Press Release
Kaiseraugst (Switzerland), Heerlen (Netherlands), October 31, 2023

dsm-firmenich Q3 2023 trading update

Management Report

Q3 2023 highlights

- Perfumery & Beauty performed well and Taste, Texture & Health was resilient
- Health, Nutrition & Care, and Animal Nutrition & Health were weak, driven by record low vitamin prices
- Cash flow prioritized, resulting in an improved cash conversion ratio of 56%
- Vitamin transformation and €200 million cost reduction program well under way
- Merger integration process progressing well, with synergy delivery in line with plan
- FY 2023 outlook: Adjusted EBITDA of around €1,800 million

Key figures

in € millions	Pro forma Q3 YTD 2023[1]	Pro forma Q3 YTD 2022[1]	% Change	Actual Q3 2023	Pro forma Q3 2022[1]	% Change
Sales	9,198	9,943	(7)	3,046	3,446	(12)
Organic sales growth (%)	(6)			(7)		
Adj. EBITDA	1,338	1,776	(25)	409	599	(32)
Adj. EBITDA margin (%)	14.5	17.9		13.4	17.4	

[1] Represents the figures on a pro forma basis, including the Firmenich results as if the merger had occurred on January 1, 2022. The pro forma figures represent the results from continuing operations - please also refer to the section Definitions.

Key figures on an IFRS basis[2]

in € millions	Q3 YTD 2023	Q3 YTD 2022	% Change
Sales	7,515	6,297	19
Adj. EBITDA	1,004	1,102	(9)

[2] Represents the figures on an IFRS basis, including the Firmenich results as of the merger date May 8, 2023.

Dimitri de Vreeze, CEO, commented: "In the current global economic environment we are working hard to mitigate the effects through strong internal actions. To this end, we are driving a broad range of self-help measures, with the largest contributor being the vitamin transformation program. In addition, we have pushed harder on cash flow, a key priority for us, and see good improvements this quarter. At the same time, we remain relentlessly focused on the successful integration of the merger and the delivery of our targeted synergies.

During the quarter we were pleased with the continued good performance of our Perfumery & Beauty and the resilience of our Taste, Texture & Health businesses. However, destocking continued, and vitamin prices remained under pressure, impacting particularly Animal Nutrition & Health and Health, Nutrition & Care businesses. For the remainder of the year, we do not expect a material change in these business conditions, although the last quarter will begin to reflect the contribution from our internal costs actions.

The decisive actions we are taking at this time provide a strong base from which we will be able to deliver attractive innovation-driven growth. With our market-leading and highly complementary portfolio of ingredients, science and technologies, we are confident in achieving our mid-term financial targets. We are reviewing all segments to prioritize and accelerate the company's high growth and higher margin business. We will provide an update on progress of all our strategic actions at our Capital Markets Day next year."

Outlook 2023

The company estimates for FY 2023, on a pro forma basis, an Adjusted EBITDA of around €1,800 million, which includes an estimated negative vitamin effect of about €500 million as well as a negative foreign exchange effect of about €90 million.

Progress on actions to improve performance

The company has embarked on a comprehensive set of short-term and mid-term focused actions:

- Cash focus: addressing the current challenging near-term conditions with a wide range of cost reduction and cash flow improvement actions such as decreasing inventories and optimizing CAPEX
- Vitamins: improving the profitability of its vitamin activities and structurally reducing exposure to volatility from price fluctuations. The vitamin business transformation with a €200 million cost reduction program, including plant closures, route-to-market simplification, and optimized service levels
- Integration: driving the merger-related integration and revenue synergies according to the strict time plan as communicated, and accelerating the cost synergies
- Strategic segment reviews: looking across all segments to prioritize and accelerate high-growth and higher-margin businesses

