



Stephan Tanda, Member of the Managing Board  
**Continued value growth in Nutrition**

DSM Capital Markets Day 2013



# Overview

- Delivering on strategy
- Update on integration & synergies acquisitions
- Strategy forward

# Nutrition: CSD aspirations in 2010

## Continued value growth

### Strategy for Nutrition

- Improve cost position at par with best of industry
- Use innovation headroom for further differentiation
- Selective acquisitions to leverage unique infrastructure / market access
- Leverage DSM's strong position towards naturals trend

### Aspirations (2015)

- Sales growth 2% above GDP
- EBITDA margin: 20% - 23%

Business Performance (EBITDA)

Virtual

Share to Win

Estimate

2006 2008 2010

Key Performance Drivers

M & A

Differentiation & Innovation

Operational Excellence

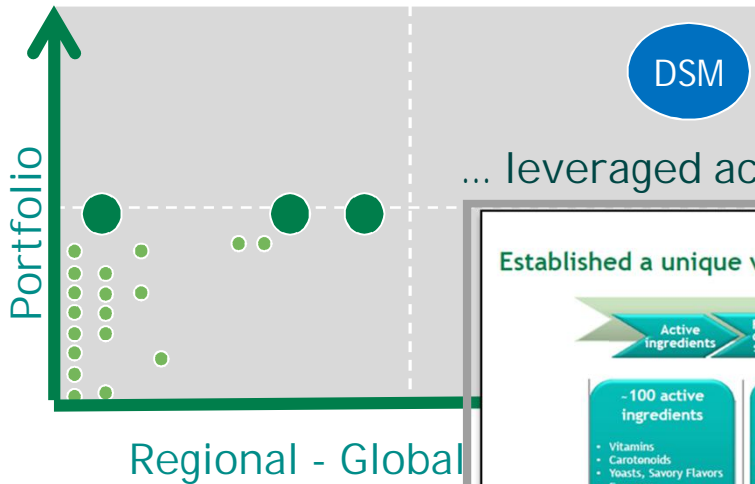
DSM

Source: DSM CMD 2010



# The existing strategy has served us well

A strong Product Portfolio ...



... leveraged across the value chain...

Established a unique value chain position in Nutrition



- 100 active ingredients**
- Vitamins
  - Carotenoids
  - Yeasts, Savory Flavors
  - Enzymes
  - Cultures
  - Lipids / Omega
  - Hydrocolloids
  - Antioxidants
  - Eubiotics
  - Organic trace minerals
  - Personal care ingredients

- Several 1,000s of forms**
- Stability / Shelf Life
  - Heat resistant
  - Delivery / Solubility
  - Bio-availability
  - Powder / Flow Properties

- Several 10,000s of recipes**
- Custom Formulation
  - Dilution
  - 3rd party ingredients

DSM, the broad, global and fully integrated nutritional solutions partner



... addressing attractive markets



- Animal Nutrition**
- Efficient animal & marine protein production: feed conversion, growth, health & low mortality, lactation, fertility, minimize impact on the environment
  - Growing population, increased meat consumption
  - Public concern about quality, safety and sustainability

- Human Nutrition**
- Health, wellness, longevity & healthy ageing through healthy nutrition.
  - Dietary Supplements: Increasing health awareness
  - Infant Nutrition: Growth in HGE, Quality & traceability

- Food Specialties**
- Better tasting, more sustainable and affordable products

- Personal Care**
- Protection and nourishment of skin and hair, slow-down & reversal of visible ageing, for wellness & positive self-awareness

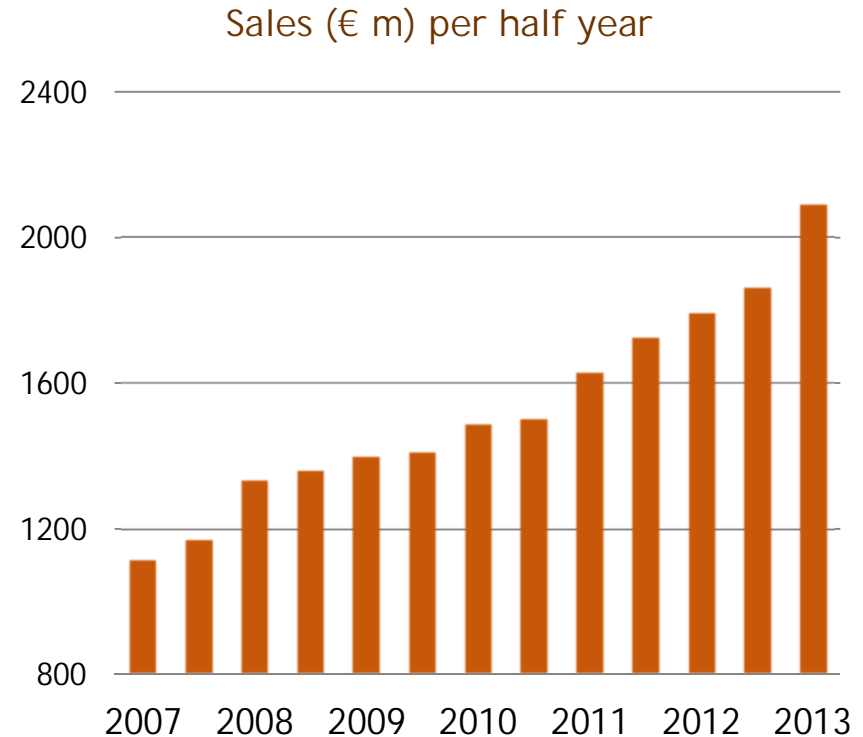


Organic growth: GDP +2% and EBITDA margin 20-23%



# Strong sales growth

- On average 10% CAGR sales growth since 2010, driven by volumes (5%) and M&A (5%)
- Organic growth of 3% CAGR on average since 2010
- Animal & Human Nutrition grow at similar rates with Animal Nutrition growing faster at the beginning of the period and Human Nutrition growing faster more recently
- Stable market shares in Animal Nutrition and Human Nutrition
- Growth rates always fluctuate somewhat



