2014

ALSO INTERIM REPORT

ALSO Group: Positive development in difficult environment

Net sales of the ALSO Group improved compared to the previous year, by 7.9 percent to 3279.4 million euros. Profit before tax (EBT) rose from 25.2 million euros to 30.5 million euros (+21.1 percent) and Group net profit from 16.3 million euros to 21.0 million euros (+28.7 percent). It is pleasing that all ALSO companies contributed to the sales growth. The profitability also increased overproportionally, and the EBT margin improved from 0.8 percent to 0.9 percent.

ICT market

According to the CONTEXT market research institute, in the first half of 2014, the value of the ICT distribution market in the regions that are relevant for ALSO grew by 5.9 percent from the previous year. However, there were wide differences in the performance of the various product categories. While development in the market for desktop computing was extremely positive (+21.3 percent), resulting from the withdrawal of support for the Windows XP operating system, the Server Computing product category developed extremely negatively (-14.5 percent), as a consequence of the increased use of cloud services.

In the first half of 2014, the ALSO Group could expand its net sales by 7.9 percent. There were pleasing increases in the market shares in the Desktop Computing sector from 35.0 percent to 37.2 percent, and in the Software sector from 16.5 percent to 17.1 percent.

Central Europe market segment

In the Central Europe market segment, net sales increased by 7.8 percent from the previous year, to 2544.2 million euros. Profit before tax (EBT) fell from 27.9 million euros to 25.7 million euros (-8.0 percent). The EBT margin declined from 1.2 percent to 1.0 percent. This was attributable to the increased price pressure in France and Switzerland.

Northern/Eastern Europe market segment

In the Northern/Eastern Europe market segment, net sales increased by 6.2 percent from the previous year, to 806.8 million euros. Norway and Sweden contributed the most growth and could further expand their strong competitive position. Profit before tax (EBT) improved from -1.4 million euros to 5.5 million euros, and the EBT margin from -0.2 percent to 0.7 percent. This was mainly achieved by the successful restructuring of Finland.

Acquisitions

The acquisition of ALSO Cloud Oy in March 2014 underscores ALSO's excellent positioning in growth markets as well as the Group's capability of satisfying the demand for cloud solutions. At the same time, ALSO has sharpened its profile and is further expanding its “market place”.

A further milestone was the acquisition in May 2014 of Alpha International B.V. The aim of this acquisition is to strengthen and further develop the expertise in the Supply business. In addition, ALSO will further expand its existing activities in the Benelux countries, in order to occupy a leading role in the future.

The purchase of ALSO Cloud Oy and Alpha International B.V. reaffirmed the MORE strategy. It has been demonstrated once more how attractive the ALSO business model is.

Outlook for 2014

For 2014, for the entire IT market (excluding IT and telecommunication services) in the ALSO countries (excluding Baltics), the Gartner market research institute forecasts end-user spending to decline by 0.6 percent compared to previous year. Furthermore, in the Devices (-4.0 percent) and Data Center Systems (-3.2 percent) sectors, which are traditionally important for ICT distribution, Gartner forecasts decreases, which can only partly be compensated by the Software sector (+5.1 percent).

For the second half-year, ALSO expects demanding conditions and further price pressure in the traditional product categories. They will be partly compensated by the internal projects for profit improvement and process optimization as well as the Groupwide digitization initiative. For fiscal year 2014 – barring unforeseen events – the company expects Group net profit of 50 to 55 million euros.

