



# Driving Profitable Growth

through science-based, sustainable solutions

Annual Results 2015

Feike Sijbesma, CEO/Chairman Managing Board Royal DSM

Annual General Meeting, April 29 2016

ROYAL DSM  
HEALTH NUTRITION MATERIALS



# Safe harbor statement

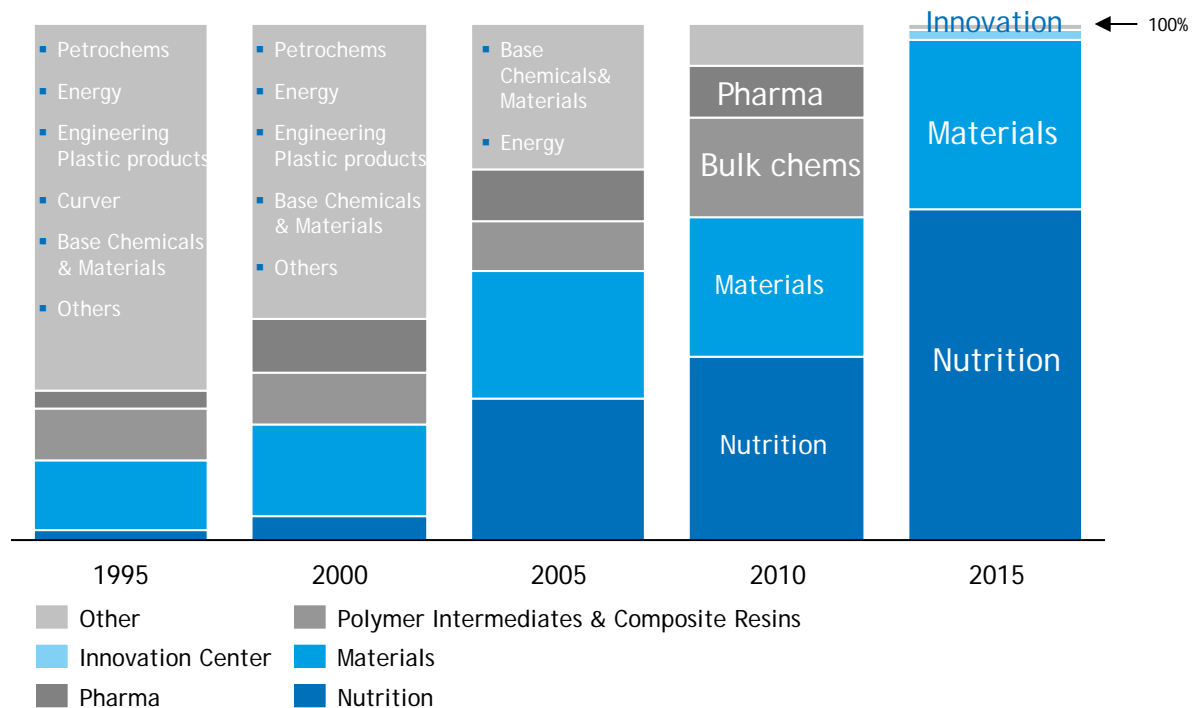
This presentation may contain forward-looking statements with respect to DSM's future (financial) performance and position. Such statements are based on current expectations, estimates and projections of DSM and information currently available to the company. DSM cautions readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore it should be understood that many factors can cause actual performance and position to differ materially from these statements. DSM has no obligation to update the statements contained in this presentation, unless required by law.

A more comprehensive discussion of the risk factors affecting DSM's business can be found in the company's latest Annual Report, which can be found on the company's corporate website, [www.dsm.com](http://www.dsm.com)

- 1 DSM - Introduction
- 2 Our businesses
  - ✓ Unique, broad, global business in Nutrition
  - ✓ High quality, specialty Materials portfolio
  - ✓ Strong innovation platforms
- 3 2015 Financial Results
- 4 Strategy 2018 - Driving profitable growth
- 5 Q1 Results 2016

# DSM History-Continued transformation resulted in good platform for growth

## Significant portfolio transformation (in % of DSM sales)



- Built a broad, deep and global Nutrition business
- Upgraded Materials businesses
- Became a more global, innovative and sustainable company
- Extensive experience in chemical synthesis and biotechnology binds Nutrition and Materials
- Created 3 new growth platforms

# DSM Today - A broad, deep and global Nutrition business and a focused, high-quality, specialty Materials portfolio



Sales

€7.7bn

EBITDA

€1,075m

EBITDA%

13.9%

ROCE

7.6%

+ JV Sales/EBITDA

€1.9 bn/€0.25bn(Pro-rata)

## Nutrition



Animal  
Nutrition



Human  
Nutrition



Food  
Specialties



Personal  
Care

- Nutrition is active in **nutritional ingredients for animal feed and food**, as well as in **food specialty ingredients** and ingredients for **personal care**, serving the global feed, food & beverage, pharmaceutical, infant nutrition, dietary supplements and personal care industries

Sales

€5.0bn

EBITDA

€822m

EBITDA%

16.6%

## Materials



Engineering  
Plastics



Dyneema



Resins &  
Functional Materials

- **Advanced materials for high-performance components** for the electrical and electronics, automotive, (flexible food) packaging, consumer goods, life protection, transportation and telecom industries

Sales

€2.5bn

EBITDA

€384m

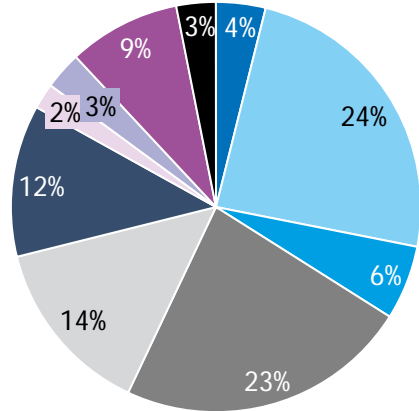
EBITDA%

15.2%

Common (bio)technology platforms

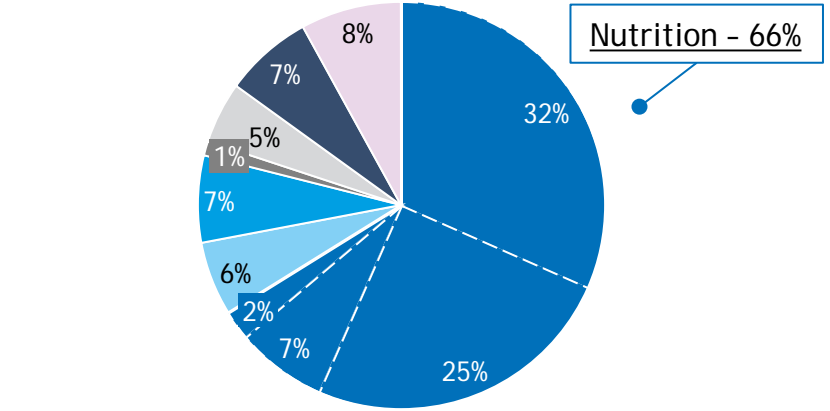
# DSM Today - A well balanced and diversified portfolio with global leadership positions in food, feed and specialty materials

