Press Release
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dsm-firmenich reports full year 2023 results

Management Report

2023 highlights

- Successful creation of dsm-firmenich with integration well ahead of plan
- Merger-related cost and sales synergies gaining traction
- Animal Nutrition & Health to be separated from the Group
- Solid performance across the company, significantly impacted by unprecedented low vitamin prices
- Good operating cash flow driven by a strong performance in the second half
- Stable dividend of €2.50 proposed
- Synergies and the vitamin transformation programs will deliver a significant earnings step-up in 2024 and beyond
- Outlook 2024: Adjusted EBITDA of at least €1.9 billion

Key figures

in € millions	Pro forma FY 2023[1]	Pro forma FY 2022[1]	% Change	Actual Q4 2023	Pro forma Q4 2022[1]	% Change
Sales	12,310	13,238	(7)	3,112	3,295	(6)
Organic sales growth (%)	(5)			(3)		
Adj. EBITDA	1,777	2,275	(22)	439	499	(12)
Adj. EBITDA margin (%)	14.4	17.2		14.1	15.1	
Core adj. net profit	555	1,013	(45)			

[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	FY 2023	FY 2022	% Change
Sales	10,627	8,390	27
Net profit from continuing operations	(636)	475	(234)
Net profit (total group)	2,153	1,715	26

[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: "We are proud that the company is already operating seamlessly with integration well ahead of plan, including the development of a common culture, as demonstrated in our recent employee engagement survey. Our employees have done a truly amazing job building momentum, positioning dsm-firmenich as a world leader in nutrition, health and beauty.

In light of the unprecedented conditions with very low vitamin prices and a continued destocking cycle, we took a number of immediate and effective actions. We accelerated our plans for driving through additional self-help measures and advanced the review of all our business segments. This led us to the initiation of a process to separate out the Animal Nutrition & Health business from the Group which we announced today. This should strongly reduce our exposure to vitamins earnings volatility and reduce our capital intensity in line with our long-term strategy. We believe that the full potential of the ANH business could be best realized through a different ownership structure.

Supported by our exciting innovation pipeline, all these actions would help us to prioritize and accelerate the company's nutrition, health and beauty high-growth and higher-margin businesses, all of which is reflected in our mid-term financial targets."

Outlook 2024

As the global political and economic environment remains uncertain, and given that it is early in the year, we feel it prudent to base our full year outlook for the entire company only on those elements which are under our control, namely a €200 million step-up in Adjusted EBITDA from a combination of synergy delivery and the vitamin transformation program. Considering that the full negative vitamin effect emerged only in Q2 2023, the effective Adjusted EBITDA run-rate in the period Q2-Q4 2023 on an annualized basis was about €1.7 billion, the company estimates for FY 2024 Adjusted EBITDA of at least €1.9 billion.

Strategy

The merger of DSM and Firmenich created a world-leader in nutrition, health and beauty, through which its highly integrated portfolio of nutritional, natural and renewable ingredients, together with complementary science capabilities and technologies, will deliver superior innovation-led growth.

By creatively applying proven science and drawing on data-driven innovation capabilities as well as exceptional standards of operational excellence, dsm-firmenich seeks to tackle the tension between what society needs, what people individually want, and what the planet demands in the areas of nutrition, health and beauty. By working closely together with customers to create what is essential for life as well as desirable for consumers yet simultaneously more sustainable for the planet, dsm-firmenich is poised to bring progress to life for billions of people around the world.

dsm-firmenich is a purpose-led company where people and planet as well as financial success are at the core of its strategy that is aimed at further enhancing its positive impact in the world, continually raising the bar to help tackle climate change, protect nature, and care for people all along the value chain.

Delivering synergies through integration

dsm-firmenich is on track to achieve its target synergies of approximately €350 million Adjusted EBITDA per year. Around half of this is expected to come from cost efficiencies, with the full run rate achieved by the end of year 3. Initial benefits of about €15 million were delivered in Q4. The remaining synergies are expected from incremental revenues of €500 million, generated by an acceleration of innovation with customers. There has been good early progress and the full run rate is still expected by the end of year 4. These revenue synergies are driven by complementary capabilities and realized in the three business units with the strongest strategic adjacency - Perfumery & Beauty (P&B); Taste, Texture & Health (TTH); and Health, Nutrition & Care (HNC) - with roughly the following balance:

- 60% in TTH business unit
- 25% in HNC business unit
- 15% in P&B business unit

Overall, we expect to see an Adjusted EBITDA contribution of about €100 million in 2024, coming mainly from cost synergies.

Separation of Animal Nutrition & Health from the Group

The Company initiates a process to carve-out and separate out the Animal Nutrition & Health (ANH) business from the Group. Full focus on nutrition, health, and beauty would enable dsm-firmenich to better drive superior innovation-led growth. Separating out Animal Nutrition & Health from the Group would minimize dsm-firmenich's exposure to vitamins earnings volatility and reduce capital intensity in line with its long-term strategy. The Company believes that the full potential of the ANH business could be best realized through a different ownership structure for which all potential separation options will be considered. The Company would expect to be in a position to separate the business in the course of 2025.