Key figures

in € millions	Pro forma Q3 YTD 2023[1]	Pro forma Q3 YTD 2022[1]	% Change	Actual Q3 2023	Pro forma Q3 2022[1]	% Change
Sales	**9,198**	**9,943**	**(7)**	**3,046**	**3,446**	**(12)**
P&B	2,795	2,876	(3)	920	991	(7)
TTH	2,270	2,368	(4)	737	836	(12)
HNC	1,689	1,831	(8)	545	626	(13)
ANH	2,394	2,813	(15)	823	978	(16)
Corporate	50	55		21	15	
Adj. EBITDA	**1,338**	**1,776**	**(25)**	**409**	**599**	**(32)**
P&B	591	582	2	212	217	(2)
TTH	423	412	3	134	141	(5)
HNC	295	412	(28)	75	144	(48)
ANH	96	429	(78)	11	116	(91)
Corporate	(67)	(59)		(23)	(19)	
Adj. EBITDA margin (%)	**14.5**	**17.9**		**13.4**	**17.4**	
P&B	21.1	20.2		23.0	21.9	
TTH	18.6	17.4		18.2	16.9	
HNC	17.5	22.5		13.8	23.0	
ANH	4.0	15.3		1.3	11.9	

[1] Represents the figures on a pro forma basis, including the Firmenich results as if the merger had occurred on January 1, 2022. The pro forma figures represent the results from continuing operations - please also refer to the section Definitions.

The company recorded a 7% organic sales decline with -1% pricing and -6% volumes which includes the negative vitamin effect. Without this effect, prices would have been up mid-single digit and volumes would have been down low single digit.

Perfumery & Beauty performed well, and Taste and Texture & Health was resilient while Health, Nutrition & Care, and Animal Nutrition & Health were weak, driven by record low vitamin prices.

Adjusted EBITDA was €409 million, 32% lower than in the comparable period, resulting in a 400bps margin decline. This includes a negative vitamin effect, which is estimated at about €170 million in the quarter. Without this effect, the Adjusted EBITDA would have been down 3% (including a negative foreign exchange effect of about €30m).

Business Unit Review

Perfumery & Beauty

Perfumery & Beauty (P&B) is the leading creation and innovation partner for the most iconic global and local brands in consumer goods, lifestyle, and luxury beauty. The business unit is home to the best talent in the industry, boasts an unmatched palette of captive ingredients, and is supported by a vertically integrated supply chain. Powered by our science-based innovations in Fragrance and Personal Care innovations, we make our customers' products more desirable, essential, and sustainable, driving consumers' preference.

Business unit results

in € millions	Pro forma Q3 YTD 2023[1]	Pro forma Q3 YTD 2022[1]	% Change	Actual Q3 2023	Pro forma Q3 2022[1]	% Change
Sales	2,795	2,876	(3)	920	991	(7)
Organic sales growth (%)	0			0		
Adj. EBITDA	591	582	2	212	217	(2)
Adj. EBITDA margin (%)	21.1	20.2		23.0	21.9	

[1] Represents the figures on a pro forma basis, including the Firmenich results as if the merger had occurred on January 1, 2022. The pro forma figures represent the results from continuing operations - please also refer to the section Definitions.

Q3 2023

Perfumery & Beauty performed well delivering a 2% organic sales growth when excluding the 2% negative impact from the Pinova plant closure in Georgia, US. This performance was driven by a 3% pricing growth across all segments, offset by lower volumes in Ingredients, which experienced further destocking and soft demand.

Fine Fragrances delivered another good performance against a tough comparable prior period. Consumer Fragrances delivered strong growth, with very good volumes and pricing, reflecting an improving business momentum. After scaling back in the past years due to COVID-19, customers are increasingly reformulating existing products with more innovative fragrances, to develop superior consumer products. Ingredients saw ongoing destocking and soft demand, particularly in its industrial offerings. Personal Care continued to perform well.

Adjusted EBITDA was €212 million and includes a negative foreign exchange effect of around 8%. Without this effect, the Adjusted EBITDA would have been up 6%. The Adjusted EBITDA margin of 23.0% was up 110bps versus prior year owing to an exceptionally positive product mix.