# Current market conditions

## Animal Nutrition & Health

- Poultry and aquaculture protein markets continue to be impacted by diseases in several high growth economies
- Recovery in animal protein markets remain fragile creating some price pressure, especially in Vitamin E
  - DSM sticks to its value over volume strategy
- Decreasing agricultural commodity prices are supporting a steady but slow recovery in animal protein production

## Human Nutrition & Health

- Favorable conditions for Infant Nutrition and Food Specialties' bio Ingredients
- Food & Beverage customers face soft demand, particularly in Western markets
- Demand for fish oil based Omega 3 Dietary Supplements is being impacted by sharp price increases at retail, as the entire value chain has pushed through higher fish crude oil costs
- Fish oil prices expected to soften and value chain to rebalance
- Dietary supplements overall expected to resume growth

## Foreign Exchange

- The US\$, the Brazilian Real, Japanese Yen and several other HGE currencies, to which DSM has an increased exposure, have weakened recently versus the Euro

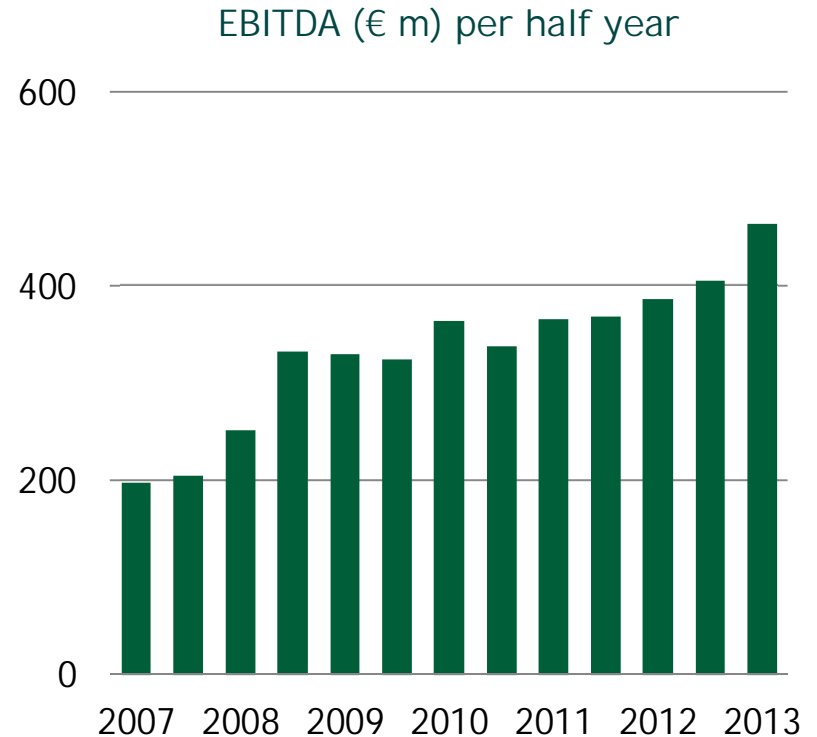
## Expectations for remainder of 2013

- Full year organic growth estimated around 3%, moving to GDP+2% in Q4



# Healthy EBITDA growth with high margins

- Since the start of the new CSD strategy period, EBITDA margins have remained stable at the high end of the 20%-23% target range
- Healthy EBITDA growth driven by:
  - organic growth
  - M&A
  - Profit Improvement ProgramsAll together more than offsetting the negative FX impact from the stronger Swiss franc (about €130m)
- Nutrition EBITDA now ~70% of DSM's Group Total
- EBITDA margins for H2 expected to be well within the 20-23% range



# Fundamental growth drivers fully intact

Animal Nutrition



Human Nutrition



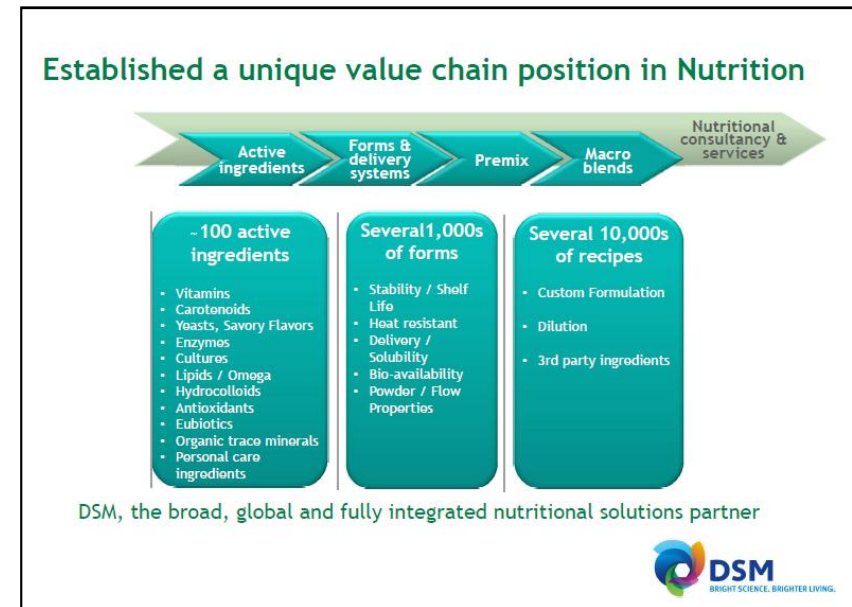
- Growing population, urbanization and rising standards of living drive increased consumption of fish, meat, milk & eggs
- Public concern about quality, safety and sustainability
- Need for safe and efficient animal & marine protein production
  
