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Key figures

Interim consolidated income statement	At constant exchange rates ¹				
	January – June 2017	Change in %	January – June 2017	Change in %	January – June 2016
in CHF millions					
Net sales	5,278.7	3.8	5,238.4	3.0	5,084.1
Operating profit (EBIT)	138.8	2.3	139.1	2.5	135.7
Profit after tax	93.3	1.7	93.5	2.0	91.7
EBIT margin (in %)	2.6	-	2.7	-	2.7

Interim consolidated statement of financial position	June 30, 2017	December 31, 2016	Change in %
in CHF millions			
Total assets	4,144.3	4,415.3	(6.1)
Equity attributable to the shareholders of the Group	1,418.5	1,641.8	(13.6)
Net operating capital (NOC)	1,155.8	1,142.8	1.1
Net cash	273.5	512.5	(46.6)
Return on net operating capital (RONOC) (in %)	24.2	26.7	-
Return on equity (ROE) (in %)	12.8	12.7	-

Earnings per share	January – June 2017	January – June 2016	Change in %
in CHF			
Basic earnings per share	1.40	1.38	1.4
Diluted earnings per share	1.40	1.38	1.4

Other	June 30, 2017	December 31, 2016	Change in %
Specialists	30,889	30,318	1.9

¹ Constant exchange rates: 2017 figures converted at 2016 exchange rates (CER)

Interim consolidated income statement (unaudited)

in CHF millions (except for earnings per share in CHF)	January – June 2017	January – June 2016
Net sales	5,278.7	5,084.1
Other income	19.4	11.7
Goods and materials purchased and consumables used	(4,545.8)	(4,372.7)
Employee benefit expenses	(315.7)	(290.7)
Depreciation, amortization and impairments	(19.1)	(19.4)
Other operating expenses	(278.9)	(275.3)
Share of result of associates and joint ventures	0.2	(2.0)
Operating profit (EBIT)	138.8	135.7
Net finance result	(7.7)	(14.2)
Profit before tax	131.1	121.5
Income tax expenses	(37.8)	(29.8)
Profit after tax	93.3	91.7
Attributable to:		
Shareholders of the Group	90.9	89.7
Non-controlling interest	2.4	2.0
Earnings per share for profit attributable to the shareholders of the Group		
Basic earnings per share	1.40	1.38
Diluted earnings per share	1.40	1.38

Interim consolidated statement of comprehensive income (unaudited)

in CHF millions	January – June 2017	January – June 2016
Profit after tax	93.3	91.7
Other comprehensive income		
Items that may be reclassified to profit or loss		
Net gains/(losses) on available-for-sale financial assets, net of tax of CHF 0.0 million in current and prior period	0.3	(0.7)
Net gains on interest rate swap, net of tax of CHF 0.0 million in prior period	-	0.1
Net investment hedges, net of tax of CHF 0.0 million in current and prior period	1.2	-
Currency translation differences	(26.9)	19.4
Items that will not be reclassified to profit or loss		
Remeasurement gains/(losses) on defined benefit plans, net of tax of CHF 0.4 million in current period and CHF 1.6 million in prior period	1.4	(6.1)
Total comprehensive income	69.3	104.4
Attributable to:		
Shareholders of the Group	68.7	99.1
Non-controlling interest	0.6	5.3

Interim consolidated statement of financial position (unaudited)

in CHF millions	June 30, 2017	December 31, 2016
Cash and cash equivalents	370.6	611.3
Trade receivables	1,932.8	2,004.1
Inventories	1,069.3	1,036.2
Prepaid expenses	44.5	29.9
Other receivables	340.6	349.0
Current income tax receivable	16.6	7.7
Current assets	3,774.4	4,038.2
Intangible assets	130.4	125.1
Other receivables	3.0	3.2
Property, plant and equipment	113.9	124.7
Financial assets	24.5	22.4
Investments in associates and joint ventures	50.5	54.6
Retirement benefit assets	7.7	5.9
Deferred tax assets	39.9	41.2
Non-current assets	369.9	377.1
Total assets	4,144.3	4,415.3
Borrowings	47.7	41.6
Trade payables	2,141.4	2,129.9
Current income tax liabilities	25.7	29.7
Other payables and accrued expenses	378.6	433.5
Current provisions	2.2	3.1
Current liabilities	2,595.6	2,637.8
Borrowings	49.4	57.2
Other non-current liabilities	2.4	1.1
Deferred tax liabilities	13.2	12.7
Non-current provisions	3.4	3.5
Retirement benefit obligations	26.3	25.3
Non-current liabilities	94.7	99.8
Total liabilities	2,690.3	2,737.6
Share capital	6.5	6.5
Reserves and retained earnings	1,412.0	1,635.3
Equity attributable to the shareholders of the Group	1,418.5	1,641.8
Non-controlling interest	35.5	35.9
Total equity	1,454.0	1,677.7
Total equity and liabilities	4,144.3	4,415.3