Prof. Dr. Gustavo Möller-Hergt
Chairman and CEO

Condensed interim consolidated financial statements as of June 30, 2014 (unaudited)

Condensed consolidated statement of comprehensive income

EUR 1 000	1st half 2014		1st half 2013		Change
Total net sales	**3 279 446**	100.0 %	**3 040 256**	100.0 %	7.9 %
Cost of goods sold and service expenses	-3 065 269	-93.5 %	-2 839 427	-93.4 %	8.0 %
Gross profit	**214 177**	6.5 %	**200 829**	6.6 %	6.6 %
Operating expenses	-162 510	-5.0 %	-156 021	-5.1 %	4.2 %
EBITDA	**51 667**	1.6 %	**44 808**	1.5 %	15.3 %
Depreciation and amortization	-13 404	-0.4 %	-12 939	-0.4 %	3.6 %
Operating profit (EBIT)	**38 263**	1.2 %	**31 869**	1.1 %	20.1 %
Financial result	-7 868	-0.2 %	-6 713	-0.2 %	17.2 %
Share of income of associates	60	0.0 %	0	0.0 %	
Profit before tax (EBT)	**30 455**	0.9 %	**25 156**	0.8 %	21.1 %
Income taxes	-9 472	-0.3 %	-8 855	-0.3 %	7.0 %
Net profit Group	**20 983**	0.6 %	**16 301**	0.5 %	28.7 %
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plans	-1 639		481		
Tax effects	205		-60		
Subtotal	**-1 434**		**421**		
Items that may be reclassified subsequently to profit or loss					
Exchange differences	308		-2 314		
Adjustment to market value of cash flow hedges	-3 993		857		
Tax effects	605		-237		
Subtotal	**-3 080**		**-1 694**		
Other comprehensive income	**-4 514**		**-1 273**		
Total comprehensive income	**16 469**		**15 028**		
Net profit Group is attributable to:					
- Shareholders of ALSO Holding AG	21 335		16 507		
- Non-controlling interests	-352		-206		
Total comprehensive income is attributable to:					
- Shareholders of ALSO Holding AG	16 821		15 234		
- Non-controlling interests	-352		-206		
Net profit per share in EUR					
Basic net profit per share	1.64		1.27		
Diluted net profit per share	1.64		1.27		

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of financial position

EUR 1 000	June 30, 2014		December 31, 2013		June 30, 2013	
Cash and cash equivalents	6 736		41 629		17 261	
Other current assets	1 227 382		1 209 989		925 302	
Total current assets	**1 234 118**	83 %	**1 251 618**	84 %	**942 563**	79 %
Deferred tax assets	2 800		3 025		3 343	
Other non-current assets	244 199		238 119		246 674	
Total non-current assets	**246 999**	17 %	**241 144**	16 %	**250 017**	21 %
Total assets	**1 481 117**	100 %	**1 492 762**	100 %	**1 192 580**	100 %
Current financial liabilities	37 126		6 263		57 477	
Other current liabilities	798 036		925 922		653 968	
Total current liabilities	**835 162**	56 %	**932 185**	62 %	**711 445**	60 %
Non-current financial liabilities	191 491		111 979		66 130	
Other non-current liabilities	31 611		27 322		25 716	
Total non-current liabilities	**223 102**	15 %	**139 301**	10 %	**91 846**	8 %
Equity	**422 853**	29 %	**421 276**	28 %	**389 289**	32 %
Total liabilities and equity	**1 481 117**	100 %	**1 492 762**	100 %	**1 192 580**	100 %

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of changes in equity

EUR 1000	Share capital	Capital reserves	Treasury shares	Other reserves*	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total
January 1, 2014	**9960**	**218272**	**-1194**	**-2266**	**196780**	**421552**	**-276**	**421276**
Net profit Group	0	0	0	0	21335	21335	-352	20983
Other comprehensive income	0	0	0	-4514	0	-4514	0	-4514
Total comprehensive income	**0**	**0**	**0**	**-4514**	**21335**	**16821**	**-352**	**16469**
Distributions to shareholders	0	-14747	0	0	0	-14747	0	-14747
Remeasurement of put options on shares of non-controlling interests	0	0	0	0	-333	-333	188	-145
June 30, 2014	**9960**	**203525**	**-1194**	**-6780**	**217782**	**423293**	**-440**	**422853**
January 1, 2013	**9960**	**230733**	**-1194**	**2037**	**147435**	**388971**	**-183**	**388788**
Net profit Group	0	0	0	0	16507	16507	-206	16301
Other comprehensive income	0	0	0	-1273	0	-1273	0	-1273
Total comprehensive income	**0**	**0**	**0**	**-1273**	**16507**	**15234**	**-206**	**15028**
Distributions to shareholders	0	-12461	0	0	0	-12461	0	-12461
Acquisition of non-controlling interests	0	0	0	0	-2189	-2189	175	-2014
Remeasurement of put options on shares of non-controlling interests	0	0	0	0	-7	-7	-45	-52
June 30, 2013	**9960**	**218272**	**-1194**	**764**	**161746**	**389548**	**-259**	**389289**