Net sales by destination (%)



- |   |  |
|---|--|
| <span style="color: #0070C0;">■</span> The Netherlands        | <span style="color: #334D6B;">■</span> China             |
| <span style="color: #ADD8E6;">■</span> Rest of Western Europe | <span style="color: #E6B8D8;">■</span> India             |
| <span style="color: #00B0F0;">■</span> Eastern Europe         | <span style="color: #B8A8D8;">■</span> Japan             |
| <span style="color: #666666;">■</span> North America          | <span style="color: #800080;">■</span> Rest of Asia      |
| <span style="color: #CCCCCC;">■</span> Latin America          | <span style="color: #000000;">■</span> Rest of the World |

Net sales by end-use market (%)<sup>1</sup>



- |   |  |
|---|--|
| <span style="color: #0070C0;">■</span> Nutrition & Health             | <span style="color: #CCCCCC;">■</span> Electrical/ Electronics |
| - Animal Nutrition (32%)  |  |
| - Human Nutrition (25%)   |  |
| - Food Specialties (7%)   |  |
| - Personal Care (2%)  |  |
| <span style="color: #ADD8E6;">■</span> Metal/ Building & Construction | <span style="color: #334D6B;">■</span> Packaging               |
| <span style="color: #00B0F0;">■</span> Automotive/ Transport          | <span style="color: #E6B8D8;">■</span> Other                   |
| <span style="color: #666666;">■</span> Textiles                       |  |

<sup>1</sup> Segmental details to be provided further in this presentation

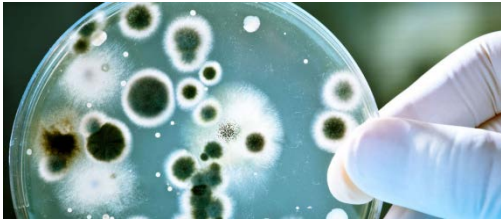
# DSM also expects to extract significant value from exiting its partnerships in coming years

○ - DSM share

Sizeable Joint Ventures total ~€4bn in FY 2015 sales (~€1.9bn pro-rata), ~€245m FY 2015 EBITDA (pro-rata) while employing ~6,000 people



50%



## DSM Sinochem Pharmaceuticals Anti-infectives

€m at 100%	2015
Sales	418
EBITDA	57



49%



## Patheon Pharma Contract Manufacturing

€m at 100%	2015 <sup>1</sup>
Sales	1,621
EBITDA	366



35%



## ChemicalInvest Bulk Chemicals

€m at 100%	2015 <sup>2</sup>
Sales	756
EBITDA	-3

<sup>1</sup> Book year 1 November until 31 October

<sup>2</sup> Started 31 July 2015, up to and incl. 31 July 2015, part of DSM and reporting €1,213m in sales and €95m in EBITDA under Discontinued Operations