Progressing the vitamin transformation program

In mid-2023 the company embarked on a major restructuring program in its vitamin activities to reduce costs and restore profitability. This program is expected to result in an estimated Adjusted EBITDA contribution of around €200 million per year with the full run rate to be reached by the end of 2024. These savings will be in addition to the previously announced €350 million Adjusted EBITDA synergies target. Neither of these targets will be disrupted by the separation of Animal Nutrition and Health.

dsm-firmenich has already made strong progress in executing the program through the closure of the Xinghuo vitamin B6 plant in China and shutting down the Jiangshan vitamin C production in China. The sales model now supports a 'go-to-market' approach which is simpler and more efficient in the current market environment.

In Q4 2023, the program generated an about €10 million savings contribution to Adjusted EBITDA. For 2024, dsm-firmenich expects to achieve an additional around €100 million Adjusted EBITDA contribution.

Stable dividend

At the Annual General Meeting on May 7, 2024, dsm-firmenich's Board of Directors will propose a cash dividend of €2.50 per share for the financial year 2023.

Key figures and indicators

in € millions	Pro forma FY 2023[1]	Pro forma FY 2022[1]	% Change	Actual Q4 2023	Pro forma Q4 2022[1]	% Change
Net sales	**12,310**	**13,238**	**(7)**	**3,112**	**3,295**	**(6)**
P&B	3,709	3,792	(2)	914	916	(0)
TTH	3,038	3,174	(4)	768	806	(5)
HNC	2,270	2,418	(6)	581	587	(1)
ANH	3,227	3,784	(15)	833	971	(14)
Corporate	66	70	(6)	16	15	7
Adj. EBITDA	**1,777**	**2,275**	**(22)**	**439**	**499**	**(12)**
P&B	783	748	5	192	166	16
TTH	556	549	1	133	137	(3)
HNC	389	533	(27)	94	121	(22)
ANH	128	524	(76)	32	95	(66)
Corporate	(79)	(79)	-	(12)	(20)	(40)
Adj. EBITDA margin (%)	**14.4**	**17.2**		**14.1**	**15.1**	
P&B	21.1	19.7		21.0	18.1	
TTH	18.3	17.3		17.3	17.0	
HNC	17.1	22.0		16.2	20.6	
ANH	4.0	13.8		3.8	9.8	
Adj. EBIT	**666**	**1,361**	**(51)**			
Core adj. EBIT	**850**	**1,361**	**(38)**			
Core adj. net profit	**555**	**1,013**	**(45)**			
Average number of shares (x millions)	265.1	264.5				
Core adj. EPS	2.03	3.77				
(Avg.) core capital employed	16,423	16,271				
Core adj. ROCE (%)	5.2	8.4				
Operating working capital	3,872	4,021				
Capital expenditures (cash)	734	775				
Adj. gross operating free cash flow	999	918				

[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 and indicators on an IFRS basis[2]

in € millions	FY 2023	FY 2022	% Change
Net sales	10,627	8,390	27
EBITDA	810	1,304	(38)
EBITDA margin (%)	7.6	15.5	
EBIT	(497)	682	(173)
Net profit (total group)	2,153	1,715	
Net EPS (total group)	9.14	9.80	
Effective tax rate (%)	2.8	20.9	
Net debt	(2,215)	(87)	
Workforce (headcount)	29,367	20,682[3]	

[2] Represents the figures on an IFRS basis, including the Firmenich results as of the merger date May 8, 2023
[3] Refers to total group, including discontinued operations.

dsm-firmenich FY 2023 and Q4

in € millions	Pro forma FY 2023[1]	Pro forma FY 2022[1]	% Change	Actual Q4 2023	Pro forma Q4 2022[1]	% Change
Sales	12,310	13,238	(7)	3,112	3,295	(6)
Organic sales growth (%)	(5)			(3)		
Adj. EBITDA	1,777	2,275	(22)	439	499	(12)
Adj. EBITDA margin (%)	14.4	17.2		14.1	15.1	

[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.

FY 2023

- Good performance in Perfumery & Beauty (P&B)
- Solid performance in Taste, Texture & Health (TTH)
- Weak performance in Animal Nutrition & Health (ANH), and Health, Nutrition & Care (HNC) on exceptionally low vitamin prices and persistent de-stocking

The results for the full year were impacted by a combination of unprecedented market dynamics that led to very low vitamin prices, together with a deep destocking cycle.

Adjusted EBITDA, significantly impacted by the vitamin effect and foreign exchange was 22% lower than in the prior year, resulting in a 280bps margin decline. This includes a negative vitamin effect which is estimated at about €500 million. Without this effect, the Adjusted EBITDA would have been in line with prior year, despite a negative foreign exchange effect of about €90 million.

