognized in the statement of financial position with regard to these guarantees.

31. Commitments

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

Operating lease commitments

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

in CHF millions	2016	2015
Not later than 1 year	67.9	67.0
Later than 1 year and not later than 5 years	241.0	137.9
Later than 5 years	25.9	41.3
Total commitments under operating leases	**334.8**	**246.2**

32. Financial instruments – additional information

The Group is exposed to the market risk from changes in currency exchange rates and interest rates. To manage the volatility relating to these exposures, the Group enters into various derivative transactions according to the Group's policies. Counterparties to these agreements are major international financial institutions. The Group does not hold or issue derivative financial instruments for trading purposes and is not a party to leveraged instruments. The notional amount of forward exchange contracts represents the gross amount of the contracts and includes outstanding transactions as of December 31, 2016.

Net investment hedges

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

in CHF millions	2016	2015
Current assets	2.3	0.6
Current liabilities	(4.3)	(1.7)
Net fair value of net investment hedges	**(2.0)**	**(1.1)**
Swiss Franc equivalent notional amount of forward exchange contracts	147.3	86.8

Non-designated hedges

The Group entered into forward foreign exchange contracts that are not designated as hedging instruments. The fair values are derived from discounted cash flows arising from the forward exchange contracts at market rates. The Group recorded a net loss of CHF 9.3 million (2015: net gain of CHF 18.3 million) in the profit and loss statement to recognize the change in the fair values of these derivatives.

As a result of the Group's foreign exchange hedging policy, these gains and losses on derivative instruments offset the balance sheet revaluation of financial assets and liabilities. In 2016, the Group recorded a net gain of CHF 3.0 million (2015: net loss of CHF 18.3 million) from revaluation of balance sheet items.

Foreign exchange contracts

in CHF millions	2016	2015
Current assets	8.7	2.5
Current liabilities	(3.5)	(7.8)
Net fair value of foreign exchange contracts	**5.2**	**(5.3)**
Swiss Franc equivalent notional amount of derivative financial instruments	775.1	593.2

The derivative assets and liabilities have been included in other receivables and other payables and accrued expenses in the statement of financial position. The amount of derivative assets of CHF 11.0 million as of December 31, 2016 (2015: CHF 3.1 million) represents the Group's exposure to credit risk from derivative financial instruments.

Financial instruments by category as of December 31, 2016, are as follows:

in CHF millions	Loans and receivables [1]	Derivatives at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
Trade receivables	2,004.1	–	–	–	2,004.1
Other receivables current	250.3	8.7	2.3	–	261.3
Other receivables non-current	3.2	–	–	–	3.2
Financial assets	18.7	–	–	3.7	22.4
Total	**2,276.3**	**8.7**	**2.3**	**3.7**	**2,291.0**

[1] The carrying amount is considered a reasonable approximation of fair value.

in CHF millions	Derivatives at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities measured at amortized cost [2]	Total
Borrowings current [1]	–	–	40.6	40.6
Financial lease liabilities	–	–	1.0	1.0
Trade payables	–	–	2,129.9	2,129.9
Other payables	3.5	4.3	68.3	76.1
Borrowings non-current [1]	–	–	57.2	57.2
Total	**3.5**	**4.3**	**2,297.0**	**2,304.8**

[1] Excluding finance lease liabilities.
[2] The carrying amount is considered a reasonable approximation of fair value.

Financial instruments by category as of December 31, 2015, are as follows:

in CHF millions	Loans and receivables [1]	Derivatives at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
Trade receivables	1,801.9	–	–	–	1,801.9
Other receivables current	232.5	2.5	0.6	–	235.6
Other receivables non-current	3.1	–	–	–	3.1
Financial assets	17.1	–	–	4.4	21.5
Total	**2,054.6**	**2.5**	**0.6**	**4.4**	**2,062.1**

1 The carrying amount is considered a reasonable approximation of fair value.

in CHF millions	Derivatives at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities measured at amortized cost [2]	Total
Borrowings current [1]	–	–	26.3	26.3
Financial lease liabilities	–	–	0.1	0.1
Trade payables	–	–	1,946.2	1,946.2
Other payables	7.8	1.7	71.6	81.1
Other liabilities non-current	–	–	4.4	4.4
Borrowings non-current [1]	–	–	76.2	76.2
Total	**7.8**	**1.7**	**2,124.8**	**2,134.3**

1 Excluding finance lease liabilities.
2 The carrying amount is considered a reasonable approximation of fair value.

33. Events after financial reporting date

Effective January 23, 2017 the Group acquired 100% of the shares of Europe Continents Holding SA, a privately held company based in Cambodia. Europe Continents Holding SA represents a specialized distribution and service business in South East Asia mainly active in healthcare, science and infrastructure sectors. According to the latest financial statements available, the business has generated revenues of CHF 8.6 million and profit after tax of CHF 1.1 million in 2015. The Group is currently assessing the impact of the acquisition on the Group’s consolidated financial statements.