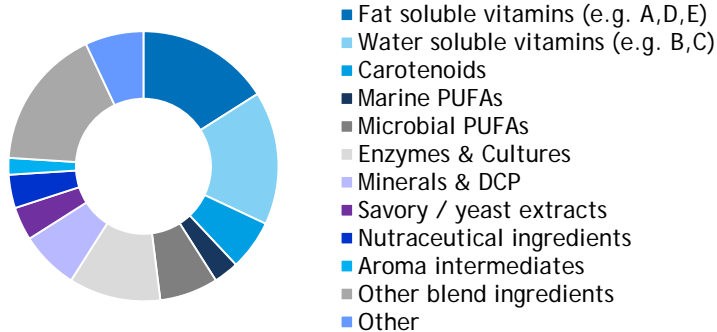


# Unique, broad and global business in Nutrition

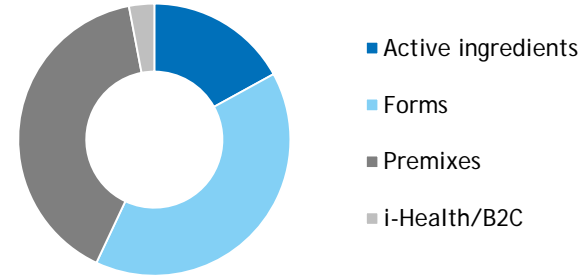


# Nutrition's broad portfolio is providing resilience with limited exposure to single product lines or customer

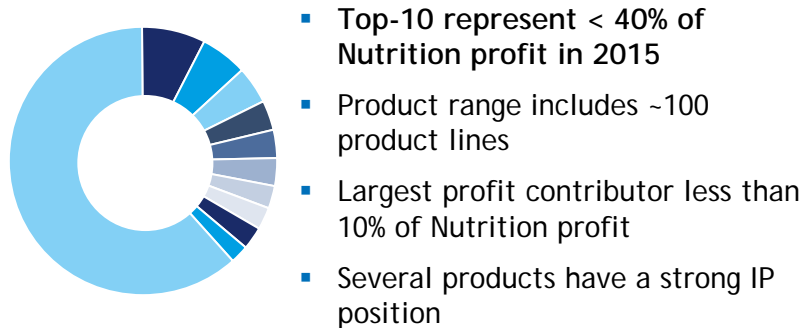
## Portfolio of ingredients



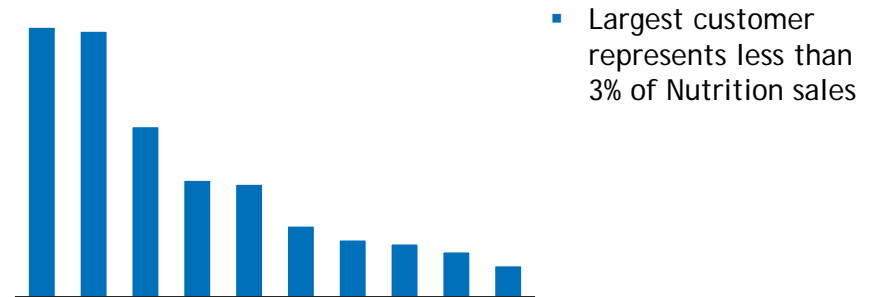
## Sales split over value chain steps



## Profit contribution per product line



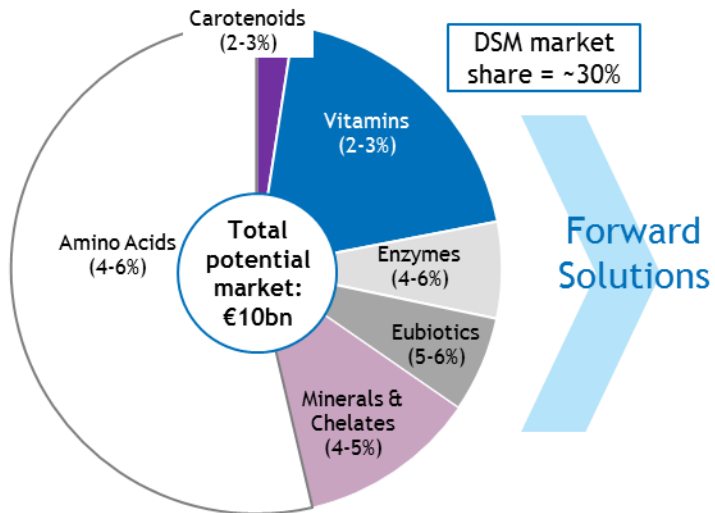
## Sales per customer (top 10)



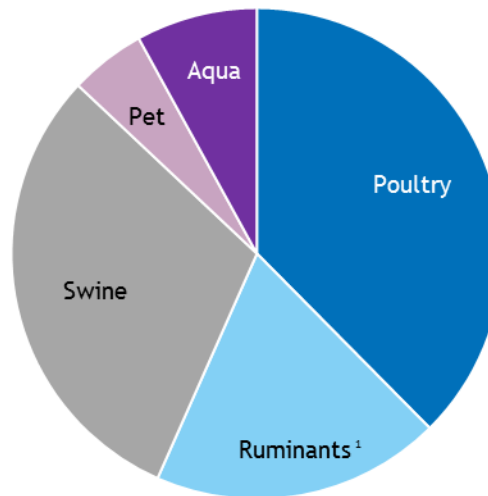
# Animal Nutrition has a complete portfolio of targeted feed ingredients and has further growth opportunities beyond the historical core area of poultry

## Animal Nutrition market by product (excl. premix)

(x) = Growth rate 2016-18 (CAGR, %)



## Animal Nutrition application landscape<sup>1</sup>

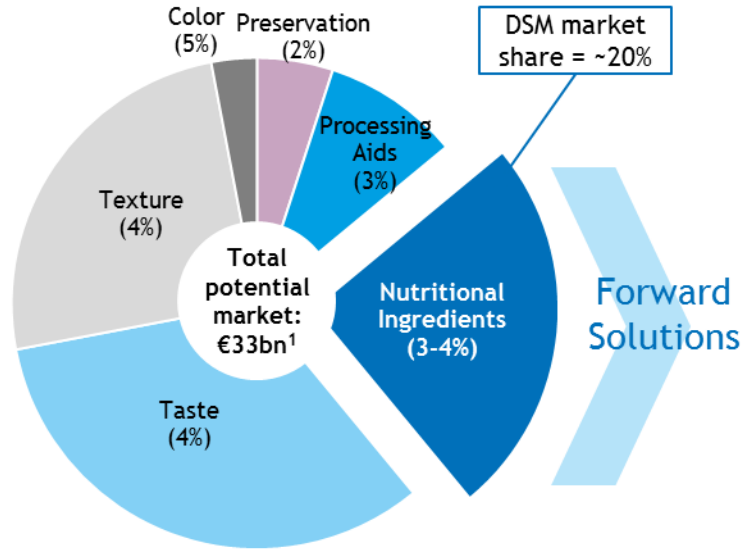


<sup>1</sup> Landscape includes Carotenoids, Vitamins, Enzymes, Eubiotics and Minerals / Chelates

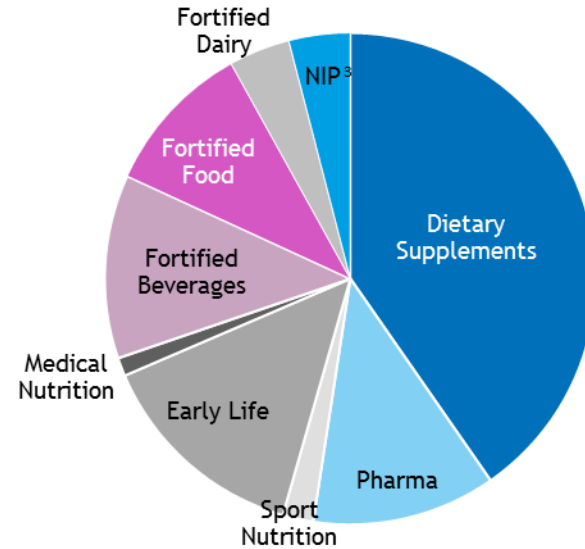
# Human Nutrition is leading in nutritional ingredients and has ample opportunities to further expand in a diversified application landscape

## Specialty Food Ingredients market and growth by product

(x) = Growth rate 2016-18 (CAGR, %)



## Diversified application landscape<sup>2</sup>



<sup>1</sup> Total specialty food ingredients market, excluding ~€20bn of commodity ingredients, e.g., soy proteins