* See note: Other reserves

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of cash flows

EUR 1000	1st half 2014	1st half 2013
Net profit Group	**20983**	**16301**
Depreciation and amortization	13404	12939
Change in provisions and employee benefits	1824	-322
Other non-cash items	410	-1373
Subtotal	**36621**	**27545**
Change in net working capital	-80631	2816
Cash flow from operating activities	**-44010**	**30361**
Net cash flow from acquisitions of subsidiaries	-45217	-1675
Net cash flow from acquisitions of associates	-815	0
Net investments in property, plant and equipment	-2835	-1073
Net investments in intangible assets	-1987	-2484
Cash flow from investing activities	**-50854**	**-5232**
Distributions to shareholders	-14747	-12461
Change in financial liabilities	74705	-899
Cash flow from financing activities	**59958**	**-13360**
Exchange differences	**13**	**-57**
Change in cash and cash equivalents	**-34893**	**11712**
Cash and cash equivalents at January 1	41629	5549
Cash and cash equivalents at June 30	6736	17261

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

Notes to the condensed interim consolidated financial statements as of June 30, 2014 (unaudited)

Corporate information

ALSO is a leading European full-range provider for the ICT industry and offers its customers the entire bandwidth of the supply chain, from solutions to services. Offerings in the Solutions segment include, for example, high-end servers, storage, security systems, and networks, and in the Services segment standardized and individual services along the entire IT process chain.

Basis of preparation

The unaudited condensed interim consolidated financial statements of ALSO Holding AG and its directly and indirectly controlled subsidiaries for the six months ended June 30, 2014 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". These condensed interim consolidated financial statements are presented in EUR (reporting currency), since the majority of revenues are generated in the euro area. The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements as of December 31, 2013.

Selected significant accounting and measurement principles

The accounting and measurement principles used in the preparation of the condensed interim consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2013 except for standards that became newly applicable from January 1, 2014. The accounting and measurement principles used are fully described from page 44 of the Annual Report 2013.

As from January 1, 2014, ALSO adopted the following new and amended standards and interpretations for the first time:

- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
- IFRIC 21 Levies

The individual changes do not have any material effect on the financial position, performance or cash flow situation of ALSO.

The Group has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective. No further changes are known that will become effective for the consolidated financial statements 2014.

In 2014, ALSO acquired a 30 % interest in Bachmann Mobile Kommunikation AG. Entities over which ALSO has significant influence, but not control, are accounted for by the equity method. ALSO is generally considered to have significant influence if it holds an interest of between 20 % and 50 % in an entity. Under the equity method, the investment is initially recognized at cost. In subsequent measurements, the carrying amount is increased by the share in the profits of the entity and reduced by dividend payments received from the entity. The carrying amount of investments in associates is composed of the shares in the net assets of the investments and a goodwill amount. At each reporting date, ALSO tests for objective indications of impairment. Any impairment loss is recognized through profit or loss.

The preparation of these condensed interim consolidated financial statements requires management to make certain assumptions and estimates about the future that influence the amounts presented in this report. Actual results may vary from these estimates.