Interim consolidated statement of changes in equity (unaudited)

in CHF millions	Share capital	Currency translation	Other reserves	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interest	Total equity
As of January 1, 2017 audited	6.5	(181.7)	234.2	1,582.8	1,641.8	35.9	1,677.7
Profit after tax				90.9	90.9	2.4	93.3
Other comprehensive income	-	(23.9)	-	1.7	(22.2)	(1.8)	(24.0)
Total comprehensive income	-	(23.9)	-	92.6	68.7	0.6	69.3
Share-based payment transactions				0.7	0.7		0.7
Increase of non-controlling interest				-	-	0.7	0.7
Dividend				(292.7)	(292.7)	(1.7)	(294.4)
As of June 30, 2017	6.5	(205.6)	234.2	1,383.4	1,418.5	35.5	1,454.0

in CHF millions

As of January 1, 2016 audited	6.5	(191.7)	234.2	1,460.2	1,509.2	30.5	1,539.7
Profit after tax				89.7	89.7	2.0	91.7
Other comprehensive income	-	16.1	-	(6.7)	9.4	3.3	12.7
Total comprehensive income	-	16.1	-	83.0	99.1	5.3	104.4
Share-based payment transactions				0.4	0.4		0.4
Dividend				(84.6)	(84.6)		(84.6)
As of June 30, 2016	6.5	(175.6)	234.2	1,459.0	1,524.1	35.8	1,559.9

Interim consolidated cash flow statement (unaudited)

in CHF millions	January – June 2017	January – June 2016
Profit before tax	131.1	121.5
Non-cash adjustments		
Depreciation, amortization and impairments on		
Property, plant and equipment	15.5	15.2
Intangible assets	3.6	4.2
Share-based payment transaction expense	0.7	0.4
Gain on sale of tangible assets, intangible assets and financial assets	(7.0)	-
Net finance result	7.7	14.2
Share of result of associates and joint ventures	(0.2)	2.0
Dividend received from associates and joint ventures	0.5	3.4
Change in provisions and other non-current liabilities	0.6	(1.7)
Change in other non-current assets	(1.9)	0.1
Working capital adjustments		
Decrease/(Increase) in trade and other receivables and prepayments	21.1	(40.4)
Increase in inventories	(60.7)	(51.1)
Increase in trade and other payables	8.5	37.8
Interest received	0.8	0.8
Interest paid	(3.0)	(3.0)
Taxes paid	(49.3)	(45.6)
Net cash flows from operations	68.0	57.8
Proceeds from sale of property, plant and equipment	8.7	1.7
Purchase of property, plant and equipment	(10.3)	(13.2)
Proceeds from sale of intangible assets	0.2	0.5
Purchase of intangible assets	(1.0)	(2.6)
Proceeds from sale and repayment of financial assets	0.8	-
Purchase of financial assets	-	(8.9)
Acquisition of subsidiary net of cash	(6.1)	(17.1)
Net cash flows used in investing activities	(7.7)	(39.6)

in CHF millions	January – June 2017	January – June 2016
Proceeds from current and non-current borrowings	67.8	32.2
Repayment of current and non-current borrowings	(68.1)	(36.5)
Increase non-controlling interest	0.7	-
Dividend paid	(292.7)	(84.6)
Dividend paid to non-controlling interest holders	(1.7)	-
Net payments for net investment hedges	(0.9)	(1.0)
Net cash flows used in financing activities	(294.9)	(89.9)
Cash and cash equivalents, as of January 1	611.3	571.4
Effect of exchange rate changes	(6.1)	1.9
Net decrease in cash and cash equivalents	(234.6)	(71.7)
Cash and cash equivalents, as of June 30	370.6	501.6

Notes to the interim consolidated financial statements

1. General information

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

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

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

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

These interim consolidated financial statements include the consolidated financial statements of the Group and its subsidiaries as of June 30, 2017. They were approved by the Board of Directors on July 12, 2017.

2. Basis of preparation and accounting policies

Basis of preparation

The interim consolidated financial statements for the six months ended June 30, 2017 are prepared in accordance with IAS 34.

The interim consolidated statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

Accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2016, except for the adoption of new standards and amendments effective as of January 1, 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and amended standards and interpretations adopted

Amendments to IAS 7 Disclosure initiative: The amendments are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains). Additional disclosures are required in the consolidated financial statements for the year ended December 31, 2017.

Amendments to IAS 12. The amendments relate to potential restrictions of tax laws to sources of taxable profits against which an entity may make deductions on the reversal of deductible temporary difference as well as provide additional guidance on how an entity should determine future taxable profits. The amendments did not have an impact on the Group's consolidated financial statements.

