



# Presentation to investors

## H1 2018 results

ROYAL DSM  
HEALTH NUTRITION MATERIALS



## Safe harbor statement

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- This presentation may contain forward-looking statements with respect to DSM's future (financial) performance and position. Such statements are based on current expectations, estimates and projections of DSM and information currently available to the company. DSM cautions readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore it should be understood that many factors can cause actual performance and position to differ materially from these statements. DSM has no obligation to update the statements contained in this presentation, unless required by law.
- More details on DSM's H1 2018 performance can be found in the H1 2018 results press release, published together with this presentation. A more comprehensive discussion of the risk factors affecting DSM's business can be found in the company's latest Annual Report, which can be found on the company's corporate website, [www.dsm.com](http://www.dsm.com)

# Highlights H1 2018

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- DSM reports a very good H1 with strong performance across all businesses
- Continued strong organic sales growth in underlying business estimated at 10%
- Adjusted EBITDA growth of underlying business estimated at 7%, despite significant FX headwind
- ROCE of underlying business estimated at 13.8%, up 160 bps
- Additional temporary vitamin price benefit estimated at €275m on Adjusted EBITDA
- Total Adjusted EBITDA up 45% and Net profit up 103% to €633m
- Cash from Operating Activities €503m up 53%
- Interim dividend of €0.77, reflecting the proposed dividend increase of about 25% for 2018
- Full year outlook reconfirmed

# Highlights Q2 2018

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- DSM reports a very good Q2 with strong performance across all businesses
- Continued strong organic sales growth in underlying business estimated at 8%
- Adjusted EBITDA growth of underlying business estimated at 6%, despite significant FX headwind
- Nutrition: an estimated 8% underlying organic sales growth and Adjusted EBITDA growth of underlying business estimated at 6%
- Materials: 7% organic sales growth and Adjusted EBITDA growth of 5%
- Additional temporary vitamin price benefit estimated at €110m on Adjusted EBITDA
- Total Adjusted EBITDA up 35%

## Quote from CEO Feike Sijbesma

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Feike Sijbesma  
CEO / Chairman of  
the DSM Managing Board

- *“Our ongoing focus on driving above market growth while pursuing efficiency initiatives and maintaining capital discipline, continues to drive our results. Following a strong start to the year, we are very pleased to report very good H1 results, with organic growth above market across all our businesses, and strong underlying Adjusted EBITDA growth despite significant foreign exchange headwinds. During the quarter, we also took another important step in monetizing our partnerships through announcing our exits from Fibrant and DSM Sinochem Pharmaceuticals. Our business conditions remain strong and we reiterate our full year 2018 outlook.*

*We are convinced our recent strategy update will create enhanced organic sales growth and continued EBITDA momentum, as DSM evolves further towards a purpose-led, science-based company in Nutrition, Health and Sustainable Living. The step-up in our dividend for 2018, already reflected in the interim dividend, demonstrates our confidence in our future earnings growth.”*

# Outlook 2018

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- DSM confirms its full year outlook 2018, as provided at Q1 2018, and expects an Adjusted EBITDA growth towards 25% and a related higher ROCE growth. This is based on:
  - a low double-digit Adjusted EBITDA growth in the underlying business at constant currencies,
  - a negative foreign exchange effect on Adjusted EBITDA of about €70 million, and
  - an additional Adjusted EBITDA benefit estimated at €275 million from a temporary exceptional vitamin pricing environment

# Key H1 2018 figures and indicators<sup>1</sup>

in € million	H1 2018			H1 2017 Reported	% Change				
	Underlying <sup>2</sup> business	Temporary <sup>2</sup> vitamin effect	Total Group		Underlying <sup>2</sup> organic growth	FX & 'other' <sup>2</sup>	Underlying <sup>2</sup> total growth	Temporary <sup>2</sup> vitamin effect	Total Group
<b>Sales</b>	4,429	365	4,794	4,320	10%	-7%	3%	8%	11%
Nutrition	2,840	365	3,205	2,778	10%	-8%	2%	13%	15%
Materials	1,492		1,492	1,426	9%	-4%	5%		5%
<b>Adjusted EBITDA</b>	771	275	1,046	721			7%	38%	45%
Nutrition	564	275	839	528			7%	52%	59%
Materials	261		261	241			8%		8%
Innovation	0		0	1					
Corporate	-54		-54	-49					
EBITDA	754	275	1,029	689					
Adjusted EBITDA margin	17.4%		21.8%	16.7%					

1. Adjusted EBITDA is an Alternative Performance Measure (APM) that reflects continuing operations

2. Underlying business is defined in this presentation as the performance measures sales and adjusted EBITDA, corrected for DSM's best estimate of the vitamin effect, which is expected to be temporary