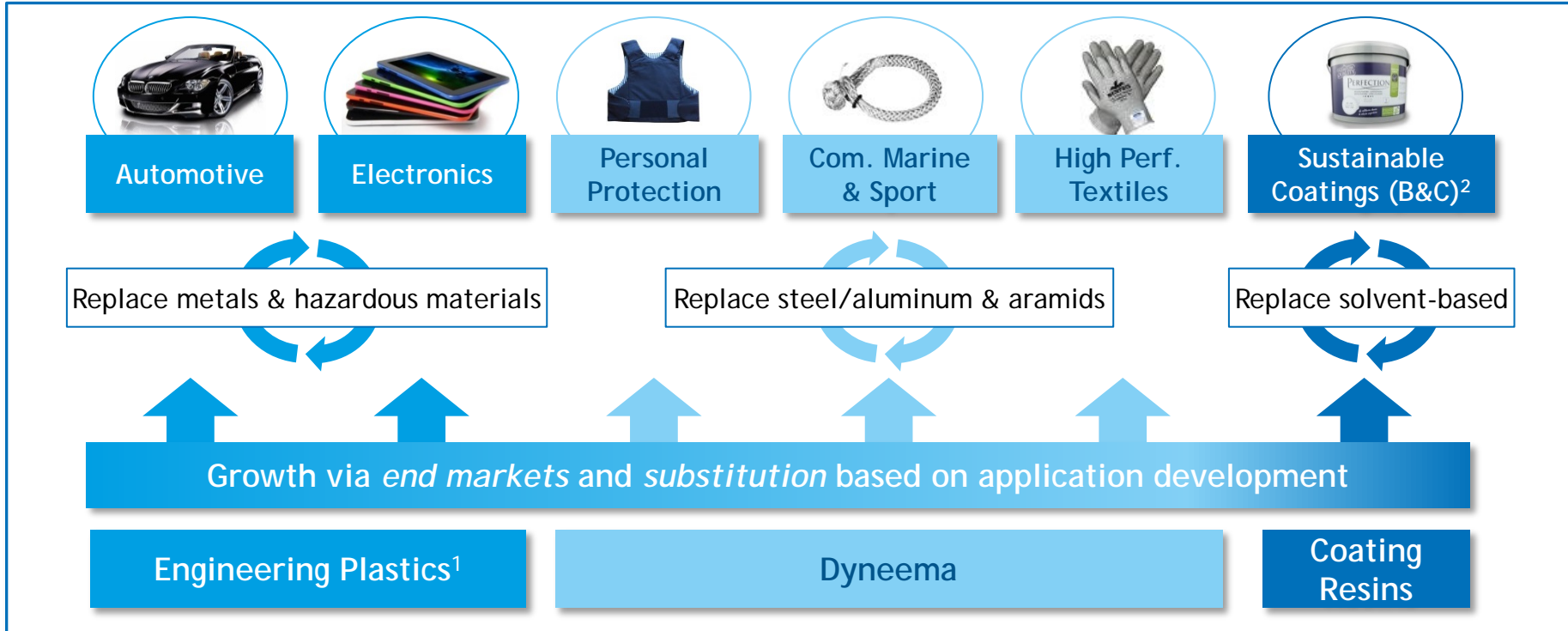
<sup>2</sup> Breakdown of targeted markets, excluding Food Specialties Food & Beverages sales (mainly bio ingredients)

<sup>3</sup> Nutritional Improvement Programs includes sales through governmental / NGO supply programs. Excludes BOP (bottom of the pyramid) sales through traditional retail channels



# High quality, specialty Materials portfolio

# Materials end market segments offer growth options enhanced by substitution based on application development capabilities