- Growing population, urbanization and rising standards of living drive increased consumption of processed foods, requiring specialty food ingredients
- Desire for health, wellness, longevity & healthy ageing drive demand for
  - Infant Nutrition: Growth in HGE, Quality & traceability
  - Dietary Supplements: increasing health awareness
  - Healthy Food & Beverage choices for consumers

High market attractiveness supported by strong macro trends

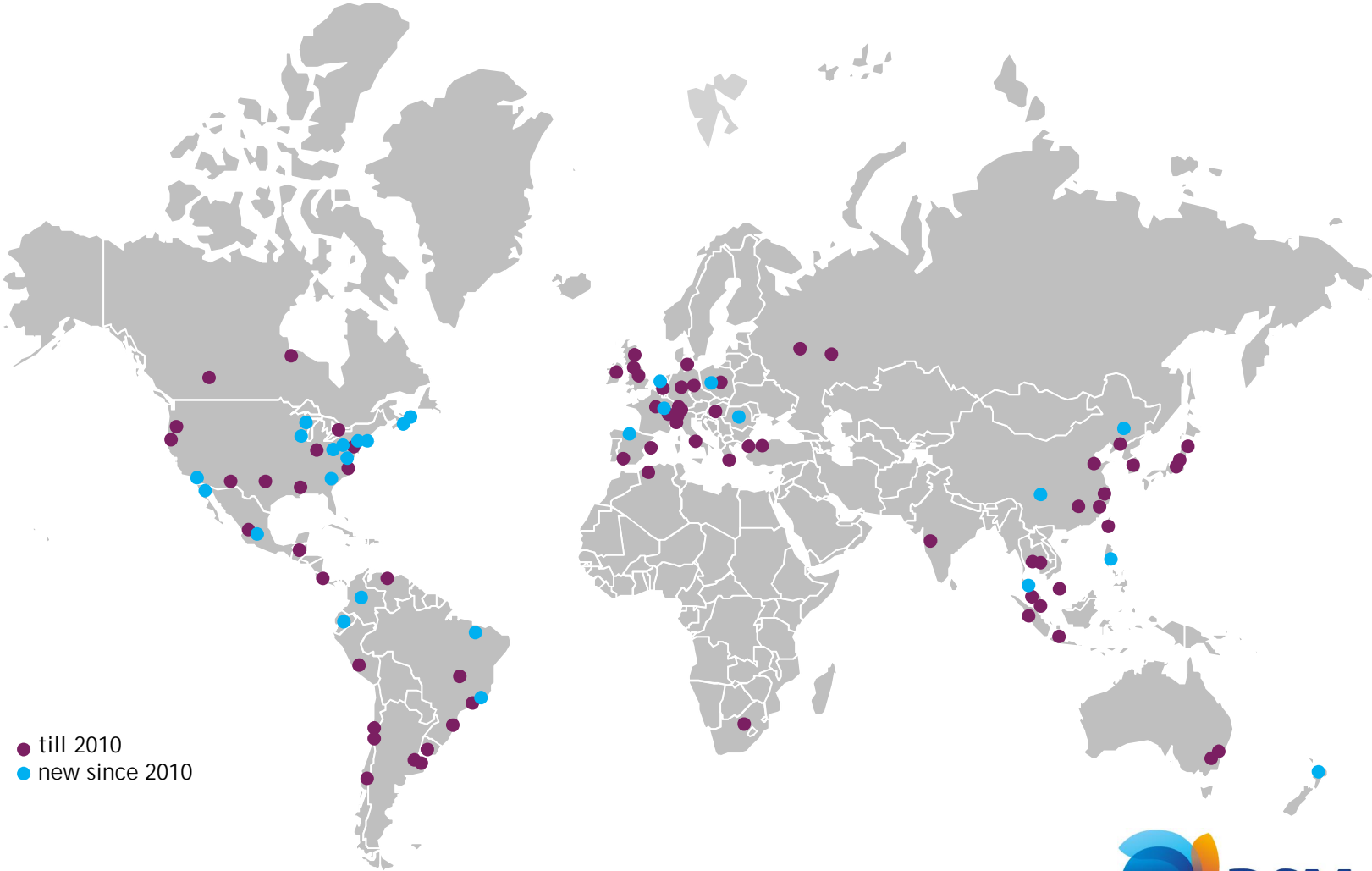


# Broadest portfolio with extended value chain

- Portfolio of active ingredients broadened:
  - Polyunsaturated fatty acids (PUFAs): Omega-3 (DHA, EPA), Omega-6 (ARA)
  - Natural carotenoids
  - Cultures, enzymes
  - Tortuga trace minerals
- Global network further expanded:
  - Animal Nutrition:
    - China, Colombia, Ecuador, Indonesia, India, Italy, Philippines, Romania, Russia, South Korea
    - Expanded animal market reach with Tortuga (Brazil)
  - Human Nutrition:
    - Premix network more than doubled with acquisition of Fortitech and Unitech (New Zealand)
- Value chain further extended downstream with customer-driven solutions and segment-specific finished-product solutions, incl. B2C