# Key Q2 2018 figures and indicators<sup>1</sup>

in € million	Q2 2018			Q2 2017 Reported	% Change				
	Underlying <sup>2</sup> business	Temporary <sup>2</sup> vitamin effect	Total Group		Underlying <sup>2</sup> organic growth	FX & 'other' <sup>2</sup>	Underlying <sup>2</sup> total growth	Temporary <sup>2</sup> vitamin effect	Total Group
<b>Sales</b>	2,214	145	2,359	2,161	8%	-6%	2%	7%	9%
Nutrition	1,410	145	1,555	1,380	8%	-6%	2%	11%	13%
Materials	754		754	725	7%	-3%	4%		4%
<b>Adjusted EBITDA</b>	398	110	508	376			6%	29%	35%
Nutrition	287	110	397	271			6%	40%	46%
Materials	135		135	128			5%		5%
Innovation	1		1	0					
Corporate	-25		-25	-23					
EBITDA	393	110	503	355					
Adjusted EBITDA margin	18.0%		21.5%	17.4%					

1. Adjusted EBITDA is an Alternative Performance Measure (APM) that reflects continuing operations

2. Underlying business is defined in this presentation as the performance measures sales and adjusted EBITDA, corrected for DSM's best estimate of the vitamin effect, which is expected to be temporary



## Group | Key financials (incl. temporary vitamin effect)

in € million	H1 2018	H1 2017	% Change	Q2 2018	Q2 2017	% Change
<b>Sales</b>	<b>4,794</b>	4,320	11%	<b>2,359</b>	2,161	9%
<b>Adjusted EBITDA</b>	<b>1,046</b>	721	45%	<b>508</b>	376	35%
<b>Adjusted EBITDA margin</b>	<b>21.8%</b>	16.7%		<b>21.5%</b>	17.4%	
<b>ROCE (%)<sup>1</sup></b>	<b>20.8%</b>	12.2%				
<b>Effective tax rate<sup>2</sup></b>	<b>18.0%</b>	18.0%				
<b>Adjusted net profit<sup>3</sup></b>	<b>643</b>	338	90%	<b>306</b>	175	75%
<b>Net profit - Total DSM<sup>3</sup></b>	<b>633</b>	312	103%	<b>302</b>	163	85%
<b>Adjusted net EPS</b>	<b>3.64</b>	1.90	92%	<b>1.73</b>	0.98	77%
<b>Net EPS - Total DSM</b>	<b>3.58</b>	1.75		<b>1.70</b>	0.91	
<b>Operating cash flow</b>	<b>503</b>	329	53%	<b>193</b>	133	45%

1. ROCE from underlying business H1 2018 is estimated at 13.8%

2. Over Adjusted net taxable result

3. Including result attributed to non-controlling interest

4. Cash, net of customer funding, investment grants and excluding financial leases

5. Year-end 2017

# Nutrition | Key financials

- Nutrition** continues to deliver on its above-market growth ambition through an expanding portfolio of higher-value feed and food solutions as well as through customer-led innovation and marketing & sales excellence
- Due to the exceptional supply disruptions in the industry, the first half year also benefited from an estimated €275 million **additional Adjusted EBITDA contribution** from an exceptional temporary vitamin price environment. This vitamin price effect was mainly related to animal nutrition with prices normalizing by the end of the quarter

## Underlying business

in € million (estimated)	H1 2018	H1 2017	% Change	Q2 2018	Q2 2017	% Change
Sales	2,840	2,778	2%	1,410	1,380	2%
Adjusted EBITDA	564	528	7%	287	271	6%
Adjusted EBITDA margin (%)	19.9%	19.0%		20.4%	19.6%	
ROCE (%)	15.4%	13.9%				

## Temporary vitamin effect

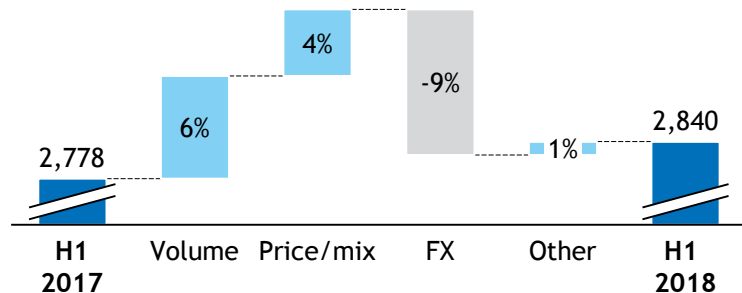
in € million (estimated)	H1 2018	Q2 2018
Sales	365	145
Adjusted EBITDA	275	110