Q4 2023

- Market conditions broadly unchanged
- First contribution from self-help initiatives materialized
- Strong cash flow generation, driven by disciplined action on inventory management

P&B continued to perform well, against a soft prior year comparable period, with TTH remaining resilient. ANH and HNC continued to see the same unprecedented market conditions. The quarter was notable by strong cashflow generation owing to a greater focus on, in particular, improving working capital through inventory reduction, together with the first benefits of cost synergies being realized.

Adjusted EBITDA was down 12%, owing mainly to the ongoing vitamin effect and destocking. The negative vitamin effect was estimated around €120 million and negative foreign exchange effect was slightly more than €20 million. Without this negative vitamin effect, Adjusted EBITDA would have been 24% higher than reported, despite a 5% negative FX effect. The quarter saw the initial contribution from the integration synergies of about €15 million and, in addition, savings of around €10 million from the vitamin transformation program.

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 FY 2023[1]	Pro forma FY 2022[1]	% Change	Actual Q4 2023	Pro forma Q4 2022[1]	% Change
Sales	3,709	3,792	(2)	914	916	(0)
Organic sales growth (%)	1			2		
Adj. EBITDA	783	748	5	192	166	16
Adj. EBITDA margin (%)	21.1	19.7		21.0	18.1	

[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.

FY 2023

Perfumery & Beauty delivered 1% organic sales growth, with a good performance in Perfumery owing in equal part to volumes and pricing, offset by lower volumes in Ingredients which was impacted by ongoing destocking. Personal Care recorded good growth, driven by pricing.

Perfumery delivered a strong performance in the year, with a particularly strong performance in Fine fragrances, which was supported by the demand for innovative and sustainable captive ingredients offering superior performance. The second half saw significant growth in consumer fragrances, owing to customers looking for higher inclusion of new, sustainable, and long-lasting fragrances and innovation for personal and home applications to create a superior value proposition.

This good performance was partly offset by a weak operating environment in Ingredients, impacted by ongoing destocking, low demand for industrial applications and the impact of the shutdown of the Pinova ingredients plant in Georgia, US.

Personal care performed well throughout the year, supported by good demand for its sun, skin and hair care products. The business saw increasing interest in the new product offerings made possible by the synergies created by the merger, particularly around products combining fragrances with active ingredients.

The 2023 Adjusted EBITDA was up 5% compared to prior year, driven by good demand growth, strong pricing, and continuous cost control efforts and despite a negative foreign exchange effect of around 6%. As a result, the Adjusted EBITDA margin increased to 21.1% from 19.7% in 2022.

Q4 2023

Perfumery & Beauty recorded 2% organic sales growth in Q4, mainly driven by the strong performance of Perfumery, led by both fine fragrances and consumer fragrances, and Personal Care, partially offset by the soft demand for Ingredients, which also included some year-end inventory management by customers, and the negative impact from the Pinova plant shutdown.

Adjusted EBITDA was up 16% versus an undemanding prior year which includes a negative foreign exchange effect of 5%. The Adjusted EBITDA margin was 21.0%.

Taste, Texture & Health

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

Business unit results

in € millions	Pro forma FY 2023[1]	Pro forma FY 2022[1]	% Change	Actual Q4 2023	Pro forma Q4 2022[1]	% Change
Sales	3,038	3,174	(4)	768	806	(5)
Organic sales growth (%)	(1)			(1)		
Adj. EBITDA	556	549	1	133	137	(3)
Adj. EBITDA margin (%)	18.3	17.3		17.3	17.0	

[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.

FY 2023

TTH recorded a modest 1% decline in organic sales (versus an estimated double-digit growth in prior year) with strong pricing fully offset by lower volumes due to ongoing destocking and the deliberate decision to step away from some low-margin products, including vitamins.

TTH saw solid conditions in its key end-user markets, including beverages, confectionary, dairy and bakery & cereals, albeit with destocking across the businesses.

Taste delivered a strong performance. Within Ingredients Solutions, enzymes, cultures showed solid performance. Vitamins and yeast extracts were weak.

Adjusted EBITDA was up 1% compared to prior year, despite a negative 5% foreign exchange effect. Adjusted EBITDA margin improved by 100bps to 18.3% compared to 2022, driven by strong pricing actions and more favorable mix, led by good growth in Taste.

Q4 2023

TTH saw a -1% organic sales development with a continued good performance in Taste but with Ingredients Solutions still impacted by destocking and lower volumes in vitamins and yeast extracts. Pricing was up year-on-year, despite a strong prior-year comparison when pricing was very strong to address high inflation.

Adjusted EBITDA was slightly below prior year, with a good organic performance being offset by a 5% negative foreign exchange effect. Adjusted EBITDA margin was stable compared to Q4 2022.

Synergy realization

The top line synergy potential has been validated and consists of both cross-selling opportunities as well as the development and market introduction of new joint concepts. The first cross-sell wins have been captured with a strong and growing pipeline across the regions. An example of a joint development is a new flavoured immunity-supporting yoghurt, combining health and sugar reduction with great taste. Another example is a plant-based energy snack for muscle recovery fortified with plant-based proteins, fibres, vitamins and minerals.