# Global network for local markets



● till 2010  
● new since 2010

# The innovation partner in Human Nutrition

**Specialty food ingredients:**  
€ 42bn

- vitamins
- enzymes
- antioxidants
- lipids
- carotenoids
- colors
- hydrocolloids
- yeasts
- cultures
- minerals
- probiotics

**Macro food ingredients:**  
> € 710bn

- dairy
- fruits
- cereals
- proteins
- meat/fish
- oils
- spices
- flour
- salt
- sugar

**Food & Bev. manufacturers:**  
€ 1,750bn

**Dietary supplements companies**  
€ 34bn

**Retail brands:**  
€ 2,295bn

**Store brands:** € 315bn

**Food service:**  
~€ 2,500bn

Consumers: > € 5,100bn  
 (excl. unprocessed foods)

# Current launches in Human Nutrition

## Infant Nutrition



New FloraGLO® Lutein Delivery Form  
 New Lutein (for eye health) 1% SD/S form enables inclusion in new Infant Nutrition products in Asia, leveraging DSM's network



## Dietary Supplements

New Forms enable Gummies with Life's DHA, MEG-3, Science and innovation collaboration fuel new launches with vitamins, lutein, zeaxanthin a/o with Bayer, Church & Dwight, Bausch & Lomb, Alcon

## Savory flavors



Maxagusto™: unmatched taste intensity and flavor that is truly evocative of homemade foods  
 Customized to local food habits. Helping customers to move away from basic flavoring and get the mouth watering taste, whether you are in India or Indiana



## Food & Beverages

Whitewave Horizon: Organic, Back to School, Chocolate Milk with Life's DHA in North America  
 Life's DHA in single serve containers.  
 First ever launch of DHA fortified chocolate milk.



# Innovation pipeline in Human Nutrition: Oatwell®



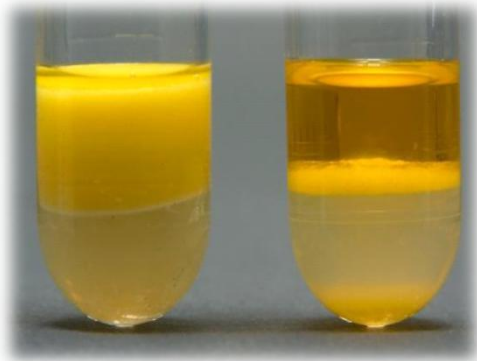
Oatwell®, with proven health benefits  
*From agriculture to consumer*

Proven to lower blood cholesterol  
Helps to reduce the risk of CVD



# Innovation pipeline in Human Nutrition: Purifine®

Game changer  
for profitable oilseed  
crushing & refining



Enzymatic degumming of vegetable oils (soy, canola, sunflower) during crushing

- Increased Yields, • Lower energy usage, • Avoidance of harsh chemicals

⇒ For soybeans alone this reflects > € 1bn in additional customer value

Leveraging Verenum acquisition and DSM Biotech capability and global footprint

# Innovation pipeline in Human Nutrition: Stevia

Steviol Glycosides:  
sustainable, fermentative  
alternative to plant-based  
Stevia (sweetener)



Market potential  
for *high intensity*  
sweeteners is  
~ €3bn

DSM's value proposition: Combine *biotech* and *food* know-how resulting in cleaner taste, cost competitive, more sustainable Steviol glycosides (IP-protected)