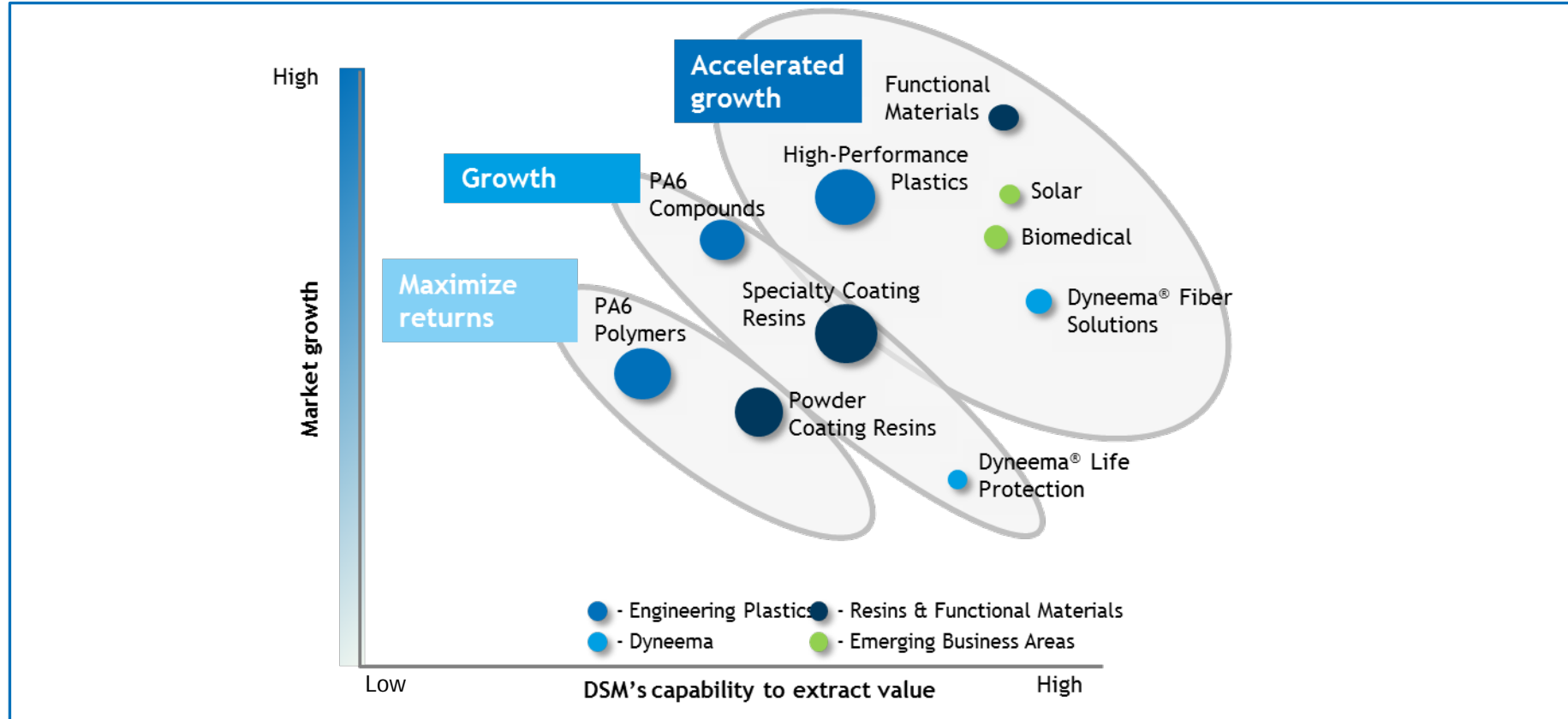


1 Food packaging is the 3<sup>rd</sup> application area for Engineering Plastics

2 The Building and Construction (B&C) Industry is the main area of application for Resins



# Differentiated approach has led to a more attractive Materials portfolio, with a higher growth and returns profile





# Strong innovation platforms

# Innovation Center supports innovation in core businesses and develops new Emerging Business Areas

## Innovation Center

### Core Business Support and Growth

Center of  
Excellence

Venturing

Incubator

### Emerging Business Areas



Biomedical



Bio-based  
Products &  
Services



Advanced  
Surfaces

## Aspirations underpinning Group targets

- Support innovation in core businesses to facilitate earnings growth beyond 2018
- Develop and extract value from Emerging Business Areas
- Cost of Innovation Support:  
- €15-20m EBITDA/year
- EBITDA contribution of the Emerging Business Areas:  
from +€5m (2015) to +€30-40m 2018)
- Overall Innovation Center  
EBITDA break-even in 2016



# Financial Results 2015

ROYAL DSM  
HEALTH NUTRITION MATERIALS



# Financial Highlights 2015

- Solid performance with
  - ✓ Group **net sales** of €7,722 million up 10% vs 2014 and EBITDA up 4% to €1,075 million
  - ✓ Strong 6% organic growth in **Nutrition** despite lower Vitamin E prices and strengthened CHF
  - ✓ **Performance Materials** continued showed a 19% higher EBITDA, driven by cost savings, good margin management and lower input costs
  - ✓ Results benefitted from overall **positive FX** effect
- New strategy set in November 2015 for 2016-2018 to drive improved profitability and return on capital
- Proposed **dividend** stable at €1.65 per ordinary share
- **Outlook 2016:** "DSM aims to deliver increased full-year EBITDA and ROCE in line with the targets set out in its Strategy 2018: *Driving Profitable Growth*"



## Key financials | Full Year 2015

in € million	FY 2015	FY 2014	% Change
<b>Sales - Continuing Operations</b>	<b>7,722</b>	7,051	10%
<b>EBITDA - Continuing Operations</b>	<b>1,075</b>	1,038	4%
<b>EBITDA margin - Continuing operations</b>	<b>13.9%</b>	14.7%	
<b>ROCE - Continuing Operations (%) <sup>1</sup></b>	<b>7.6%</b>	8.2%	
<b>Profit for the period, before exceptional items - Cont. Ops.</b>	<b>381</b>	409	-7%
<b>Profit for the period, after exceptional items - Total DSM</b>	<b>88</b>	145	-39%
<b>Net EPS before exceptional items - Cont. Ops.</b>	<b>2.14</b>	2.34	-9%
<b>Net EPS after exceptional items - Total DSM</b>	<b>0.45</b>	0.78	-42%
<b>Cash Flow - Continuing Operations</b>	<b>800</b>	663	21%
<b>Exceptional items after tax - Total DSM <sup>2</sup></b>	<b>-304</b>	-252	

1) ROCE calculated based on weighted average capital employed  
2) Excluding share of profit of associates/ Joint Control entities

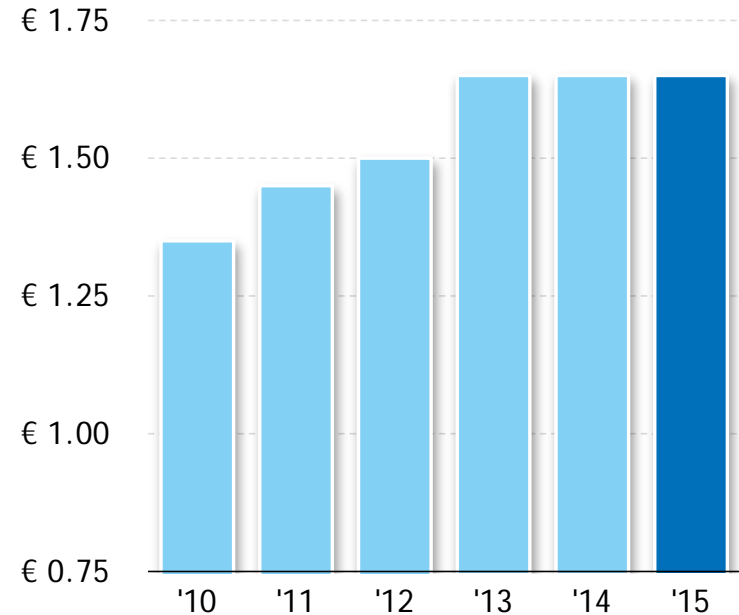
## EBITDA development | Full Year 2015

in € million	FY 2015	FY 2014	% Change
<b>EBITDA - Continuing Operations</b>	<b>1,075</b>	<b>1,038</b>	<b>4%</b>
Nutrition	822	850	-3%
Performance Materials	384	323	19%
Innovation Center	-9	-18	
Corporate Activities	-122	-117	
<i>Discontinued Operations</i>	95	128	

# Dividend proposal to AGM: stable at € 1.65

- Dividend policy “stable and preferably rising”
- Proposal to AGM on 29 April 2016: Maintain the dividend of €1.65 per ordinary share:
  - €0.55 interim dividend (paid in August 2015)
  - €1.10 final dividend (payable in May 2016)
- Payable in cash or ordinary shares [at the option of the shareholder at the condition to be specified in the notes of the AGM]
- Dividend in cash will be paid after deduction of 15% Dutch dividend withholding tax
- The ex-dividend date: 3 May 2016