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.

Business unit results

in € millions	Pro forma FY 2023[1]	Pro forma FY 2022[1]	% Change	Actual Q4 2023	Pro forma Q4 2022[1]	% Change
Sales	2,270	2,418	(6)	581	587	(1)
Organic sales growth (%)	(4)			4		
Adj. EBITDA	389	533	(27)	94	121	(22)
Adj. EBITDA margin (%)	17.1	22.0		16.2	20.6	

[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*.

FY 2023

In a challenging environment, the business recorded 4% lower organic sales compared to the same prior year period with 6% lower volumes and 2% higher prices. Volumes were affected mainly by persistent destocking and softer consumer demand, while continued pricing was partially offset by low vitamin prices.

Sales in Dietary Supplements were impacted by pressure on consumer discretionary spend, especially in North America and lower demand for immunity-supporting solutions post COVID. i-Health delivered solid results driven in particular by North America online sales and strong consumption growth in select global markets. Pharma was weak. Medical Nutrition experienced good market conditions and Biomedical performed very strongly.

Early Life Nutrition faced a high comparable period (due to product shortages in North America), further exacerbated by a continuing decline in birth rates (especially in China – the largest ELN market) and ongoing destocking.

dsm-firmenich's innovative HMOs (human-milk oligosaccharides) saw strong interest from customers, especially for applications in new premium products. HNC received the first-ever approvals in China for 2 HMOs (human milk oligosaccharides) in October, clearing the way for a China launch in 2024, as well as delivering the first new products and concepts combining the strengths of the merged businesses.

The Adjusted EBITDA was down 27% year-on-year, with an estimated vitamin effect of roughly 20%, which resulted in a drop in Adjusted EBITDA margins by 490bps. Without this effect Adjusted EBITDA would have been down 7%.

Q4 2023

The fourth quarter saw volume-led organic sales growth of 4%, with no overall change in the challenging market conditions.

Dietary Supplements improved sequentially as the business began to see early signs of a stabilization in demand for immunity-supporting solutions, whilst i-Health (gut health, brain health and women's health solutions) recorded very good performance in a seasonally strong quarter supported by good market conditions.

Adjusted EBITDA was down 22% year-on-year due to work-through of high-cost inventories and idle costs due to production shutdowns. The total estimated vitamin effect in Q4 2023 was around 25%. Without this effect Adjusted EBITDA would have been up 3%.

Synergies realization

HNC saw the first effects of the planned synergies. Since the closing of the merger, the business has been integrating the Firmenich flavors portfolio focused on consumer health care. Having now both functional health ingredients and superior flavor capabilities, HNC is able to deliver infinite end-to-end solutions to delight consumers, adding to the opportunity to just cross-sell nutritional and taste ingredients, and blend these ingredients in its global premix network.

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 FY 2023[1]	Pro forma FY 2022[1]	% Change	Actual Q4 2023	Pro forma Q4 2022[1]	% Change
Sales	3,227	3,784	(15)	833	971	(14)
Organic sales growth (%)	(13)			(12)		
Adj. EBITDA	128	524	(76)	32	95	(66)
Adj. EBITDA margin (%)	4.0	13.8		3.8	9.8	

[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.

FY 2023

Overall global animal protein consumption remained resilient throughout the year driven by good demand for poultry. Market conditions in China remained subdued with pork demand stabilizing in the second part of the year but not showing the anticipated recovery.

The ANH business operated in an exceptionally challenging environment being impacted by an imbalance in the global feed additive marketplace due to ongoing destocking as farmers' profitability was squeezed on substantially higher input costs. This was most pronounced in China where pork production has been loss making throughout the year. These difficult market conditions led to unprecedented low levels of vitamin prices, as well as under-utilization of the vitamins asset base, resulting in a very weak performance of the essential ingredients activities of ANH.

Performance Solutions, such as enzymes, gut health solutions, and mycotoxin management delivered a strong performance owing to the prioritization of efficiency yield management by farmers. The strong growth in this category is supported by the innovation pipeline, which includes Bovaer®, Balancius®, ProAct360™, HiPhorius™, Mycofix® and Veramaris®.

ANH's organic sales declined by 13% comparing to the same prior year period with negative pricing (-7%) and negative volumes (-6%) – both driven by weak sales of straight vitamins.

The continued unprecedented conditions in vitamins, were addressed by prioritizing cash generation to reduce inventories, especially in the second half of the year. In June the business started the vitamin transformation program.

The Adjusted EBITDA was down 76% year-on-year, because of lower vitamin prices, weaker volumes and higher idle costs. FX had a 2% negative impact. Adjusted EBITDA margin was down to the level of 4.0% which was 980bps lower than in 2022. The total vitamin effect is estimated at around €350 million.