# Innovations in Personal Care: Alpaflor<sup>®</sup> Edelweiss

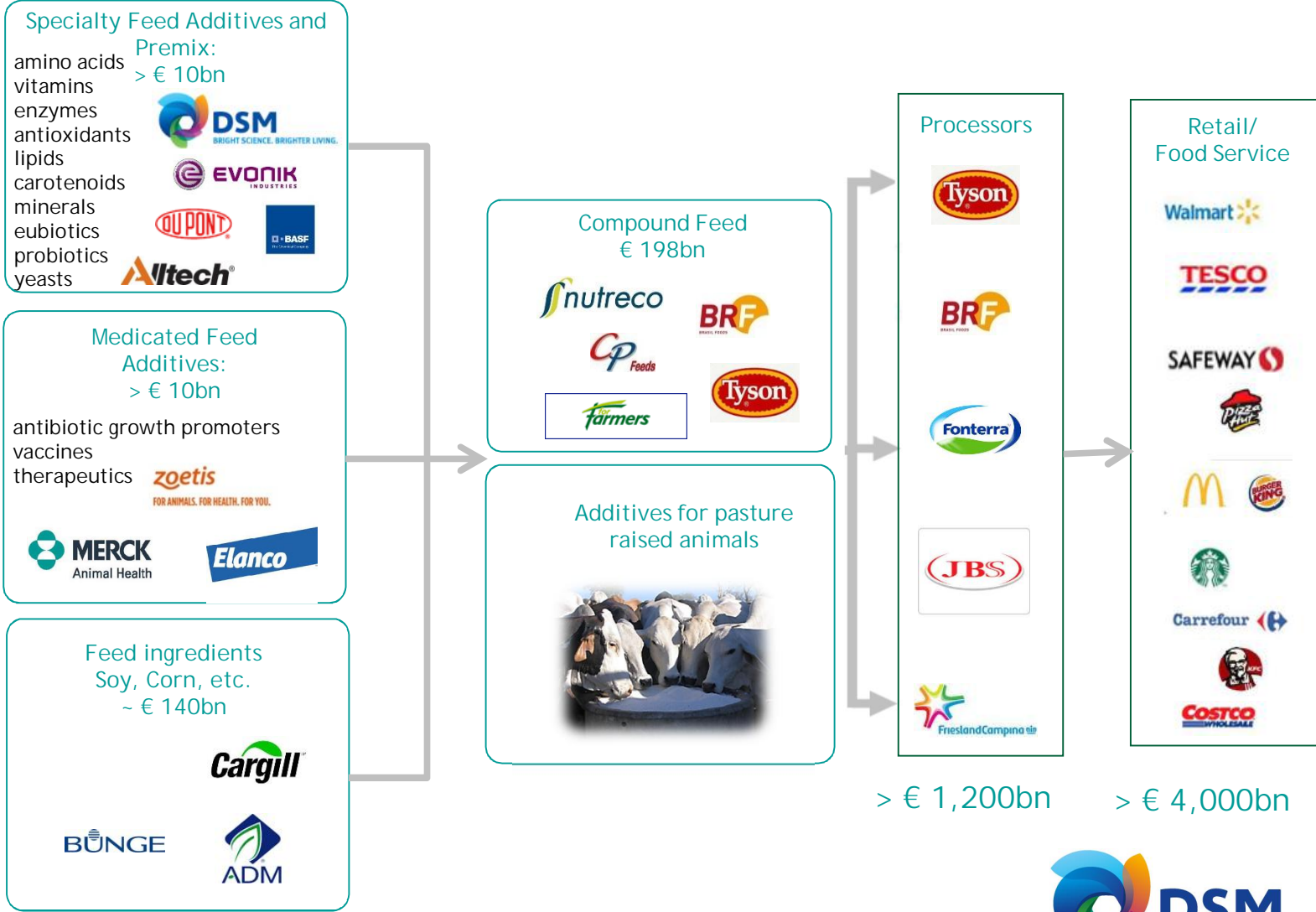


Discover a new level of protection for the ultimate skin sensation

Unique new variety of Edelweiss, Preserves skin's natural balance  
Strong anti-oxidative & protective properties



# The innovation partner in Animal Nutrition



# Current launches in Animal Nutrition



**CRINA Poultry Plus**  
a combination of two proven products - essential oil components with the most effective organic acid - for **better gut health**



**HyD® for Swine**  
Increases the profitability of sow herds.  
Better bone strength leads to higher selection rates of gilts and higher reproductive performance of sows



**ROVIMIX® MaxiChick®**  
a unique poultry feed solution to improve egg fertility, embryo survival and chick viability



**DSM ANH Product..**  
DSM Nutritional Products Ltd



**Fertility Improvement..**



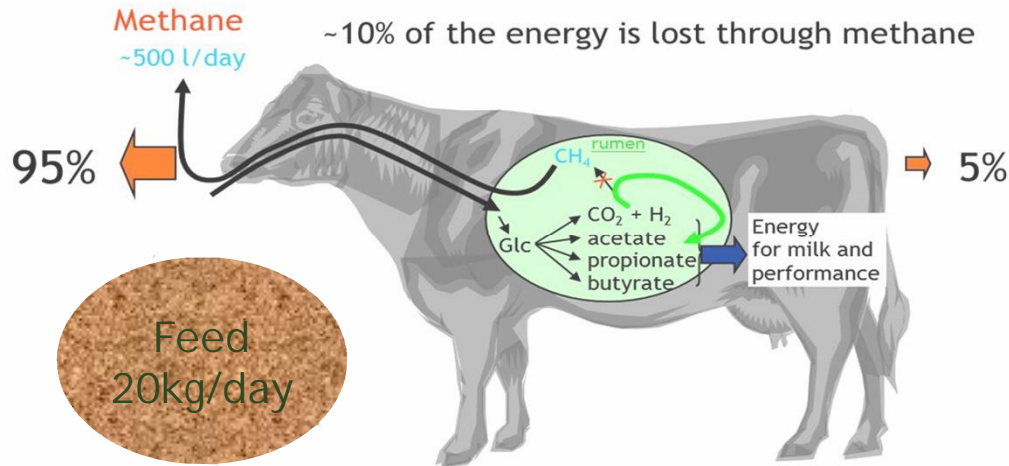
**DSM Vitamin Supplementat..**  
DSM Nutritional Products

Business  
No Ratings

OPEN

ANH in the App store  
E-enabling customers and our sales force to be at the fore front of animal nutrition science

# Innovation pipeline in Animal Nutrition: CleanCow



- Livestock are responsible for methane emission, a GHG that causes global warming
- DSM is working on "CleanCow", a feed additive(s) solution:
  1. to reduce methane by 25-30% *in vivo*
  2. with the potential for better performance (increased milk yield, increased body weight gain, etc.)