34. Principal subsidiaries as of December 31, 2016

Company name	Currency	Capital in thousands	Ownership and voting rights %
Holding and management companies			
DKSH Management Ltd., Zurich[1]	CHF	2,000	100.00
Diethelm & Co Ltd., Zurich[1]	CHF	3,000	100.00
Maurice Lacroix S.A. (International), Saignelégier[1]	CHF	1,000	100.00
DKSH China Holding Ltd., Hong Kong[1]	HKD	20,000	100.00
DKSH Corporate Shared Services Center Sdn. Bhd., Kuala Lumpur[1]	MYR	5,000	100.00
DKSH Holdings (Asia) Sdn. Bhd., Kuala Lumpur[1]	MYR	30,000	100.00
DKSH Holdings (Malaysia) Bhd., Petaling Jaya	MYR	500,000	74.31
DKSH Holding (S) Pte Ltd., Singapore[1]	SGD	23,703	100.00
DKSH Management Pte Ltd., Singapore[1]	SGD	2,000	100.00
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
Queloz S.A., Saignelégier[1]	CHF	50	90.00
Asia			
DKSH Australia Pty Ltd., Hallam[1]	AUD	8,465	100.00
DKSH Pharmaceutical (Shanghai) Ltd., Shanghai	CNY	10,000	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
DKSH (Korea) Ltd., Seoul[1]	KRW	30,000,000	100.00
DKSH (Myanmar) Ltd., Yangon[1]	MMK	90	100.00
DKSH Services Ltd., Yangon[1]	MMK	50	100.00

Company name	Currency	Capital in thousands	Ownership and voting rights %
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
DKSH Smollan Field Marketing (Malaysia) Sdn. Bhd., Kuala Lumpur[1]	MYR	1,500	51.00
DKSH New Zealand Ltd., Auckland[1]	NZD	230	100.00
Edward Keller (Philippines) Inc., Manila[1]	PHP	500,000	100.00
DKSH Philippines Inc., Manila[1]	PHP	11,500	100.00
DKSH Singapore Pte Ltd., Singapore	SGD	17,998	100.00
DKSH (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 Supply Chain Solutions (Taiwan) Ltd., Tao Yuan County	TWD	500,000	98.55
DKSH Taiwan Ltd., Taipei[1]	TWD	300,000	100.00
DKSH (China) Co. Ltd., Shanghai	USD	16,800	100.00
DKSH Vietnam Co. Ltd., Binh Duong[1]	USD	3,300	100.00
DKSH Technology Co. Ltd. (VND), Ho Chi Minh City[1]	USD	546	100.00
DKSH South East Asia Pte Ltd., Singapore	SGD	7,900	100.00
Swisstec Sourcing Ltd., Hong Kong[1]	HKD	66,426	100.00
DKSH Shanghai Ltd., Shanghai	USD	200	100.00
PT DKSH (Indonesia), Jakarta[1]	IDR	58,328,000	100.00
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
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 Marketing Services Spain S.A.U., Barcelona	EUR	648	100.00
Andreas Jennow A/S, Birkerod	DKK	3,300	100.00
DKSH Italy S.r.l., Milano[1]	EUR	110	100.00

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

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To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, February 3, 2017

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, 2016, 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 41 to 95) give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

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

Key audit matters

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

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

Revenue recognition

Risk	Total net sales for the business year 2016 amount to CHF 10,505 million. Based on its business model DKSH has many different types of revenues arising from different types of transactions and events with its customers. This requires detailed analysis of each contract regarding timing of revenue recognition and regarding gross/net accounting. Corresponding accounting policy are discussed in Note 2 (r) to the consolidated financial statements. Assessing whether a sale transaction contains the features of acting as principal or as agent requires significant judgment. These judgments result in a risk that revenue from the sale of goods is presented gross instead of net.
Our audit response	We performed the following procedures, among others, analytical reviews on revenues recognized to identify any material new revenue streams, we assessed the nature of revenues and we analyzed the timing of the recognition and unusual contractual terms. Our testing included agreeing amounts to customer contracts and verifying the extent, timing and customer acceptance of delivery, where relevant. We evaluated management's assessment with regard to the principal versus agent presentation of revenue based on the substance of underlying customer agreements.