Q4 2023

ANH delivered a weak organic sales performance (-12%) on year-on-year comparison as market dynamics remained challenging, with the business still facing very low vitamin prices and weak demand for straight vitamins. Adjusted EBITDA was up sequentially due to self-help actions. The total vitamin effect in Q4 2023 was around €90 million.

In the fourth quarter the business continued reducing inventories as well as actively executing the company's vitamin transformation program.

Corporate activities

in € millions	Pro forma FY 2023[1]	Pro forma FY 2022[1]	% Change	Actual Q4 2023	Pro forma Q4 2022[1]	% Change
Sales	66	70	(6)	16	15	7
Adj. EBITDA	(79)	(79)	-	(12)	(20)	40

[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.*

Cash Flow and Working Capital

Cash Flow and Working Capital on a pro forma basis

in € millions	Pro forma FY 2023	Pro forma FY 2022
Adj. gross operating free cash flow	999	918
Operating working capital (OWC)	3,872	4,021
OWC as % of sales - end of period	31.1	30.5
Total working capital (WC)	3,198	3,357
Total WC as % of sales - end of period	25.7	25.5

In 2023 gross operating free cash flow represents a cash conversion of 56% of adj. EBITDA, which is 160bps up versus prior year. Strong cash delivery, especially in the second half of the year was driven by disciplined operating working capital performance and focusing on inventory reduction.

Divestment of Engineering Materials

On April 3, 2023, the company announced the completion of the sale of its Engineering Materials business to Advent International and LANXESS for an enterprise value of €3.85 billion. The agreement was initially announced on May 31, 2022. The sale resulted in a book profit of €2.8bn.

The transaction covered all of the Engineering Materials activities and marked the conclusion of the divestment of its Materials business in order to focus on Health and Nutrition.

Sustainability

The creation of dsm-firmenich resulted from the merger of two market-leading companies, DSM and Firmenich, both renowned for their unwavering commitment to sustainability. The merger brought together not just the products and processes of the legacy companies but also a shared vision to drive progress through sustainable business practices. Pioneers in sustainable business steering, both companies had a history of impactful initiatives dating back to the early 1990s, with Firmenich signing the International Chamber of Commerce's first Business Charter for Sustainable Development and DSM publishing its initial environmental report, the Responsible Care Report.

Within the wider framework of dsm-firmenich, we shall pursue our sustainability journey marked by a renewed commitment to collaboration with thought leaders, organizations like the World Business Council for Sustainable Development (WBCSD), and the World Economic Forum (WEF). We maintain our dedication to working closely with customers, suppliers and impactful partnerships, emphasizing measurable sustainability solutions throughout our value chains, bringing progress to life by integrating essential, desirable, and sustainable elements to deliver transformative solutions in Climate & Nature, Nutrition & Health, and Social Impact.

Our impact

dsm-firmenich emphasizes its commitment to being a force for good by advocating for positive business impacts on climate and nature, nutrition and health, and people. People are identified as critical to success, leading to a strategic focus on enhancing and embedding a quality and safety culture within the business. The company prioritizes product stewardship, ensuring the safety of our products throughout their lifecycle and actively addressing risks and impacts on people and the environment. Alignment, standardization, and integration of product stewardship processes were initiated post-merger. We recognize our role in contributing to the UN Sustainable Development Goals (SDGs) and employ impact measurement and reporting through our Food System Commitments. Efforts are directed toward consolidating and optimizing operational infrastructure, aiming to create a future-fit sustainable portfolio steering framework for more sustainable business opportunities.

Scope 1 and 2	**46%** Reduction in CO_2e versus 2016 in former DSM	**35%** Reduction in CO_2e versus 2017 in former Firmenich	**63%** Reduction in CO_2e versus 2017 in former DRT
Scope 3	**11%** CO_2e intensity improvement versus 2016 in former DSM	**17%** Suppliers with validated SBT for former Firmenich	**20%** Suppliers with validated SBT for former DRT
Renewable Electricity	**88%** Purchased renewable electricity for dsm-firmenich		

Sustainability Performance

dsm-firmenich has brought together two companies that are both industry leaders in their commitment to ambitious climate change mitigation targets but also their unrelenting drive to deliver against these targets. During 2023, we continued to successfully execute against the individual plans of the two companies and built on our combined expertise to develop plans for 2024 and beyond. We have worked towards creating an integrated organization with approximately 30,000 colleagues, emphasizing engagement, commitment, and dedication to deliver innovative solutions and delight customers. The merger initiated a comprehensive program to shape a new, shared culture based on values and behaviors, supporting the company's purpose of bringing progress to life.

In early 2024, we submitted our dsm-firmenich net-zero science-based targets for validation by the Science Based Targets initiative (SBTi), aiming to achieve net-zero by 2045, aligned with the ambition of keeping global warming below 1.5°C. In 2023, our Scope 1 and 2 market-based GHG emissions amounted to 915 kt CO_2e, with 606 kt CO_2e related to Scope 1 emissions and

309 kt CO_2e related to Scope 2 emissions. We realized 88% purchased renewable electricity, well on track to achieve our new target of 100% renewable electricity by 2025.