## Total cluster

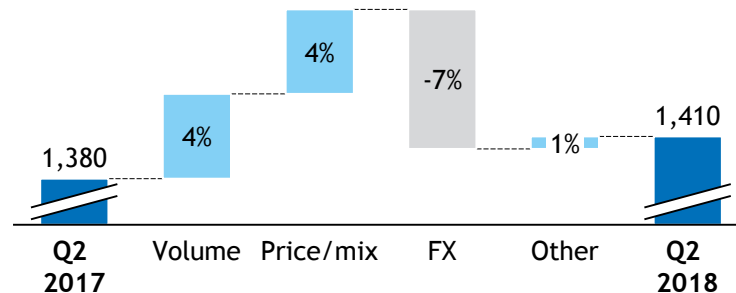
in € million	H1 2018	H1 2017	% Change	Q2 2018	Q2 2017	% Change
Sales	3,205	2,778	15%	1,555	1,380	13%
Adjusted EBITDA	839	528	59%	397	271	46%
Adjusted EBITDA margin (%)	26.2%	19.0%		25.5%	19.6%	
Adjusted EBIT	698	383	82%	328	198	66%
Capital Employed	5,689	5,431				
Average Capital Employed	5,505	5,508				
ROCE (%)	25.4%	13.9%				
Total Working Capital	1,669	1,548				
Average Total Working Capital as % of Sales	24.3%	27.6%				

# Nutrition | Overview (underlying business)

Sales bridge | H1 2017 to H1 2018



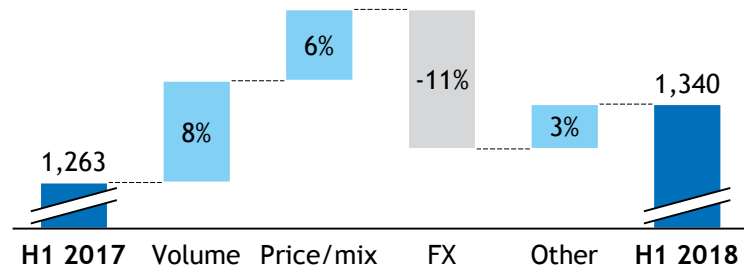
Sales bridge | Q2 2017 to Q2 2018



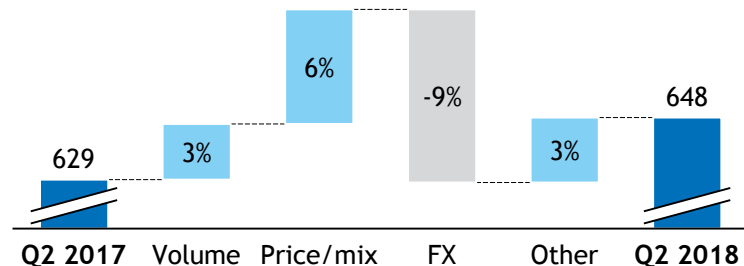
- H1 2018 organic sales growth** in the underlying Nutrition business was an estimated 10%
  - Driven by continued strong volume growth of 6%, well above market
  - 4% higher prices partly off-set 9% negative foreign currency effects and higher input costs
- Q2 2018 organic sales growth** was an estimated 8% in the underlying Nutrition business
  - Driven by 4% volume growth, with continued strong performance in both Animal Nutrition and Human Nutrition
  - Prices were up 4%, in line with Q1
- H1 2018 Adjusted EBITDA growth** in the underlying business was estimated at 7%. This was mainly driven by volume growth and the contributions from the savings and efficiency improvement programs partly offset by negative foreign exchange effects
  - The estimated **Adjusted EBITDA margin** was 19.9%, up 90 bps
- Q2 2018** showed an estimated **Adjusted EBITDA growth** of 6% in the underlying business, despite significant negative foreign exchange effects
  - The estimated **Adjusted EBITDA margin** was 20.4%, a step-up of 80 bps versus Q2 2017