Taste, Texture & Health

Taste, Texture & Health (TTH) brings progress to life by tackling some of society's biggest challenges: providing natural, nutritious, healthy and affordable food and accelerating the diet transformation with appealing taste and texture, and nourishing a growing global population whilst minimizing food loss and waste – sustainably. TTH consists of Taste, which includes flavors, natural extracts, sweetener solutions, and plant-based proteins, and Ingredients Solutions, which includes food enzymes, textures, cultures, natural colorants, nutrients, and yeast extracts.

Business unit results

in € millions	Pro forma Q3 YTD 2023[1]	Pro forma Q3 YTD 2022[1]	% Change	Actual Q3 2023	Pro forma Q3 2022[1]	% Change
Sales	2,270	2,368	(4)	737	836	(12)
Organic sales growth (%)	(2)			(5)		
Adj. EBITDA	423	412	3	134	141	(5)
Adj. EBITDA margin (%)	18.6	17.4		18.2	16.9	

[1] Represents the figures on a pro forma basis, including the Firmenich results as if the merger had occurred on January 1, 2022. The pro forma figures represent the results from continuing operations - please also refer to the section Definitions.

Q3 2023

Against a very strong comparable prior year, TTH delivered a 5% decline in organic sales. Strong pricing was partly offset by low vitamin prices. Volumes were soft, owing to destocking and our deliberate decision to step away from low-margin products including vitamins.

Taste performed strongly, led by pricing. Beverages was particularly strong, with Functional Beverages such as sports recovery and energy drinks performing well. Enzymes, cultures, and texturing solutions also delivered good organic growth. Vitamins and yeast extracts were weak.

The integration of the merged TTH businesses has shown good signs of traction in the areas of cross-selling and the development of new joint concepts. As an example of the latter, a new flavored immunity-supporting dairy drink was launched, combining both taste (strawberry and banana flavor) and ingredients solutions. Other examples of early synergies are for instance in sugar reduction, one of the cornerstone growth platforms of TTH.

Adjusted EBITDA was €134 million and includes a negative foreign exchange effect of around 6%. Without this effect, Adjusted EBITDA would have been up 1%. This resilient performance resulted from the strength in the higher-margin, high-growth activities. Adjusted EBITDA margin of 18.2% was up 130bps versus the prior year period owing to a positive product mix.

Health, Nutrition & Care

Health, Nutrition & Care (HNC) enables people to improve their health by supplementing their diet with critical nutrients and driving medical innovation forward, so helping to optimize immunity, speed up recovery and enhancing quality of life. This business now excludes Personal Care & Aroma, which post-merger was transferred to Perfumery & Beauty.

Business unit results

in € millions	Pro forma Q3 YTD 2023[1]	Pro forma Q3 YTD 2022[1]	% Change	Actual Q3 2023	Pro forma Q3 2022[1]	% Change
Sales	1,689	1,831	(8)	545	626	(13)
Organic sales growth (%)	(6)			(8)		
Adj. EBITDA	295	412	(28)	75	144	(48)
Adj. EBITDA margin (%)	17.5	22.5		13.8	23.0	

[1] Represents the figures on a pro forma basis, including the Firmenich results as if the merger had occurred on January 1, 2022. The pro forma figures represent the results from continuing operations - please also refer to the section Definitions.

Q3 2023

In a challenging operating environment, HNC recorded 8% lower organic sales compared to the same prior year period, due to 10% lower volumes. Ongoing destocking impacted some of the HNC segments. Good pricing was largely offset by lower vitamin prices.

Dietary Supplements saw continued lower demand (especially in North America and for immunity-supporting solutions) as consumers' discretionary spend was reduced due to high inflation. However, end-use market data towards the end of the quarter indicated early signs of a possible stabilization in demand. A first new products and concepts have been introduced combining the strengths of the merged businesses to further improve consumer experiences.