Our commitment to sustainability extends across the entire Scope 3 value chain. Our absolute Scope 3 GHG emissions amounted to 9996 kt CO_2e.

We believe that business can be a force for good. We advocate the positive role of business in society and the beneficial impact that companies can bring on Climate and Nature, Nutrition and Health, and People. Through measuring our impacts, we demonstrate how we contribute to positive outcomes for society and environment.

A major global health problem is malaria. According to the 2023 WHO World Malaria Report, there were an estimated 249 million malaria cases in 2022 of which an estimated 95 percent of them in Africa. A number that unfortunately started to increase again. Factors such as climate variability, including changes in temperature and rainfall, can impact the behaviour and survival of the malaria-carrying Anopheles mosquito. dsm-firmenich is identifying compounds that provide behavior modifying properties of these mosquitoes to help prevent malaria transmission in the developing world. These fragrance compounds can be incorporated into commonly used consumer products.

Micronutrient deficiencies affect half of preschool children and two-thirds of women of reproductive age globally. Our focus is on tackling these worldwide and improving outcomes. As part of our commitment to addressing malnutrition, we collaborate with global partners. For instance, dsm-firmenich's initiatives include working with WFP to support local food companies and value chains in the Global South to deliver more affordable, fortified, nutritious food options to communities in need, partnering with UNICEF to enhance nutrition in Nigeria, India, and Mexico, and working with World Vision International to transform food systems in Rwanda, Ethiopia, and Brazil. The company also invests in undertakings like Africa Improved Foods and Project B.E.N. (Better Eggs for Nutrition) to contribute to sustainable nutrition solutions in Africa and beyond.

The safety, health and well-being of our employees is our key priority and is anchored in our new Safety, Health and Environment (SHE) policy. The attention for safety & health focuses on three areas to ensure that they are embedded across our organization. It is our mission to provide an injury-free, healthy and secure workplace to everyone working in dsm-firmenich. As part of the merger process, new company targets on these three areas are under development. The first target to be set under this process is the frequency index Total Recordable Incident Rate for employees and contractors.

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	FY 2023[1]	Firmenich January 1 - May 8	Inter-company eliminations	Pro forma FY 2023[2]
Sales	10,627	1,697	(14)	12,310
Adj. EBITDA	1,443	334	-	1,777
Core adj. EBIT	614	236	-	850
Core adj. net profit	380	175	-	555
Adj. gross operating free cash flow	856	143	-	999

	FY 2023[1]	Firmenich January 1 - May 8	Adj. avg. number of shares	Tax adjustments	Pro forma FY 2023[2]
Core adj. net profit continuing operations available to holders of ordinary shares (in € millions)	358	128[3]		53	539[4]
Average number of ordinary shares outstanding (x millions)	233.2		31.9[5]		265.1
Core adj. EPS (in €)	1.54				2.03

[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.
[3] Excluding €6 million CumPref A dividend.
[4] Excluding €16 million attributable to non-controlling interest.
[5] Correction to reflect pro forma average shares end of period.

Definitions

The press release 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.

Earnings before interest, tax, depreciation and amortization (EBITDA)

EBITDA is defined as IFRS metric operating profit plus depreciation, amortization, and impairments.

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)'.

EBITDA margin

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

Adjusted EBITDA margin (Adj. EBITDA margin)

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

Adjusted operating profit (Adj. EBIT)

Adjusted operating profit (Adj. EBIT) is the IFRS metric operating profit adjusted for material items of profit or loss, as defined under 'APM adjustments'.

Core adjusted EBIT (Core adj. EBIT)

Core adjusted EBIT is calculated as the IFRS metric operating profit adjusted for material items of profit or loss, as defined under 'APM adjustments', and adjusted for the impact of the Firmenich purchase price allocation (PPA).

Adjusted net profit (Adj. net profit)

Adjusted net profit is the IFRS metric net profit adjusted for material items of profit or loss, as defined under 'APM adjustments'.

Core adjusted net profit (Core adj. net profit)

Core adjusted net profit is the IFRS metric net profit from continuing operations adjusted for material items of profit or loss, as defined under 'APM adjustments', and adjusted for the impact of the Firmenich purchase price allocation (PPA).

Adjusted gross operating free cash flow (AGOFCF)

Adjusted gross operating free cash flow (AGOFCF) is defined as the IFRS metric operating profit plus depreciation, amortization, and impairments, adjusted for material items of profit or loss, as defined under 'APM adjustments', corrected for changes in the working capital, minus capital expenditures. This metric is based on continuing operations.

Earnings per share (EPS)

Net profit available to holders of ordinary shares, divided by the average number of ordinary shares outstanding.

Adjusted earnings per share (Adj. EPS)

Adjusted earnings per share (Adjusted EPS) is calculated as the net profit available to holders of ordinary shares adjusted for material items of profit or loss, as defined under 'APM adjustments', divided by the average number of ordinary shares outstanding.