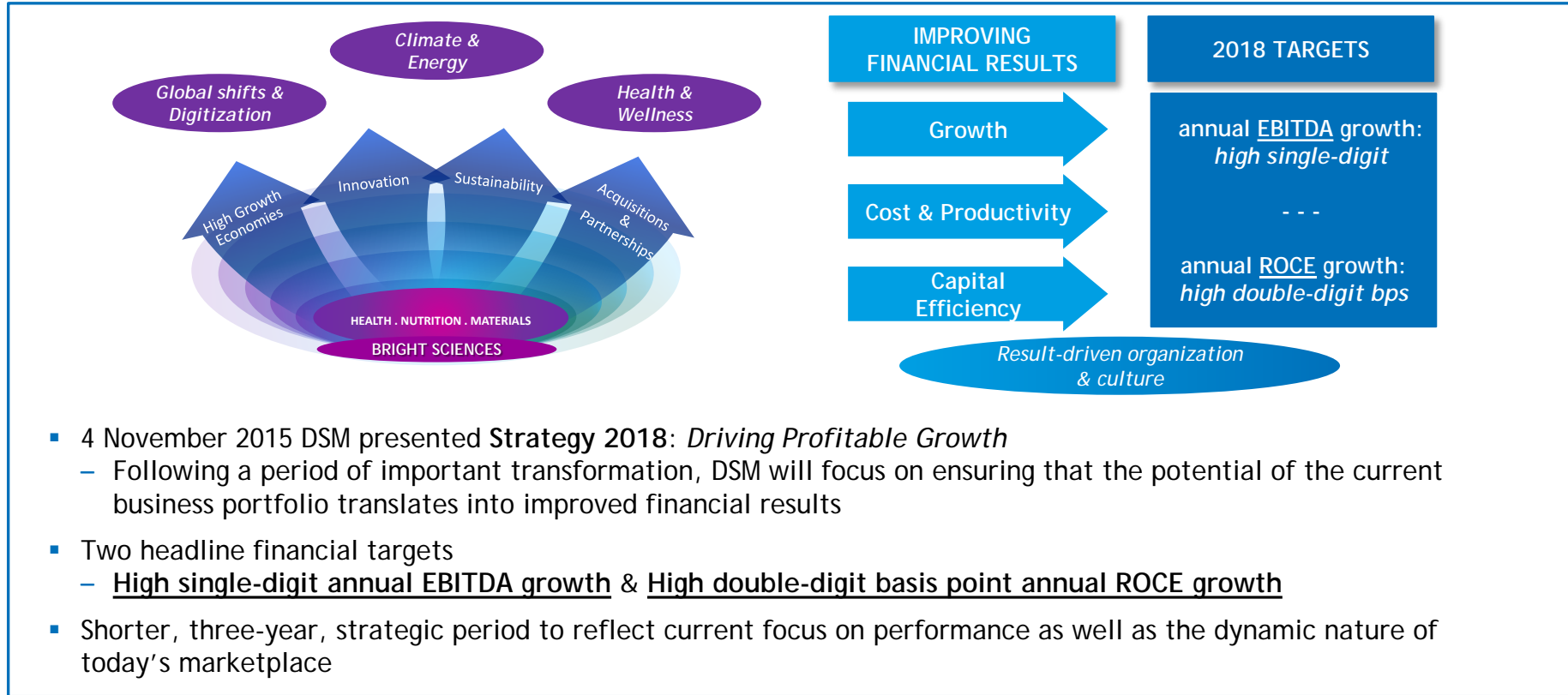
Dividend overview - 2010-15





# Strategy 2018 – Driving profitable growth

# Strategy 2018 - Driving Profitable Growth through science-based, sustainable solutions



- 4 November 2015 DSM presented **Strategy 2018: Driving Profitable Growth**
  - Following a period of important transformation, DSM will focus on ensuring that the potential of the current business portfolio translates into improved financial results
- Two headline financial targets
  - High single-digit annual EBITDA growth & High double-digit basis point annual ROCE growth
- Shorter, three-year, strategic period to reflect current focus on performance as well as the dynamic nature of today's marketplace



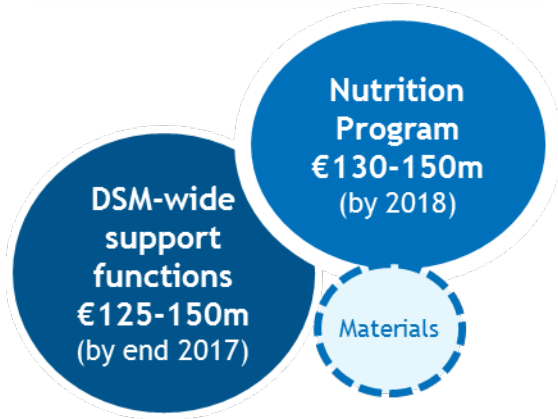
# Well-identified initiatives to drive Strategy 2018 targets



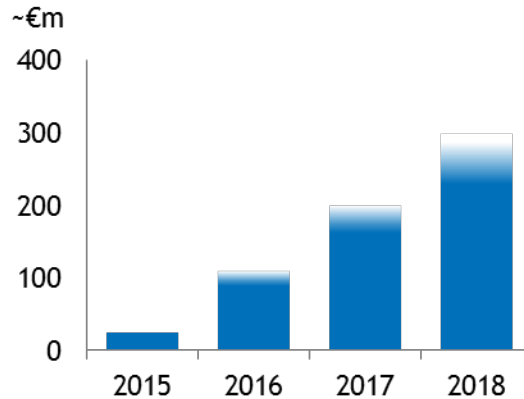
- DSM is confident it has the right business strategies in place to meet the needs of its customers and succeed in its markets, providing innovative and sustainable solutions
- Aim to accelerate growth and outpace market growth in all its key segments
- In addition to its growth initiatives, self-help programs will further help delivery of the **Strategy 2018** targets