Goodwill

Risk	As at December 31, 2016, DKSH reported CHF 103 million in goodwill as a result of previous acquisitions. The carrying values of goodwill and non-current assets are dependent on the generation of future cash flows. The determination of the recoverable amount is based on these cash flows and other assumptions such as the discount rate and growth rate. The annual impairment testing process is complex, contains items based on judgments and includes assumptions that are affected by expected future market conditions. There is a risk that the future cash flows may not meet the Group's expectation or outcomes may differ from the estimated values. The assumptions, sensitivities and results of the impairment tests performed are disclosed in Note 14 of the consolidated financial statements.
Our audit response	We involved our valuation specialists in the audit to support our assessment of the assumptions and methods that were used by management, the discount rates per CGU (cash generating unit) and the valuation model that calculates the recoverable amount per CGU. Furthermore, we tested the related expected future cash flows and growth rates per CGU considering DKSH's process and embedded internal controls of the annual impairment test. We assessed whether the projected future cash flows were based on the strategic plan of the company as prepared by the management and approved by the Executive Board. 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.

Other information in the annual report

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

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

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

Responsibility of the Board of Directors for the consolidated financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

Andreas Bodenmann Licensed audit expert (Auditor in charge)	Johannes Bachmann Licensed audit expert

Financial statements DKSH Holding Ltd.

Income statement

in CHF millions	Notes[1]	2016	2015
Dividend income		189.4	97.2
Financial income		1.5	2.1
Profit from sale of investments		-	2.4
Financial expenses		(6.0)	(2.4)
Personnel expenses	2	(2.5)	(2.6)
Other operating expenses	2	(17.7)	(18.8)
Loss on sale of shareholding		(10.7)	-
Loan forgiveness		(6.0)	-
Valuation adjustments on non-current assets	4	(1.0)	(103.6)
Profit before tax		**147.0**	**(25.7)**
Income taxes		-	-
Profit after tax		**147.0**	**(25.7)**

[1] The accompanying notes on pages 103 to 107 form an integral part of the financial statements of DKSH Holding Ltd.

Balance sheet

in CHF millions	Notes[1]	2016	2015
Cash and cash equivalents		262.2	218.2
Other receivable			
Other receivables from third parties		3.1	1.3
Other receivables from Group companies		224.6	208.0
Accrued income and prepaid expenses		0.4	0.3
Current assets		**490.3**	**427.8**
Loans			
Loans to third parties		-	1.1
Loans to Group companies		5.6	7.2
Accrued income and prepaid expenses		0.3	0.5
Investments	4	321.1	312.8
Non-current assets		**327.0**	**321.6**
Total assets		**817.3**	**749.4**
Payables			
Non-trade payables to third parties		5.6	3.5
Non-trade payables to Group companies		4.5	1.3
Deferred income and accrued expenses		0.6	1.1
Current liabilities		**10.7**	**5.9**
Payables			
Non-trade payables to Group companies		0.6	-
Non-current liabilities		**0.6**	**-**
Total liabilities		**11.3**	**5.9**
Share capital	5	6.5	6.5
Legal reserves from capital contribution		2.8	2.8
Legal reserves from retained earning		96.6	96.6
Free reserves			
Retained earnings		553.1	663.3
Net Income		147.0	(25.7)
Total equity		**806.0**	**743.5**
Total equity and liabilities		**817.3**	**749.4**

[1] The accompanying notes on pages 103 to 107 form an integral part of the financial statements of DKSH Holding Ltd.

Notes to the financial statements

1. General

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

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

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

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

Own shares are valued at the nominal value.

2. Other operating and personnel expenses

The cost charged by DKSH Management Ltd. are 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 331.0 million (2015: CHF 308.1 million) as of December 31, 2016.