Core adjusted earnings per share (Core adj. EPS)

Core adjusted earnings per share (Core adjusted EPS) is calculated as the net profit from continuing operations available to holders of ordinary shares adjusted for material items of profit or loss, as defined under 'APM adjustments', and adjusted for the impact of the Firmenich purchase price allocation (PPA), divided by the average number of ordinary shares outstanding.

Capital employed

Capital employed is the total of the carrying amount of intangible assets and property, plant and equipment, inventories, trade receivables and other receivables, less trade payables, other current liabilities, investment grants and customer funding. Average capital employed is calculated as the average of the capital employed at the end of the preceding five quarters, including the current quarter.

Core capital employed

Core capital employed is defined as capital employed, adjusted for the impact of the Firmenich purchase price allocation (PPA). Average core capital employed is calculated as the average of the core capital employed at the end of the preceding five quarters, including the current quarter.

Return on capital employed (ROCE)

Return on capital employed (ROCE) is the adjusted operating profit from continuing operations as a percentage of average capital employed.

Core adjusted return on capital employed (Core adj. ROCE)

Core adjusted return on capital employed (Core adjusted ROCE) is core adjusted EBIT as a percentage of average core capital employed.

Operating working capital

The total of inventories and trade receivables, less trade payables.

Capital expenditures (CAPEX)

Capital expenditures include all investments in intangible assets and property, plant and equipment.

Net debt

Net debt is the total of current and non-current borrowings less cash and cash equivalents, current investments and the net position of derivatives.

Condensed consolidated financial statements 2023

Condensed consolidated income statement

	FY 2023	FY 2022
Continuing operations		
Net sales	10,627	8,390
Gross profit	**2,611**	**2,690**
Operating profit	**(497)**	**682**
Financial income and expense	(150)	(88)
Profit before tax	**(647)**	**594**
Income tax expense	18	(124)
Share of net profit of associates and joint ventures	(7)	5
Net profit from continuing operations	**(636)**	**475**
Net profit from discontinued operations	2,789	1,240
Net profit for the period	**2,153**	**1,715**
Attributable to:		
– Holders of shares	2,131	1,694
– Non-controlling interests	16	15
– Dividend on cumulative preference shares	6	6
Earnings per share (EPS) total (in €):		
– Basic EPS	9.14	9.80
Earnings per share (EPS) continuing operations (in €):		
– Basic EPS	(2.82)	2.64

Condensed consolidated balance sheet

in € millions	December 31 2023	December 31 2022
Assets		
Goodwill and intangible assets	18,738	5,147
Property, plant and equipment	5,549	3,576
Deferred tax assets	228	95
Share in associates and joint ventures	130	61
Derivatives	46	82
Other non-current assets	735	314
Non-current assets	**25,426**	**9,275**
Inventories	3,390	2,339
Trade receivables	2,553	1,508
Income tax receivables	107	36
Other receivables	183	78
Derivatives	42	42
Financial investments	107	125
Cash and cash equivalents	2,456	2,755
Sub-total	**8,838**	**6,883**
Assets held for sale	6	1,245
Current assets	**8,844**	**8,128**
Total assets	**34,270**	**17,403**
Equity and liabilities		
Shareholders' equity	22,908	10,743
Non-controlling interest	162	102
Equity	**23,070**	**10,845**
Deferred tax liabilities	1,751	476
Employee benefit liabilities	520	287
Provisions	142	50
Borrowings	4,114	2,978
Derivatives	8	4
Other non-current liabilities	146	205
Non-current liabilities	**6,681**	**4,000**
Employee benefit liabilities	49	5
Provisions	34	45
Borrowings	716	86
Derivatives	28	23
Trade payables	2,071	1,415
Income tax payables	177	64
Other current liabilities	1,436	490
Sub-total	**4,511**	**2,128**
Liabilities held for sale	8	430
Current liabilities	**4,519**	**2,558**
Total equity and liabilities	**34,270**	**17,403**

Condensed consolidated cash flow statement

in € millions	FY 2023	FY 2022
Cash and cash equivalents (at beginning of period)	**2,755**	**1,561**
Operating activities		
EBITDA	3,637	2,646
Changes in working capital	160	(497)
Income tax	(179)	(131)
Result divestments	(2,825)	(1,031)
Other	472	(22)
Cash provided by operating activities	**1,265**	**965**
Investing activities		
Payments for intangible assets and property, plant and equipment	(684)	(644)
Acquisition of subsidiaries	(3,691)	(74)
Disposal of subsidiaries	3,533	1,366
Proceeds from disposal of other non-current assets	16	17
Change in short-term financial investments	45	363
Interest received	60	6
Dividend received and capital (re)payments	(5)	(29)
Other cash from / used in investing activities	–	(129)
Cash used in investing activities	**(726)**	**876**
Financing activities		
Dividends paid	(582)	(345)
Interest paid	(61)	(52)
Repurchase of shares	(256)	(210)
Proceeds from (re)issued shares	757	25
Proceeds from / repayment of borrowings	(549)	22
Payment of lease liabilities	(73)	(57)
Proceeds from / repayment of debt to credit institutions	(7)	(21)
Other cash from / used in financing activities	(49)	(7)
Cash (used in) / from financing activities	**(820)**	**(645)**
Change in cash and cash equivalents	**(281)**	**1,196**
Exchange differences relating to cash held	(18)	(2)
Cash and cash equivalents at 31 December	**2,456**	**2,755**