"CleanCow": reducing methane emissions from cattle

# Innovation pipeline in Animal Nutrition:

**RONOZYME<sup>®</sup> HiPhos**

*The fittest phytase -  
third generation phytase evolved to give you more*

*Increased production  
with less environmental impact*

- *Extracts more phosphorus from plant phytate*
- *Replaces more inorganic phosphorus in animal diets*
- *Gives faster growth and optimized feed cost savings...*

*...and even more reduction in phosphorus excretion*





# Nutrition: Delivering on the strategy

- Broadest range of active nutritional ingredients
- Fully leveraged across the value chain
- Global premix network, moving into solutions
- Innovation partner of choice for the food, feed & personal care industries
- Strong sales growth, with steady EBITDA growth and stable margins
- Successful, value creating acquisitions

# Overview



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# Acquisitions creating attractive shareholder value

Acquisition	EV	NPV
Martek	€ 730m	€ 1.4bn
ONC	€ 420m	€ 730m
Fortitech	€ 495m	€ 855m
Tortuga	€ 465m	€ 843m



M&A adding > € 1.2bn in sales and > € 250m in EBITDA  
Attractive growth expectations of > 10%

# Martek: fully integrated with ONC

## Reminder

*Achieve leadership in nutritional lipids and infant nutrition*

*Expand PUFAs for Infant Nutrition outside the US market*

*Expand Martek's PUFAs in non-infant applications such as food & beverages, dietary supplements*

*Financials:  
Double-digit sales growth  
Stable margins*

## What we have achieved

- Martek is fully integrated with significant synergies realized
- Nutritional Lipids growth platform created, together with ONC
- Successful penetration of Infant Nutrition markets outside the US, launches in all regions, sales outside the US have increased substantially, with highest growth in Asia
- Successful growth of PUFAs in Dietary Supplement applications
- Huge growth potential in food & beverage end-markets
- Martek products have continued to deliver double-digit organic growth and ~30% EBITDA margin





# Ocean Nutrition Canada: fast integration

## Reminder

*Strengthen DSM in North American dietary supplements market*

*Leverage DSM's global network to grow Omega-3 for dietary supplements, food & beverages outside the US*

*Financials:  
Double-digit sales growth  
Continued high margins*

## What we have achieved

- Nutritional Lipids growth platform created together with Martek
- Ocean Nutrition manufacturing and R&D fully integrated
- Global HNH Sales force trained and executing well
- Leveraging our increased access to NA retailers
- Mitigation of some price volatility linked to crude fish oil
- Ocean Nutrition Canada has delivered sales in line with acquisition business case and EBITDA close to business case, despite significantly higher fish oil prices



# World leader in Nutritional Lipids

Exciting synergies achieved:

- Combination of Martek and ONC (alga-based and fish-oil based products) created a strong leader in nutritional lipids and has strong synergies with the 'existing' DSM activities as well
- Strongest growth for PUFAs in Asian Infant Nutrition - double digit
- North American dietary supplement market mature, with growth potential intact
- Latin America growing at double-digit pace albeit from a low base
- Europe with single-digit growth in Infant and Dietary Supplements



\*including i-Health™

# Fortitech: high customer centricity

## Reminder

*Adds a strong position in customized food ingredient blends*

*Expands DSM's value chain presence offering complete solutions to customers globally*

*Financials:  
Double-digit sales growth  
Significant cost synergies plus capex avoidance*

## What we have achieved

- Integration well underway with new Human Nutrition & Health Premix structure preserving the Fortitech operational model. Focus is on high service and customized, local solutions.
- Significant cost and ingredient supply synergies confirmed and being realized in all regions
- Capex avoidance fully realized in North America and Latin America with DSM site consolidations and expansions at the Fortitech sites
- Market share fully maintained with favorable customer reception in all regions
- Forward integration projects, offering complete / turnkey solutions are accelerating, increasing DSM "share of wallet"
- Double-digit sales growth and EBITDA margin enhancement well in line with business case



# Cultures and Enzymes business from Cargill

## Reminder

*Cultures market is a very attractive & growing market*

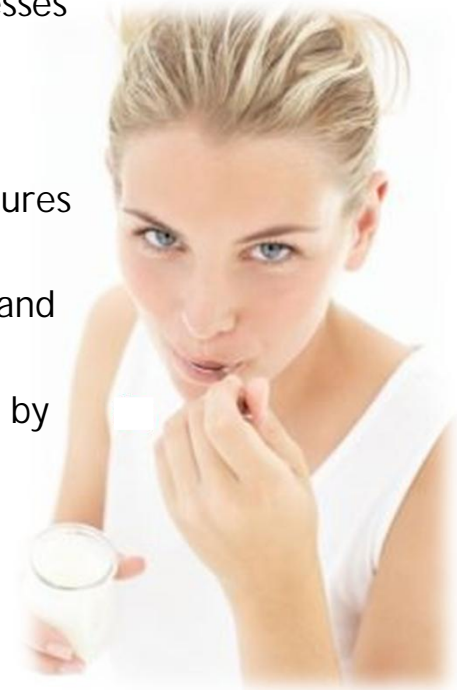
*Even stronger position with a broad offering to the global dairy industry*

*Leverage of core competences in biotechnology in enzymes & cultures*

*High synergy potential*

## What we have achieved

- The Cargill and DSM Cultures businesses have been fully merged into one organizational unit
- Successful offering of new value proposition in Dairy Enzymes & Cultures to leading global dairy players
- Integration of portfolio including brand and product rationalization
- Strongly improved profits, achieved by capturing significant synergies





# Tortuga: step-up in Latin America

## Reminder

*Fundamentally strengthen DSM in Latin America with direct access to 35,000 Brazilian farmers*