Standards issued but not yet effective

The Group will adopt IFRS 9 "Financial instruments" and IFRS 15 "Revenue from Contracts with Customers" when they become effective on January 1, 2018. These standards are relevant to the Group and the respective implementation projects assessing the impact of adoption advance according to plan.

3. Segment information

Identification of reportable segments

For management purposes, the Group is organized into Business Units based on their products and services and has four reportable segments as described in the Group's annual financial statements 2016.

No operating segments have been aggregated to form the reportable operating segments.

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

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

Operating segments

January – June 2017

in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Others	Eliminations	Group Total
Net sales third parties	1,755.1	2,888.3	449.6	185.8	(0.1)	-	5,278.7
Net sales intersegment	-	0.1	-	0.1	0.1	(0.3)	-
Net sales	1,755.1	2,888.4	449.6	185.9	-	(0.3)	5,278.7
EBIT	45.5	76.0	37.4	5.7	(25.8)	-	138.8
Net finance costs							(7.7)
Profit before tax							131.1

January – June 2016

in CHF millions	Consumer Goods	Healthcare	Performance Materials	Technology	Others	Eliminations	Group Total
Net sales third parties	1,812.5	2,665.2	434.2	174.6	(3.2)	0.8	5,084.1
Net sales intersegment	(2.1)	0.2	-	-	3.2	(1.3)	-
Net sales	1,810.4	2,665.4	434.2	174.6	-	(0.5)	5,084.1
EBIT	45.4	70.8	38.5	4.5	(23.5)		135.7
Net finance costs							(14.2)
Profit before tax							121.5

4. Acquisitions

New acquisitions

During the first six months of 2017, the Group acquired shares in the following companies:

Company	Country of incorporation	Legal ownership	Effective date	Consolidation method	Employees
EUROP Continents S.A.R.L	Cambodia	100%	January 23, 2017	Full	96
Innovative Marketing Actions (IMA)	Vietnam	99%	March 24, 2017	Full	67

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

Effective March 24, 2017, entities of which the Group holds 51% purchased 99% of the shares of Innovative Marketing Actions (IMA), a privately held company based in Vietnam. IMA provides specialized services for brand activation solutions, in-store and outdoor promotions as well as product consulting and event management in Vietnam.

From the dates of acquisition, acquired businesses contributed net sales amounting to CHF 4.4 million and a combined profit after tax of CHF 0.1 million. Assuming the businesses had been acquired as of January 1, 2017, the contribution for the net sales would have been CHF 5.9 million with a corresponding profit after tax of CHF 0.2 million as of June 30, 2017.

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

	Fair value recognized on acquisition
in CHF millions	
Assets	
Cash and cash equivalents	0.2
Trade receivables	2.3
Inventories	0.7
Other current assets	0.3
Property, plant and equipment	0.4
Liabilities	
Trade payables	(0.5)
Other current liabilities	(1.4)
Net assets acquired	2.0
Non-controlling interest at fair value	-
Goodwill on acquisitions	7.9
Purchase consideration	9.9
Contingent consideration	(3.6)
Purchase consideration paid in cash	6.3
Cash and cash equivalents acquired	0.2
Net cash outflow	(6.1)

The fair value of trade receivables of CHF 2.3 million is equivalent to the gross contractual amount of trade receivables.

The goodwill of CHF 7.9 million relates to non-contractual supplier and customer relationships, synergies and footprint improvements. None of the goodwill is expected to be deductible for income tax purposes.

The contingent consideration depends on the further development of the acquired businesses. The amount currently recognized reflects the fair value of the liability based on the present value of the most likely outcome of the amount to be paid.

The allocation of the purchase price was based upon a preliminary valuation and might be subject to change within the one-year purchase price allocation period.

Prior year acquisitions

The Group did not acquire any business in the first six months of 2016.

5. Equity

There were no changes in share capital and treasury shares transactions during the first six months of 2017 and 2016.

An ordinary dividend of CHF 1.50 per registered share and a CHF 3.00 special dividend per registered share was paid during the 2017 interim period. Total dividend payments amounted to CHF 292.7 million. In 2016, a dividend of CHF 1.30 per registered share was paid, resulting in total dividend payments of CHF 84.6 million.

6. Events after the reporting period

On July 11, 2017 the Group has signed an agreement to acquire the majority of the shares (60-65 %) of PT Wicaksana, a listed company based in Indonesia. PT Wicaksana represents an independent distributor of consumer goods and pharmaceutical products based in Jakarta. With 32 distribution centers across major cities in Indonesia and 870 specialists, the company generated net sales of more than CHF 60 million in 2016.

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