Changes in the scope of the consolidation

In the first half of 2014, the ALSO Group acquired the following companies which are since then included in the scope of the consolidation as at June 30, 2014:

Country	Domicile	Company name	Voting interest
Netherlands	Nijmegen	Alpha International B.V.	100.00 %
Switzerland	Stans	Bachmann Mobile Kommunikation AG	30.00 %
Finland	Helsinki	ALSO Cloud Oy (formerly Nervogrid Oy)	100.00 %
	Helsinki	ALSO Cloud Solutions Oy (formerly Nervogrid Solutions Oy)	100.00 %

In 2013, the ALSO Group acquired several entities. Detailed information about those transactions and their effects on the consolidated financial statements for the year ended December 31, 2013 can be found from page 56 of the Annual Report 2013.

Exchange rates

For preparation of the interim financial statements the following exchange rates were applied:

Exchange rate to EUR		1st half 2014	1st half 2013	June 30, 2014	December 31, 2013	June 30, 2013
			Average rate			Closing date rate
USA	USD	1.37	1.31	1.37	1.38	1.31
Switzerland	CHF	1.22	1.23	1.22	1.23	1.23
Norway	NOK	8.28	7.52	8.40	8.36	7.88
Denmark	DKK	7.46	7.46	7.46	7.46	7.46
Sweden	SEK	8.95	8.53	9.18	8.86	8.78

Segment information

EUR 1 000	Central Europe 1st half 2014	Central Europe 1st half 2013	Northern/Eastern Europe 1st half 2014	Northern/Eastern Europe 1st half 2013	Adjustments 1st half 2014	Adjustments 1st half 2013	Group 1st half 2014	Group 1st half 2013
Net sales to third parties	2 473 571	2 280 503	805 829	759 683	46	70	3 279 446	3 040 256
Net sales to other segments	70 619	78 993	967	146	-71 586	-79 139	0	0
Total net sales	**2 544 190**	**2 359 496**	**806 796**	**759 829**	**-71 540**	**-79 069**	**3 279 446**	**3 040 256**
EBITDA	**42 290**	**42 950**	**8 662**	**2 101**	**715**	**-243**	**51 667**	**44 808**
As % of total net sales	1.7%	1.8 %	1.1%	0.3 %			1.6%	1.5 %
Profit before tax (EBT)	**25 708**	**27 948**	**5 498**	**-1 437**	**-751**	**-1 355**	**30 455**	**25 156**
As % of total net sales	1.0 %	1.2 %	0.7 %	-0.2 %			0.9%	0.8 %
Segment assets	1 283 126	1 030 154	336 405	311 316	-138 414	-148 890	1 481 117	1 192 580
Segment liabilities	902 814	681 029	216 000	200 682	-60 550	-78 420	1 058 264	803 291
Full-time equivalent positions on reporting date	2 413	2 232	839	908	103	97	3 355	3 237

The reconciliation (Adjustments) of the segment results to the consolidated results contains centralized activities of the holding companies in Switzerland, Finland and Germany (headquarter activities) which are not allocated to the segments. The allocation of the net sales is determined by the place where invoicing occurs. Revenues as well as assets and liabilities (mainly trade receivables and payables) between the segments are eliminated in the "Adjustments" column.

Transactions with related parties

EUR 1000	1st half 2014	1st half 2013
Transactions with main shareholders and other related parties		
Operating expenses Droege Group	1 595	1 259
Trade receivables Droege Group	6	11
Trade payables Droege Group	405	758
Transactions with ALSO pension fund		
Other liabilities (outstanding contributions):		
ALSO Holding AG	17	17
ALSO Schweiz AG	266	240

For the first half of 2014, transactions with key management are comparable with those transactions disclosed in the consolidated financial statements 2013.

Other reserves

EUR 1000	Cash flow hedge reserve	Exchange differences	Remeasurement of defined benefit plans	Total other reserves
January 1, 2014	**252**	**2 413**	**-4 931**	**-2 266**
Net profit Group	0	0	0	0
Other comprehensive income	-3 440	360	-1 434	-4 514
Total comprehensive income	**-3 440**	**360**	**-1 434**	**-4 514**
Distributions to shareholders	0	0	0	0
Remeasurement of put options on shares of non-controlling interests	0	0	0	0
June 30, 2014	**-3 188**	**2 773**	**-6 365**	**-6 780**
January 1, 2013	**145**	**5 847**	**-3 955**	**2 037**
Net profit Group	0	0	0	0
Other comprehensive income	735	-2 429	421	-1 273
Total comprehensive income	**735**	**-2 429**	**421**	**-1 273**
Distributions to shareholders	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0
Remeasurement of put options on shares of non-controlling interests	0	0	0	0
June 30, 2013	**880**	**3 418**	**-3 534**	**764**

Business combinations

Acquisition of Alpha International B.V.