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	2016	2015
As of January 1	**312.8**	**415.1**
Increase	9.3	1.3
Valuation adjustment	(1.0)	(103.6)
As of December 31	**321.1**	**312.8**

The direct and principal indirect investments held by DKSH Holding Ltd. as of December 31, 2016:

Company name	Currency	Capital in thousands	Ownership and voting rights %
Holding and management companies			
DKSH Management Ltd., Zurich[1]	CHF	2,000	100.00
Diethelm & Co Ltd., Zurich[1]	CHF	3,000	100.00
Maurice Lacroix S.A. (International), Saignelégier[1]	CHF	1,000	100.00
DKSH China Holding Ltd., Hong Kong[1]	HKD	20,000	100.00
DKSH Corporate Shared Services Center Sdn. Bhd., Kuala Lumpur[1]	MYR	5,000	100.00
DKSH Holdings (Asia) Sdn. Bhd., Kuala Lumpur[1]	MYR	30,000	100.00
DKSH Holdings (Malaysia) Bhd., Petaling Jaya	MYR	500,000	74.31
DKSH Holding (S) Pte Ltd., Singapore[1]	SGD	23,703	100.00
DKSH Management Pte Ltd., Singapore[1]	SGD	2,000	100.00
DKSH Management (Thailand) Ltd., Bangkok[1]	THB	10,000	100.00
Operating companies			
Switzerland			
DKSH Switzerland Ltd., Zurich[1]	CHF	20,000	100.00
DKSH International Ltd., Zurich[1]	CHF	700	100.00
Medinova AG, Zurich[1]	CHF	250	100.00
Queloz S.A., Saignelégier[1]	CHF	50	90.00
ZD Luxury Watches and Accessories Ltd., Biel[1]	CHF	3,000	51.00
La Manufacture des Franches-Montagnes S.A., Montfaucon[1]	CHF	1,000	100.00
Asia			
DKSH Australia Pty Ltd., Hallam[1]	AUD	8,465	100.00
DKSH Pharmaceutical (Shanghai) Ltd., Shanghai	CNY	10,000	90.00
DKSH Hong Kong Ltd., Hong Kong[1]	HKD	100,000	100.00
DKSH CL (Hong Kong) Ltd. Taiwan Branch, Taipei	HKD	5,000	100.00
Diethelm Co (S.E.Asia) Ltd., Hong Kong[1]	HKD	1,000	100.00
Swisstec Sourcing Ltd., Hong Kong[1]	HKD	66,426	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
DKSH Korea Ltd., Seoul[1]	KRW	30,000,000	100.00
DKSH (Myanmar) Ltd., Yangon[1]	MMK	90	98.00
DKSH Services Ltd., Yangon[1]	MMK	50	100.00
DKSH Resources Sdn. Bhd., Petaling Jaya	MYR	60,000	100.00
DKSH Malaysia Sdn. Bhd., Petaling Jaya	MYR	50,000	74.31
DKSH Distribution (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	50,000	74.31
DKSH Technology Sdn. Bhd., Kuala Lumpur[1]	MYR	5,000	100.00
The Famous Amos Chocolate Chip Cookie Corp (M) Sdn. Bhd., Petaling Jaya	MYR	1,000	74.31

Company name	Currency	Capital in thousands	Ownership and voting rights %
DKSH Smollan Field Marketing (Malaysia) Sdn. Bhd., Kuala Lumpur[1]	MYR	1,500	51.00
DKSH Luxury & Lifestyle (Malaysia) Sdn. Bhd., Kuala Lumpur[1]	MYR	335	100.00
DKSH New Zealand Ltd., Auckland[1]	NZD	230	100.00
Edward Keller (Philippines) Inc., Manila[1]	PHP	500,000	100.00
DKSH Philippines Inc., Manila[1]	PHP	11,500	100.00
DKSH Singapore Pte Ltd., Singapore	SGD	17,998	100.00
DKSH (Thailand) Ltd., Bangkok[1]	THB	200,000	75.55
The United Drug (1996) Co. Ltd., Bangkok[1]	THB	40,000	75.55
Diethelm Keller Logistics Ltd., Bangkok	THB	6,000	100.00
DKSH Taiwan Ltd., Taipei[1]	TWD	300,000	100.00
DKSH Supply Chain Solutions (Taiwan) Ltd., Tao Yuan County	TWD	500,000	98.55
United International Drug Co. Ltd., Taipei[1]	TWD	5,000	100.00
DKSH (China) Co. Ltd., Shanghai	USD	16,800	100.00
DKSH Shanghai Ltd., Shanghai	USD	200	100.00
DKSH Vietnam Co. Ltd., Binh Duong[1]	USD	3,300	100.00
DKSH Technology Co. Ltd. (VND), Ho Chi Minh City[1]	USD	546	100.00
DKSH South East Asia Pte Ltd., Singapore	SGD	7,900	100.00
PT DKSH (Indonesia), Jakarta[1]	IDR	58,178,000	99.74
PT Harpers Marketing, Jakarta[1]	IDR	6,700,600	100.00
DKSH Smollan Field Marketing, Singapore[1]	SGD	0	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
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
De Muinck & Co's Handelmaatschappij B.V., Amsterdam[1]	EUR	545	100.00
DKSH Portugal Unipessoal Lda., Matosinhos[1]	EUR	75	100.00
DKSH Marketing Services Spain S.A.U., Barcelona	EUR	648	100.00
Andreas Jennow A/S, Birkerod	DKK	3,300	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
DKSH Chile S.A., Santiago de Chile[1]	CLP	54,842	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, 2016	**0.1**	**65,042,963**	**6,504,296**
Balance as of December 31, 2016	**0.1**	**65,042,963**	**6,504,296**