Early Life Nutrition (ELN) faced a challenging market dynamic with a further decline in birth rates - especially in China, by far the largest global ELN market - and soft macro-economic conditions. These conditions are driving a strong destocking against a comparable prior year period that benefitted from strong sales growth in Europe due to product shortages in North America. The unit received the first-ever approvals in China for 2 HMOs (human milk oligosaccharides), giving it a strong competitive lead in China in 2024, representing around 40% of the global ELN market.

Adjusted EBITDA was down 48% year-on-year due to lower volumes, the work-through of high-cost inventories, and idle costs due to production shutdowns with the total vitamin effect of around €40m.

Animal Nutrition & Health

Animal Nutrition & Health (ANH) helps delivering healthy animal proteins efficiently and sustainably, whilst harnessing the power of data to make animal farming practices more sustainable, productive, and transparent.

Business unit results

in € millions	Pro forma Q3 YTD 2023[1]	Pro forma Q3 YTD 2022[1]	% Change	Actual Q3 2023	Pro forma Q3 2022[1]	% Change
Sales	2,394	2,813	(15)	823	978	(16)
Organic sales growth (%)	(14)			(13)		
Adj. EBITDA	96	429	(78)	11	116	(91)
Adj. EBITDA margin (%)	4.0	15.3		1.3	11.9	

[1] Represents the figures on a pro forma basis, including the Firmenich results as if the merger had occurred on January 1, 2022. The pro forma figures represent the results from continuing operations - please also refer to the section Definitions.

Q3 2023

Overall global animal protein consumption has remained resilient, driven by poultry, with demand in China now stabilized, albeit with a slower recovery than expected. However, ongoing destocking of animal protein continues to lead to an imbalance in the global feed additive marketplace.

ANH saw a continuation of the exceptionally challenging conditions of the first half, owing to the unprecedented low level of vitamin prices which slipped further during the quarter due to oversupply in a weak market.

Organic sales declined by 13%, comparing to the same prior year period, driven by weak sales of straight vitamins, partly offset by performance solutions that recorded another strong quarter. Performance solutions, such as enzymes, gut health solutions, and mycotoxin management, all benefit from farmers prioritizing feed efficiency yield management. The strong growth is supported by contributions from the Performance Solutions' innovation pipeline, which includes Bovaer®, Balancius®, ProAct360™, HiPhorius™, Mycofix® and Veramaris®.

The continued unprecedented conditions in vitamins, are being addressed by prioritizing cash generation through halting vitamin production in order to drastically reduce inventories, which will continue into the final quarter of the year. Lower input costs are booked but become evident with a delay through inventory.

The ANH team is fully focused on the vitamin transformation program, which was announced in June 2023. The €200 million cost reduction program is well under way to deliver a contribution of around €100 million Adjusted EBITDA in 2024, and the full benefit of the program in 2025.

The Q3 2023 Adjusted EBITDA was down 91% year-on-year, with a vitamin effect of about €120 million. The Adjusted EBITDA margin remained at similar low levels to Q2 2023, because of lower vitamin prices, lower volumes, and higher costs.

Reconciliation table figures on an IFRS basis to pro forma

The table below provides a reconciliation between the figures on an IFRS basis to the ones presented on a pro forma basis.

For the definitions applied, please refer to the section Definitions below.

Reconciliation figures on an IFRS basis to pro forma

in € millions	Q3 YTD 2023[1]	Firmenich January 1 - May 8	Inter-company eliminations	Pro forma Q3 YTD 2023[2]
Sales	7,515	1,697	(14)	9,198
Adj. EBITDA	1,004	334	-	1,338

[1] Represents the figures on an IFRS basis, including the Firmenich results as of the merger date May 8, 2023.
[2] Represents the figures on a pro forma basis, including the Firmenich results as if the merger had occurred on 1 January 2022. The pro forma figures represent the results from continuing operations - please also refer to the section Definitions.

Definitions

The trading update includes information that is presented on a pro forma basis ('pro forma figures') as well as other alternative performance measures (APMs), and information that is presented in accordance with IFRS as issued by the International Accounting Standard Board ('figures on an IFRS basis'). Please refer to the section below for the definitions as applied.