# Driving profitable growth supported by cost reduction and efficiency improvement programs

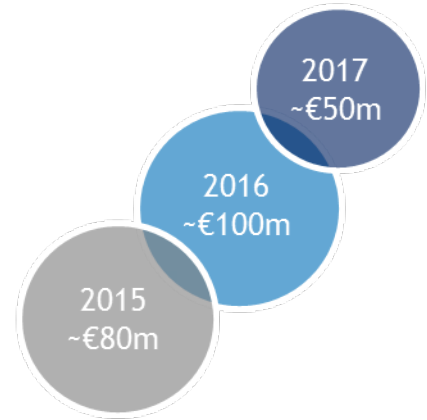
Cost savings: total €250-300m by 2018



Timing of cumulative cost savings



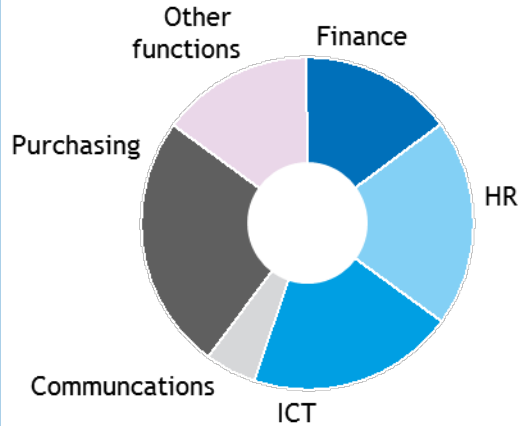
One-time costs



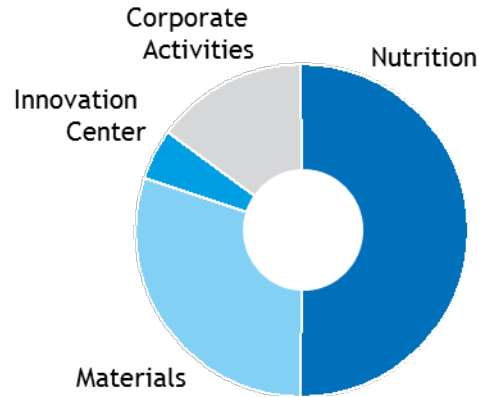
- Cost reduction/ efficiency improvement programs target overall savings of €250-300m by 2018 (of which €25m was achieved in 2015)
- Enhance financial performance through consistent improvements in capital efficiency
  - Total working capital aimed to be structurally below 20%
  - Capital expenditure primarily support growth areas, with approx. two-thirds focused on Nutrition

# DSM wide savings in support functions & staff | Structural savings of €125-150 million to be fully achieved by the end of 2017

Breakdown by function



Breakdown by cluster



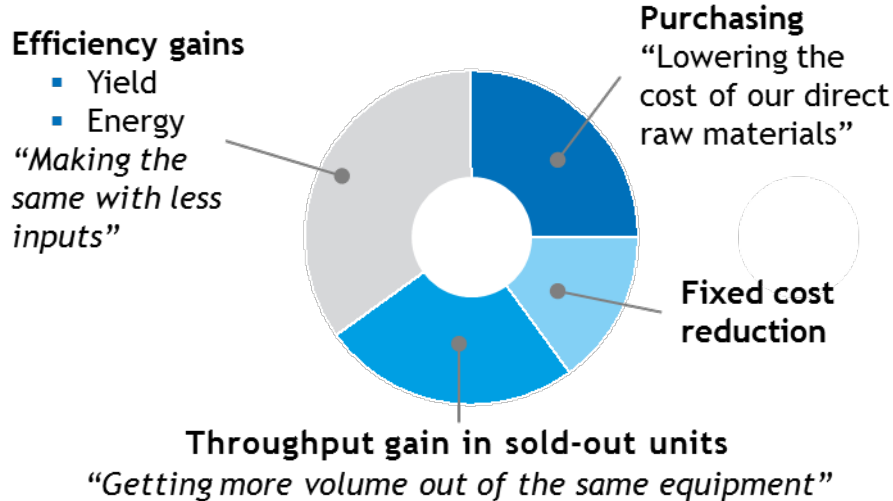
Aim of the program

- External benchmark identified savings potential
- New organizational/operating model:
  - Strong business and market focus;
  - All support functions globally leveraged;
  - Elimination of duplications, delayering and demand reduction;
  - One shared services organization and increased outsourcing;
- 900-1,100 FTE involved
- Effectiveness of R&D-spend under review

# Nutrition improvement program

## Cost savings & efficiency improvements in Nutrition €130-150m by 2018

### Breakdown by category



### Aim of the program

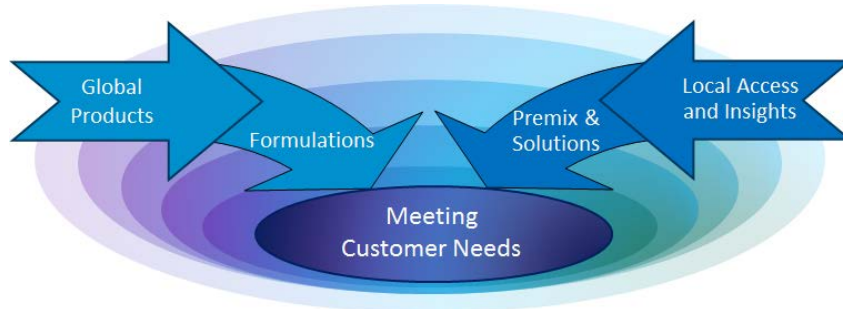
- Purchasing savings related to direct raw materials sourcing, energy, intermediates and indirect spend
- Fixed costs reduction, including ~100 FTE
- Efficiency gains related to increase uptime, yields and throughput to enable accelerated growth

# Drive growth in Nutrition

## Global products and local solutions

### Capitalizing on every step in the value chain

- Global leader in nutrition, with broadest portfolio of specialty nutritional ingredients
- Unparalleled local network
- Uniquely positioned in all steps of the value chain

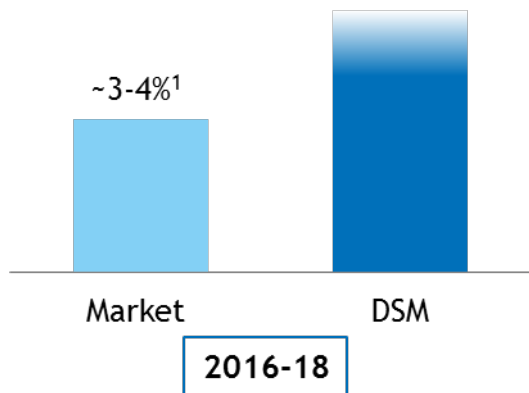


### Aspirations 2018 underpinning Group targets

- Annual EBITDA growth: high single-digit
- Annual ROCE growth: high double-digit bps
- EBITDA margins: 18-20% over the period
- Above-market sales growth (at stable prices)

# Growth 2016-2018 in Animal Nutrition | Continued outperformance

## Animal Nutrition



## Key actions driving profitable growth

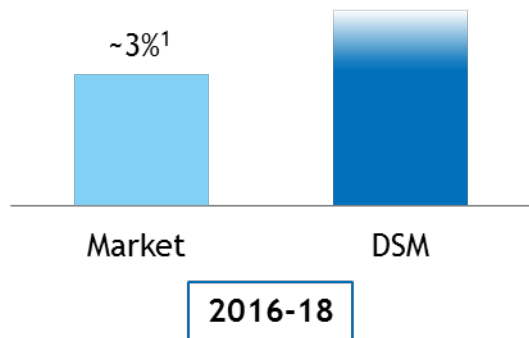
- Double-digit growth from feed enzymes and eubiotics solutions, tailored to local conditions / requirements
- Growth in underpenetrated species (aqua, pet, dairy)
- Leverage Tortuga in Latin America beyond Brazil
- Further expansion of global premix network