# Animal Nutrition & Health | Sales overview (underlying business)

Sales bridge | H1 2017 to H1 2018



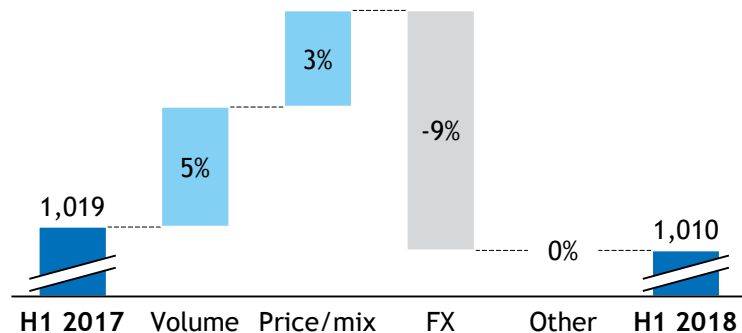
Sales bridge | Q2 2017 to Q2 2018



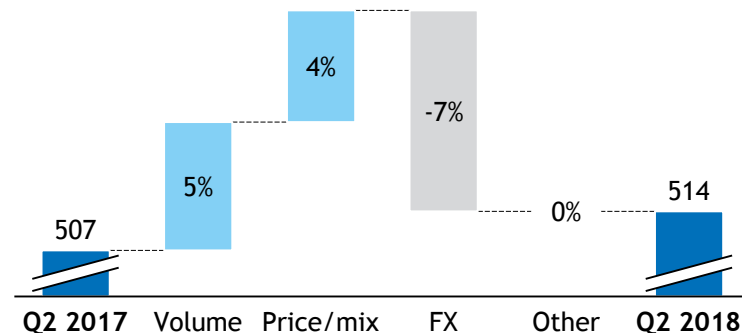
- Animal Nutrition continues to benefit from its strong position in higher growth, well diversified, premix solutions activities through its ability to address a wide range of species, as well as its diversified geographic presence
- **H1 2018 organic sales growth** was an estimated 14% in the underlying business
  - Volumes were up 8% driven by very strong premix solutions sales with strong business conditions in all regions, with the exception of Brazil, where the ongoing unrest continues to impact the local economy
  - H1 2018 benefitted from an exceptionally strong first quarter as a result of customers focusing on security of supply, driven predominantly by the environmental 'Blue Skies policies' in China and the introduction of reformulated forms due to new European regulations. Markets normalized in Q2
  - 6% higher prices were driven by price initiatives to mitigate higher input costs and the impact of negative exchange rate developments, led by the weaker US dollar and the Brazilian real. Furthermore, prices were supported by the effects of the 'Blue Skies policies'
- **Q2 2018 organic sales growth** in the underlying business was an estimated 9%
  - The reported 3% volume growth was negatively impacted by the trucker strikes in Brazil
    - Without this event, volume growth would have been 6%
  - Prices were up 6%, in line with Q1

# Human Nutrition & Health | Sales overview (underlying business)

Sales bridge | H1 2017 to H1 2018



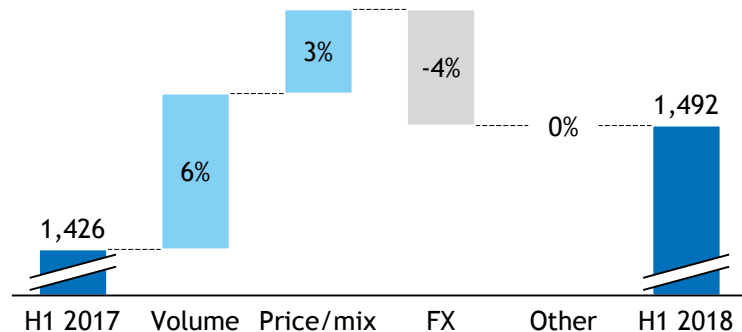
Sales bridge | Q2 2017 to Q2 2018



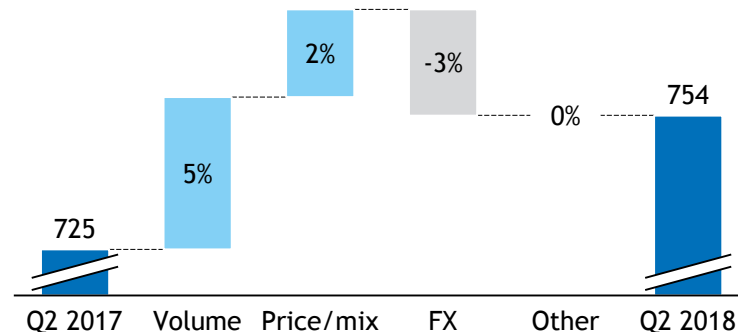
- Human Nutrition continued to deliver on its strong growth trajectory, with all regions and segments contributing
- H1 2018 organic sales growth in the underlying business was an estimated 8%
  - In both Q1 and Q2 2018 volumes were up 5%, with well above market growth across all regions and market segments
    - Volume growth was specifically strong in premix solutions as well as in the i-Health business
  - Prices were up 3% resulting from a combination of a favorable mix due to strong growth in premix and i-Health, as well as benefits from higher prices for premix and advanced formulations, supported by the effects of the 'Blue Skies policies' in China