On May 28, 2014, the ALSO Group acquired 100 % of the voting shares of Alpha International B.V., an unlisted company with registered office in Nijmegen, Netherlands, which distributes printer and computer accessories. The objective of the acquisition is to further strengthen ALSO's Supply business. In addition, ALSO will further expand its existing activities in the Benelux countries, in order to occupy a leading role in the future.

The consideration transferred for 100 % of the voting shares was TEUR 36 500.

As part of the purchase price allocation, a fair value of the net assets of TEUR 35 880 and goodwill of TEUR 620 was identified.

Goodwill mainly reflects the expected synergy effects from Supply business.

Acquisition-related costs of TEUR 214 (thereof TEUR 77 recognized in 2013) for the voting shares are included in other operating expenses. Cash for the amount of TEUR 325 was acquired.

As at June 30, 2014, the purchase price of TEUR 36 500 had been paid out.

Purchase price allocation for the acquisition of Alpha International B.V.

EUR 1 000	Fair values at the date of acquisition (provisional)
Current assets	
Cash and cash equivalents	325
Trade receivables	56 413
Inventories	67 954
Prepaid expenses, accrued income and other receivables	285
Total current assets	**124 977**
Non-current assets	
Property, plant and equipment	46
Intangible assets	1 698
Deferred tax assets	44
Total non-current assets	**1 788**
Total assets	**126 765**
Current liabilities	
Financial liabilities	77 299
Trade payables	11 376
Accrued expenses, deferred income and other payables	1 021
Tax liabilities	623
Provisions	95
Total current liabilities	**90 414**

EUR 1 000	Fair values at the date of acquisition (provisional)
Non-current liabilities	
Deferred tax liabilities	471
Total non-current liabilities	**471**
Total liabilities	**90 885**
Total net assets	35 880
Goodwill	620
Consideration transferred	**36 500**
Analysis of cash flows	
Cash acquired	325
Cash paid	-36 500
Net cash outflow	**-36 175**

The fair value of trade receivables amounts to TEUR 56 413 and consists of gross contractual amounts of TEUR 56 770 and a provision for bad debts in the amount of TEUR 357.

No contingent liabilities were recognized.

The goodwill for the total amount of TEUR 620 is not deductible for tax purposes.

From the date of the acquisition, Alpha International B.V. has contributed TEUR 62 567 to the revenue and TEUR 158 to the net profit of the ALSO Group.

Because some information is still outstanding, the purchase price allocation performed on May 28, 2014, and updated at the reporting date, is provisional.

Other acquisitions

In the first half of 2014, ALSO acquired the shares of various smaller companies that are active in the cloud computing sector. Even when viewed collectively, those acquisitions do not have any material effect on the financial position, performance or cash flow situation of ALSO.

Consequences of the acquisitions

If the business combinations had taken place at the beginning of the year, the net revenue of ALSO for the period would have been TEUR 3 611 970 and the net profit TEUR 24 046.

Bonded loan

ALSO placed a EUR 75 million bonded loan on April 17, 2014 and a EUR 4.5 million bonded loan on May 30, 2014. The total amount is divided into several tranches with terms of five and seven years. ALSO uses interest rate swaps to hedge the variable interest rate over the period of the loan.

Financial instruments

Fair value of the financial instruments

The carrying amount of the financial instruments is essentially the fair value.