Own shares

	Number of shares	Total carrying amount[1]
Balance as of January 1, 2015	778	22.3
Balance as of December 31, 2015	**778**	**22.3**
Balance as of December 31, 2016	**778**	**22.3**

[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.:

Shareholder in %	2016	2015
Diethelm Keller Holding Ltd., Switzerland	45.0	45.0
FFP Invest SAS, France	5.9	5.9
George Loening, USA	4.8	<3.0
Matthews Pacific Tiger Fund, USA	4.2	4.2
Rainer-Marc Frey, Switzerland	3.9	3.9

6. Shareholdings of Board of Directors and Executive Board

Shareholding by members of the Board of Directors
As of December 31, 2016 and 2015, 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	2016	2015
Adrian T. Keller	58,026	58,026
Rainer-Marc Frey	2,509,666	2,509,666
Frank Gulich	3,066	3,066
David Kamenetzky	125	125
Andreas W. Keller	18,366	18,186
Robert Peugeot	9,666	9,666
Dr. Theo Siegert	71,966	71,966
Dr. Hans Christoph Tanner	1,166	1,166
Dr. Joerg Wolle	380,000	940,000
Total	**3,052,047**	**3,611,867**

Shareholding by members of the Executive Board
As of December 31, 2016 and 2015, the following numbers of shares were held by members of the Executive Board and/or parties closely associated with them.

Number of shares held	2016	2015
Dr. Joerg Wolle	380,000	940,000
Stephen Ferraby	-	-
Martina Ludescher	18,000	95,228
Bernhard Schmitt	141,596	141,596
Bruno Sidler	6,658	6,658
Total	**546,254**	**1,183,482**

Proposal appropriation of available earnings

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

in CHF	2016
Retained earnings	
Retained earnings brought forward	553,081,968
Profit/Loss after tax	146,990,554
Total available earnings	**700,072,522**
Distribution of an ordinary dividend of CHF 1.50 per registered share (65,042,185 shares are entitled to dividends)	97,563,278
Distribution of a special dividend of CHF 3.00 per registered share (65,042,185 shares are entitled to dividends)	195,126,555
To be carried forward	407,382,689

Building a better working world

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To the General Meeting of
DKSH Holding Ltd., Zurich

Zurich, February 3, 2017

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 101 to 107), for the year ended December 31, 2016.

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, 2016 comply with Swiss law and the company's articles of incorporation.

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

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

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

Valuation of investments

Risk	DKSH Holding Ltd. is the ultimate parent of DKSH Group. As at December 31, 2016 investments in subsidiaries amount to CHF 321 million and represent 39% of total assets. Corresponding disclosure in Note 4 of the financial statements. There is a risk that the carrying amount of the financial investments is no longer supported through their value in use calculated on the basis of budgeted future cash flows.
Our audit response	We validated the valuation methods used and recalculated the respective valuations. We reviewed the input parameters used by the management. In addition we analyzed the impairments and their fiscal consequences as well as their presentation and the related disclosures.

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

Andreas Bodenmann
Licensed audit expert
(Auditor in charge)

Johannes Bachmann
Licensed audit expert

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