Reconciliation to Alternative Performance Measures

in € millions	FY 2023	FY 2022
Operating profit (EBIT)	**(497)**	**682**
Depreciation, amortization and impairments	1,307	622
EBITDA	**810**	**1,304**
Acquisitions/divestments	363	4
Restructuring	234	87
Other	36	-
Sub-total APM adjustments to EBITDA	633	91
Adj. EBITDA	**1,443**	**1,395**
Operating profit (EBIT)	**(497)**	**682**
APM adjustments to EBITDA	633	91
Impairments of PPE and Intangible assets	294	(6)
Sub-total APM adjustments to operating profit (EBIT)	927	85
Adj. operating profit (EBIT)	**430**	**767**
PPA adjustments dsm-firmenich	184	-
Core adj. operating profit (EBIT)	**614**	**767**
Net profit from continuing operations	**(636)**	**475**
APM adjustments to operating profit (EBIT)	927	85
APM adjustments to financial income and expense	34	8
Income tax related to APM adjustments	(135)	(15)
APM adjustments to share of the profit of associates/jointly controlled entities	-	2
Sub-total APM adjustments	826	80
Adj. Net profit continuing operations	**190**	**555**
PPA adjustments dsm-firmenich	190	-
Core adj. net profit continuing operations	**380**	**555**
Profit attributable to non-controlling interests	(16)	(13)
Dividend on Cumulative Preference Shares	(6)	(6)
Core adj. net profit continuing operations available to holders of ordinary shares	**358**	**536**

The main APM adjustments in 2023 were:

- Acquisition (merger) of €363 million related mainly to the merger and integration between DSM and Firmenich, including the impact of the inventory step up of €197 million, following the purchase price allocation of Firmenich
- Restructuring costs of €234 million related mainly to restructuring projects, following the announced restructuring of the vitamin asset footprint, the closure of the Pinova ingredients plant and other
- Impairments of PPE, goodwill, and intangible assets of €294 million mainly related to the vitamins business.

	2023 Continuing operations	2023 Total	2022 Continuing operations	2022 Total
Earnings per share (EPS)				
Average number of ordinary shares outstanding (x million)	233.2	**233.2**	172.8	172.8
x € million				
Net profit available to holders of ordinary shares	(658)	**2,131**	456	1,694
Adjusted net profit available to holders of ordinary shares	168	**161**	536	776
Core adj. net profit available to holders of ordinary shares	358	**351**	536	776
in €				
EPS	(2.82)	**9.14**	2.64	9.80
Adj. EPS	0.72	**0.69**	3.10	4.49
Core adj. EPS	1.54	**1.51**	3.10	4.49

	2023	2022
Adjusted EBITDA	**1,441**	**1,725**
Change working capital, total group	160	(497)
Capital expenditures, total group	(692)	(651)
Excluding discontinued operations	(53)	(126)
Adj. gross operating free cash flow	**856**	**451**

Geographical information

	Switzer-land	Nether-lands	Rest of EMEA	North America	Latin America	China	Rest of Asia	Total
FY2022								
Net sales (by destination)								
In € millions	156	402	2,305	1,869	1,507	803	1,348	**8,390**
In %	2	5	26	22	18	10	17	**100**
Workforce at year-end (headcount)[1]	2,232	2,642	4,366	2,618	2,302	4,591	1,931	**20,682**
Intangible assets and property, plant and equipment at year-end (carrying amount)	1,852	1,304	2,105	2,143	404	774	141	**8,723**
FY 2023								
Net sales (by destination)								
In € millions	204	424	3,103	2,420	1,653	997	1,826	**10,627**
In %	2	4	29	23	16	9	17	**100**
Workforce at period-end (headcount)	3,647	1,849	7,846	4,264	3,617	4,664	3,480	**29,367**
Intangible assets and property, plant and equipment at period-end (carrying amount)	15,474	1,665	3,147	2,600	506	612	283	**24,287**

[1] *Refers to total group, including discontinued operations.*

Notes to the Condensed consolidated financial statements

The financial statements and other reported data in this press release have not been audited.

Financial calendar

February 22, 2024:	North American Investor Event in Princeton, USA
May 2, 2024:	Q1 2024 trading update
May 7, 2024:	Annual General Meeting
June 3, 2024:	Capital Markets Day in Paris
July 30, 2024:	H1 2024 financial results
October 31, 2024:	Q3 2024 trading update

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

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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