EUR 1000	Level 1	Level 2	Level 3	Fair value June 30, 2014
Financial assets				
Current derivative financial instruments		256		256
- Forward exchange contracts		*256*		*256*
Financial liabilities				
Contingent consideration from acquisitions of subsidiaries			1733	1733
Current derivative financial instruments		588	817	1405
- Forward exchange contracts		*588*		*588*
- Put options on non-controlling interests			*817*	*817*
Non-current derivative financial instruments		4536	153	4689
- Interest rate swaps		*4536*		*4536*
- Put options on non-controlling interests			*153*	*153*
Total financial liabilities Level 3			**2703**	

EUR 1000	Level 1	Level 2	Level 3	Fair value June 30, 2013
Financial assets				
Current derivative financial instruments		870		870
- Forward exchange contracts		*870*		*870*
Financial liabilities				
Contingent consideration from acquisitions of subsidiaries			2371	2371
Current derivative financial instruments		681		681
- Forward exchange contracts		*681*		*681*
Non-current derivative financial instruments		316	2202	2518
- Interest rate swaps		*316*		*316*
- Put options on non-controlling interests			*2202*	*2202*
Total financial liabilities Level 3			**4573**	

Reconciliation of financial instruments within Level 3

EUR 1 000	1st half 2014	1st half 2013
January 1	**2 579**	**3 611**
Recognition contingent consideration from the acquisition of subsidiaries	0	166
Fair value adjustments of contingent consideration from the acquisition of subsidiaries recognized in financial result	-38	-542
Recognition of put options on non-controlling interests	0	1 348
Fair value adjustments of put options recognized in personnel expenses	0	-4
Fair value adjustments of put options recognized in equity	145	52
Exchange differences	17	-58
June 30	**2 703**	**4 573**

In the first half of 2014 and 2013 respectively, there were no transfers of financial instruments between Level 1 and Level 2. There were also no transfers into or out of Level 3.

Fair value hierarchy

ALSO applies the following measurement hierarchy to determine the fair value of financial instruments:

Level 1: Listed, unchanged market price in active markets.
Level 2: Measurement methods in which all assumptions that have a material impact on the fair value are indirectly or directly available.
Level 3: Measurement methods with assumptions that have a material impact on the fair value which are not publicly available.

Measurement techniques of financial instruments within Level 2 and 3

Forward exchange contracts are measured based on observable forward rates and spot rates and are recognized at their positive or negative replacement value. Interest rate swaps are measured based on the net present value of observable forward rates and recognized in the statement of financial position at their positive or negative replacement value respectively.

The fair value of contingent considerations from the acquisition of subsidiaries and put options on shares of non-controlling interests is calculated based on contractually agreed measurement methods. These calculations are based on the expected future operating profits of subsidiaries and, therefore, depend on assumptions that are neither directly nor indirectly observable in the market. The expected future operating profits are based on medium-term plans which cover a period of three years. Those plans are reviewed by the management of ALSO.

A change in the underlying expected future profits would have the following effect on the fair value:

Sensitivity of financial instruments within Level 3

EUR 1 000	1st half 2014	1st half 2013
5 % increase in the expected future results	107	590
5 % reduction in the expected future results	-243	-537

Seasonality

The demand for products in the fields of information and communications technology and consumer electronics is seasonal. Particularly in the fourth quarter of the year, because of the Christmas trade, net revenue of the ALSO Group is higher than in the rest of the year.

Income taxes

Income tax expense is recognized based on an estimate of the income tax rate expected for the full year.

Distributions to shareholders

At the General Meeting held on March 13, 2014, the shareholders of ALSO Holding AG decided to distribute CHF 1.40 per registered share from the reserve from contribution in kind to the shareholders of ALSO Holding AG, payable from March 20, 2014.

Contingent liabilities

Relative to December 31, 2013, no material changes occurred in the contingent liabilities. Detailed information about the contingent liabilities is contained on page 78 of the Annual Report 2013.

Events after the reporting period

No material events occurred after the reporting period.

Approval of consolidated interim financial statements

These interim financial statements were released for publication by the Board of Directors of ALSO Holding AG on July 24, 2014.

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