<sup>1</sup> CAGR %



# Growth 2016-2018 in Human Nutrition | Step-up to above market growth

## Human Nutrition



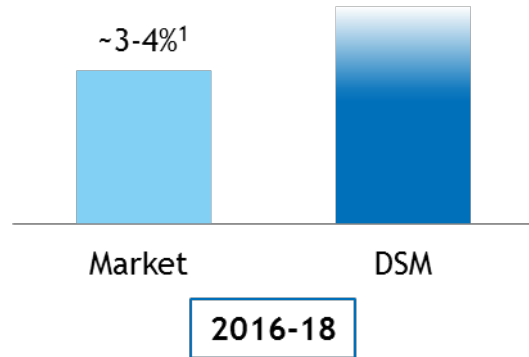
## Key actions driving profitable growth

- Repair growth in North-America, returning Dietary Supplements (Vitamins, Omega-3) and F&B to growth
- Continued double-digit growth of i-Health business
- Accelerating forward solutions and premix globally
- Capture business in Pharma, Clinical, and Sports Nutrition
- Upgraded organization, new tools, rigorous execution

<sup>1</sup> CAGR %

# Materials expects to grow sales above market growth<sup>1</sup>

## Materials<sup>1</sup>



## Aspirations 2018 underpinning Group targets

- Annual EBITDA growth: high single-digit
- Annual ROCE growth: high double-digit bps
- EBITDA margins: >15% over the period
- Above-market sales growth (at stable prices)

<sup>1</sup> CAGR %

# Stepping up DSM's sustainability aspirations

## Global sustainability agenda linked to DSM businesses / competences

Sustainability aspirations	2010	2015 <sup>1</sup>	2020	Malnutrition	Climate Change & Energy
Dow Jones Sustainability Index	Gold Class	Gold Class	Gold Class	<ul style="list-style-type: none"> <li>Addressing Deficiencies (North/West), e.g. Vitamin D</li> </ul>	<ul style="list-style-type: none"> <li>Circular Economy &amp; Bio-based renewables, e.g. bioplastics/fuels &amp; Niaga</li> </ul>
Brighter Living Solutions					
Eco+	39%	57%	---	<ul style="list-style-type: none"> <li>Addressing Hunger (South &amp; East), e.g. MixMe</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change &amp; New Energies, e.g. light-weight materials, solar coatings &amp; biofuels</li> </ul>
Eco+/People+	---	60%	65%		
GHG efficiency improvements <sup>2</sup>	---	20%	45% (2025)		
Employee engagement <sup>3</sup>	70%	70%	->75%		
Safety ( <i>Frequency Index Recordables</i> )	0.57	0.47	0.25		

***Sustainability as a business driver:  
Driving Sustainable Markets***

1 Estimated 2015 figures (Employee Engagement in 2014 was 69%)

2 Compared to 2008; supported by Energy Efficiencies (> 1% annually) and Renewable Electricity (50% in 2025)

3 Striving to reach High Performance Norm; in addition we strive to improve our (executives) Diversity Mix in (underrepresented) Nationalities (from 39% in 2010, to 50% in 2015 to 60% in 2020) and Gender (female executives from 9% in 2010, to 15% in 2015 to 20% in 2020)

# Rewarding partnerships to fight malnutrition around the world

- DSM - UN World Food Program partnership strengthened to combat global malnutrition: double number of beneficiaries to >25m per year
- DSM and Unicef collaborate to support micronutrient programs in Nigeria and Madagascar. The partnership helped build capacity by supporting the African Nutrition Leadership Program
- Engaged in various nutrition partnerships, incl.: Scaling Up Nutrition movement (SUN), US Agency for International Development (USAID), Vitamin Angels, World Vision International, Partner for Food Solutions
- Championing the UN Sustainable Development Goals (Paris) including eradicating hunger
- Participating in Africa Improved Foods addressing malnutrition in a/o Rwanda
- Supporting healthier diets in the Western world by advocacy, innovations



# Rewarding partnerships: “We can’t be successful in a world that fails”



# Rewarding partnerships to compete in the low carbon economy

- Spearheading a group of 80 World Economic Forum CEOs highly supportive of climate action (i.e. statements in FT and NY Times)
- Advocating carbon pricing as a key instrument for an orderly transition to a low (fossil) carbon economy. Co-chair of World Bank Carbon Pricing Coalition with French Environment Minister Royal (COP21 President)
- Ensuring climate readiness by integrating an internal carbon price of €50/ton CO<sub>2</sub>e into large investment decisions (via UN Global Compact)
- Committed to sourcing 50% of electricity from renewable sources via the Climate Group #RE100 campaign (along with 60 other companies)
- Collaborating to create new business opportunities together with the World Business Council for Sustainable Development and others, including the Prince of Wales Corporate Leaders Group, Carbon Disclosure Project, We Mean Business Coalition and industry associations



**United Nations**  
Global Compact

**THE CLIMATE GROUP**





# Royal DSM CEO co-chair of World Bank Carbon Pricing Coalition together with Ségolène Royal, Minister of Ecology, Sustainable Development and Energy of France



# Wrap up

DSM is:

- A broad, deep and global **Nutrition** business and a focused, high-quality, specialty **Materials** portfolio
- **Well balanced and diversified** portfolio with global leadership positions
- **Strong innovation** platform

Committed to  
Drive Value

- Above market growth
- Cost reductions and efficiencies
- High single-digit EBITDA growth

Committed to  
Strong balance sheet

- Extract value from Joint Ventures
- Improve operating cash flows
- Capital efficiency



# Q1 2016 Results

ROYAL DSM  
HEALTH NUTRITION MATERIALS



**DSM**

BRIGHT SCIENCE. BRIGHTER LIVING.

# Highlights Q1 2016

- DSM reports a strong first quarter
- Group net sales up at €1,913 million, with 2% organic growth
- Group EBITDA up 19% to €296 million
- Nutrition: 6% organic sales growth, EBITDA up 15% and EBITDA margin of 18%
- Materials: EBITDA up 10%, supported by low input costs
- Group ROCE: improved to 9.8% (Q1 2015: 6.8%) driven by EBIT growth
- Outlook maintained: DSM aims to deliver increased full-year EBITDA and ROCE in line with the targets set out in its Strategy 2018: *Driving Profitable Growth*



**BRIGHT SCIENCE. BRIGHTER LIVING.™**