*Strengthen DSM's ruminant position globally*

*Create Organic Trace Mineral platform*

*Financials: Deliver strong Growth and Earnings*

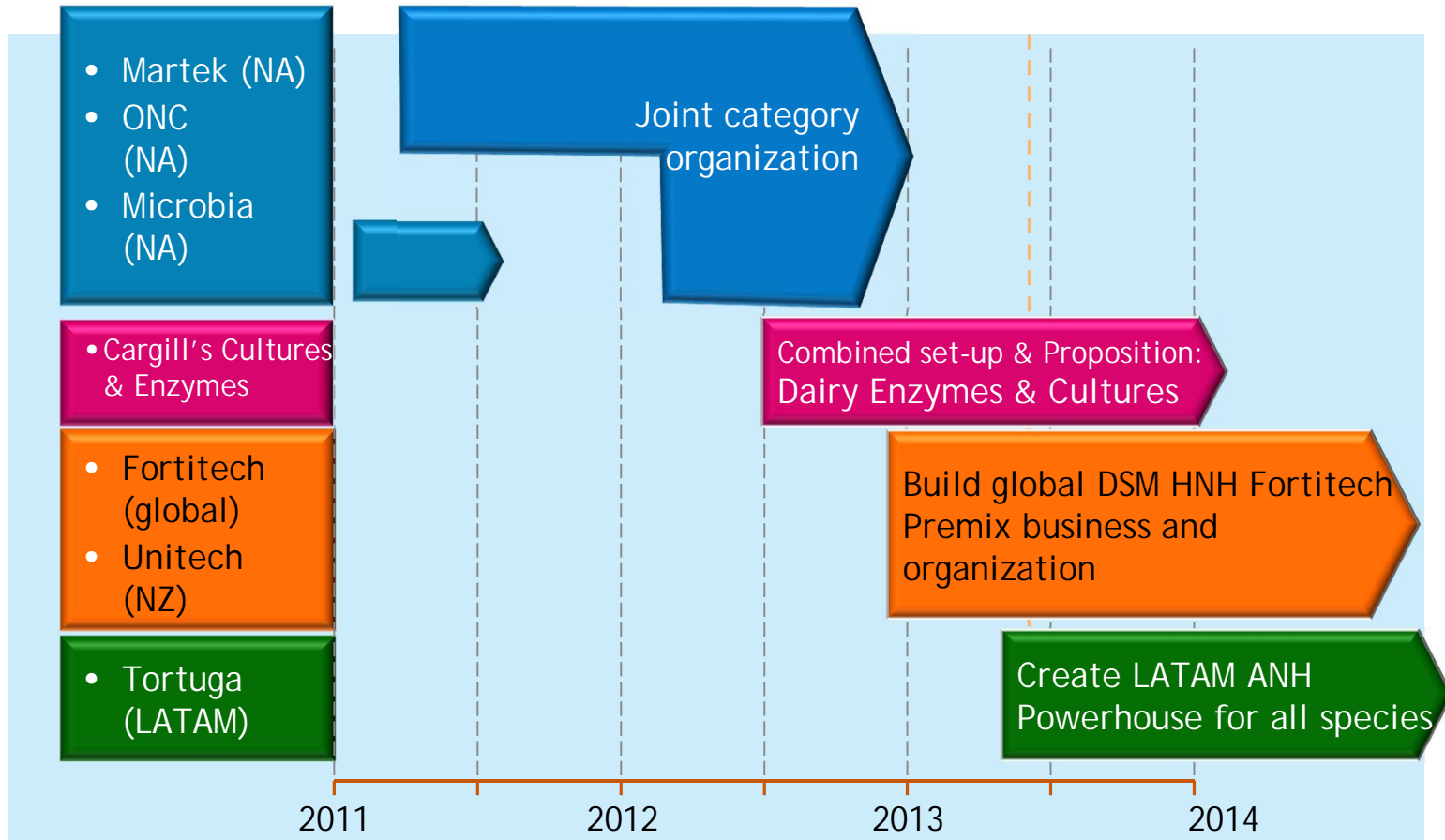
## What we have achieved

- Tortuga integration program on track and fully completed in 2014, with impact already visible in business results
- Product registrations progressing for expansion of the ruminant position in Latin America
- Ultimately creating additional value for ruminant solutions through Vitamin & Carotenoid supplementation
- Tortuga mineral program expansion into monogastric underway in the region
- Sales and earnings fully on track to deliver the business case



# Integration process on track

## Integrate acquisitions ...



# Proven track-record in M&A

- DSM has added successful value creating acquisitions to its portfolio: integration & realization of synergies on track
- Completed 10 transactions since the start of the new CSD period
- Significant in-house capability to execute deals and highly experienced in integration
- DSM's Nutrition cluster has evolved significantly following the acquisitions:
  - Increased customer relevance through broader portfolio
  - Improved customer access and regional footprint
  - New skills and capabilities added to DSM's Nutrition cluster
- Resulting in multiple new growth ideas

# Building a China based hydrocolloids platform

- Texture market presents an attractive growth opportunity for DSM, leveraging our world class biotechnology capabilities and unique, global customer access
- Focus is on ~€ 6 billion market of hydrocolloids ingredients. Food hydrocolloids provide important functionalities such as gelling, thickening and stabilization in foods
- First project - 2011: acquisition of China based Gellan gum producer proved very successful, albeit small
- Now adding Andre Pectin, the only successful new global pectin entrant over the past 20 years. Annual sales around €30 million
- Option rights to raise stake from 29% to majority, including 100%, over time
- Global unit managed from China