Pro forma basis

In preparing the pro forma figures, the financial results of the former Firmenich Group and the former DSM Group have been combined as if the merger had occurred on January 1, 2022, and with purchase price allocation adjustments included as of May 8, 2023. To arrive at these pro forma figures for the current and comparative reporting period, we applied perimeter changes and adjustments related to changes in the Business Unit structure (i.e., the combination of the former units Taste & Beyond and Food & Beverage into the new business unit Taste, Texture & Health; the transfer of Personal Care & Aroma from the business unit Health, Nutrition & Care to Perfumery & Beauty; and other minor adjustments pertaining to the transfer of the Consumer Healthcare business from Taste & Beyond to Health, Nutrition & Care) and the elimination of intercompany profits. The pro forma figures represent the results from continuing operations.

The pro forma information is not intended to revise past performance, but instead intends to provide a comparative basis for the assessment of current performance. This information represents a hypothetical situation and does not purport to represent what the actual result of dsm-firmenich would have been, should the merger with Firmenich actually have occurred at the beginning of DSM's 2022 financial year, nor are they necessarily indicative of future results of dsm-firmenich. The Group does not claim or represent that the pro forma information is indicative of what the results would have been, had the merger taken place as of the date indicated, or of the results that may be achieved in the future.

The pro forma financials are unaudited and include estimates, including for example approximations due to the different reporting currencies.

Alternative Performance Measures (APMs)

To arrive at the Alternative Performance Measures (APMs), adjustments are made for material items of income and expense arising from circumstances such as acquisitions and divestments, restructuring, impairments and other events (i.e., APM adjustments). Other APM adjusting events include site closure costs, environmental cleaning, litigation settlements or other non-operational (contractual) arrangements. Other than items related to acquisition and integration costs incurred in the first year from the acquisition date (including non-recurring inventory value adjustments) as well as adjustments due to previously recognized APM adjusting events, the threshold is €10 million.

The APMs used throughout this press release are:

Organic sales growth (OSG)

Organic sales growth is the sales growth excluding the impact of acquisitions, divestments, and currency impacts.

Adjusted earnings before interest, tax, depreciation and amortization (Adj. EBITDA)

Adjusted EBITDA is the IFRS metric operating profit plus depreciation, amortization, and impairments, adjusted for material items of profit or loss, as defined under 'Alternative Performance Measures (APMs)'.

Adjusted EBITDA margin (Adj. EBITDA margin)

Adjusted EBITDA margin is adjusted EBITDA expressed as a percentage of net sales.

Notes to this trading update

The reported financial data in this trading update have not been audited.

Financial calendar

November 8, 2023:	Teach-in event in Geneva
February 15, 2024:	Publication of FY 2023 results
May 2, 2024:	Publication of Q1 2024 trading update
May 7, 2024:	Annual General Meeting
Q2 2024:	Capital Markets Day

Additional information

Today dsm-firmenich will hold a webcast for **investors and analysts** at 9:00 am CET. Details on how to access this call can be found on the dsm-firmenich website, www.dsm-firmenich.com.

For more information

Media relations
Ingvild Van Lysebetten
tel. +41 (0)79 833 72 52
e-mail media@dsm-firmenich.com

Investor relations
Dave Huizing
tel. +31 (0)45 578 2864
e-mail investors@dsm-firmenich.com

About dsm-firmenich

As innovators in nutrition, health, and beauty, dsm-firmenich reinvents, manufactures, and combines vital nutrients, flavors, and fragrances for the world's growing population to thrive. With our comprehensive range of solutions, with natural and renewable ingredients and renowned science and technology capabilities, we work to create what is essential for life, desirable for consumers, and more sustainable for the planet. dsm-firmenich is a Swiss-Dutch company, listed on the Euronext Amsterdam, with operations in almost 60 countries and revenues of more than €12 billion. With a diverse, worldwide team of nearly 30,000 employees, we bring progress to life™ every day, everywhere, for billions of people.
www.dsm-firmenich.com