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# Changing business environment

## More & more...

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### Markets

- Demand growth is shifting further to High Growth Economies
- Locally specific consumer preferences, market and channel structures

### Customers

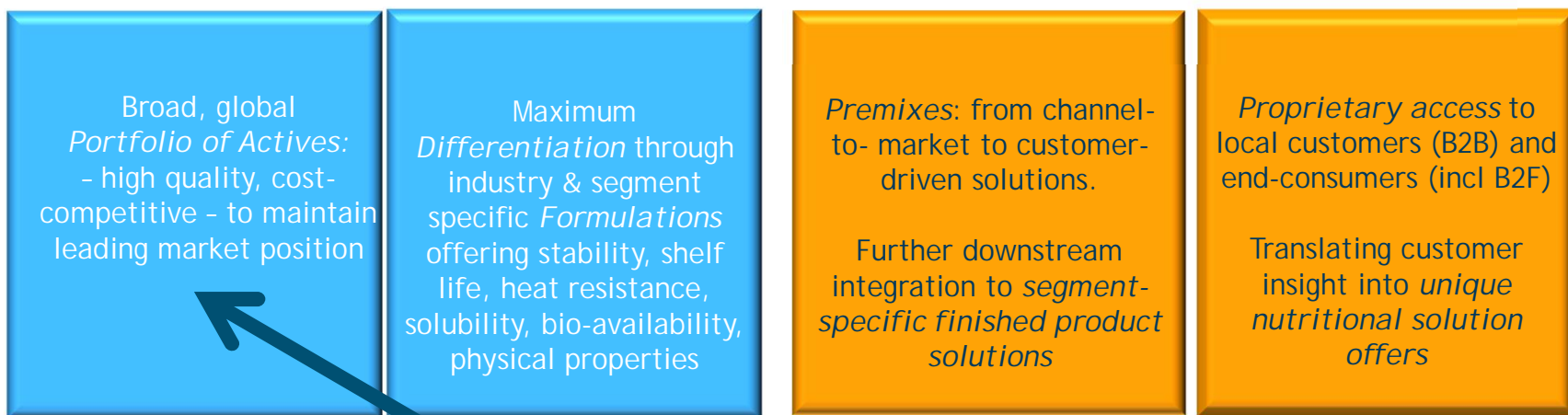
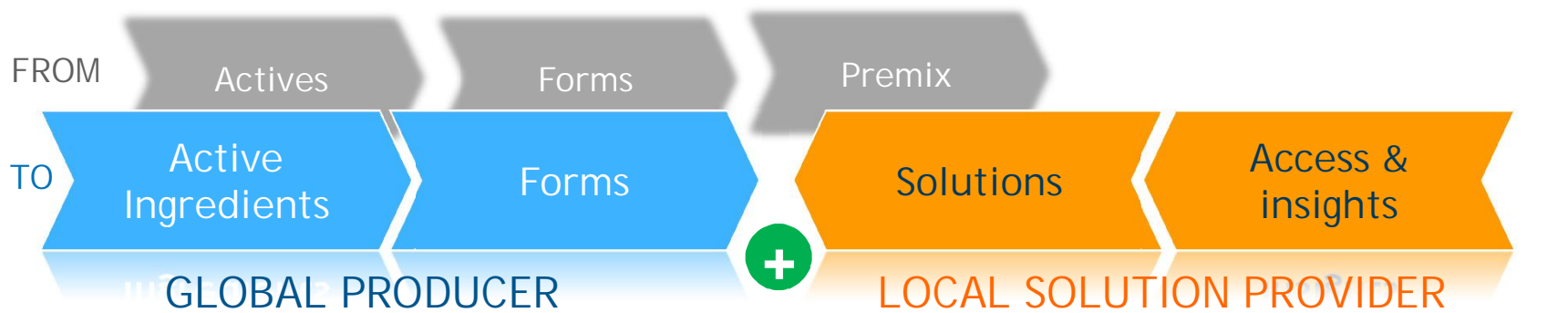
- More demanding, requiring deeper insights and customized solutions
- Have more choice: supplier relevance and differentiation wins

### Value Chain

- Unique presence across the value chain, driving:
  - Integrated profitability
  - Market focused Innovation
  - Quality assurance
  - Locally tailored solutions
  - Eco+, sustainable offering
- Industry developing into two sets of players, with totally different skill sets and assets:
  - product-centric "producers"
  - customer-centric "solution providers"

→ DSM is the only player with leading positions in both!

# Unique business model with global & local capabilities



>100 active ingredients:  
 Vitamins A-Z, Carotenoids, Yeasts, Savory Flavors, Enzymes, Cultures, Lipids / Omega, Hydrocolloids, Antioxidants, Eubiotics, Organic trace minerals, Personal Care ingredients



# Strategy implementation

- Drive continued organic growth:
  - Macro trends continue
  - Unique business model
  - Increased focus on HGEs (incl. acquisitions)
  - Additional regional application & research centers
  - Organization development
- Selected investments in existing portfolio:
  - Product forms
  - Vitamin B6 in China
  - Omega 3
  - Natural Carotenoids
  - Cultures & Enzymes
  - Savory flavors
- Assessing further M&A to strengthen our position
  - Global product portfolio
  - Local solutions and customer/channel access

## Nutrition Targets confirmed:

- Organic growth GDP +2%
- EBITDA margin range 20-23%





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