# Materials | Sales overview

## Sales bridge | H1 2017 to H1 2018



## Sales bridge | Q2 2017 to Q2 2018



- Materials continues its ongoing 'silent transformation', focusing strongly on higher growth, higher margin specialty materials, aimed at more sustainable, innovative lightweight, environmentally friendlier, safer, and higher-performing solutions. By directing its unique segment-specific application development skills more towards customer-driven innovation in health, bio/ green applications and new mobility & connectivity applications, Materials aims to continue its above-market growth ambitions
- H1 2018 organic sales growth** was 9%
  - 6% higher volumes
  - 3% higher prices, reflecting price increases to offset higher raw material costs
- Q2 2018 organic sales growth** was 7%

## Materials | Sales overview (cont'd)

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- **DSM Engineering Plastics** delivered a very strong sales performance throughout H1, benefitting from its continued efforts to shift its portfolio towards higher-value, sustainable, specialty materials for the electrics & electronics and automotive industries. Strong growth was supported by the launch of new applications, as well as clean energy initiatives
- **DSM Resins & Functional Materials** had a strong start to the year, after which Q2 saw a moderation in the rate of sales growth. While Functional Materials continued to deliver strong growth, the coatings businesses showed a mixed picture: North America and Asia kept performing well, including continued strong demand in China for environmentally-friendly specialty resins solutions. In Europe, there is some uncertainty amongst the coating players in the chain on how the building and construction market will develop throughout the current high season period
- **DSM Dyneema** had a very strong performance throughout H1 driven by high demand in personal protection

## Materials | Key financials

in € million	H1 2018	H1 2017	% Change	Q2 2018	Q2 2017	% Change
Sales	1,492	1,426	5%	754	725	4%
Adjusted EBITDA	261	241	8%	135	128	5%
Adjusted EBITDA margin (%)	17.5%	16.9%		17.9%	17.7%	
Adjusted EBIT	199	177	12%	104	96	8%
Capital Employed	1,901	1,807				
Average Capital Employed	1,837	1,815				
ROCE (%)	21.6%	19.5%				
Total Working Capital	417	353				
Average Total Working Capital as % of Sales	12.8%	12.2%				

- **H1 2018 Adjusted EBITDA** was up 8%, driven by good volume growth and its specialty portfolio
  - The **Adjusted EBITDA margin** was 17.5%, versus 16.9% in H1 2017



## Innovation | Key financials

in € million	H1 2018	H1 2017	% Change	Q2 2018	Q2 2017	% Change
Sales	75	84	-11%	39	41	-5%
Adjusted EBITDA	0	1		1	0	
Adjusted EBIT	-12	-12		-6	-7	
Capital Employed	589	592				

- The **Innovation Center** ensures that DSM has a robust innovation and growth pipeline. It serves as a center of excellence to accelerate the innovation power of DSM's core businesses. It is also responsible for developing DSM's Emerging Business Areas, bringing long-term sustainable growth platforms in promising end-markets
- The Emerging Business Areas reported slightly lower organic sales in **H1 2018** as a result of timing of orders at DSM Biomedical and a slowdown of sales at DSM Advanced Solar following a policy change by the Chinese government to reduce the number of subsidized solar parks to be installed. Nevertheless, DSM is progressing well with its innovation activities, creating the basis for good growth

## Corporate Activities | Key financials

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in € million	H1 2018	H1 2017	Q2 2018	Q2 2017
Sales	22	32	11	15
Adjusted EBITDA	-54	-49	-25	-23
Adjusted EBIT	-68	-70	-32	-31

- **H1 2018 Adjusted EBITDA** was slightly below H1 2017, mainly due to higher insurance claims at DSM's captive insurance company

## Key joint ventures/associates | Financial overview

in € million, based on 100%		H1 2018	H1 2017	% Change	Q2 2018	Q2 2017	% Change
DSM Sinochem	Sales	239	217	10%	118	107	10%
	Adjusted EBITDA%	16%	15%		15%	14%	
ChemicalInvest	Sales	1,015	996	2%	483	461	5%
	Adjusted EBITDA%	9%	8%		9%	7%	

- On 17 May 2018 Fibrant Holding BV announced the proposed sale of Fibrant BV and 60% of the shares of Fibrant China to the Highsun Holdings Group Ltd. Through the joint venture [ChemicalInvest](#), DSM indirectly owns 35% of the shares of Fibrant BV. The intended sale is subject to customary regulatory approvals and consultations. It is estimated that DSM will receive about €200 million in cash following the closing of the transaction with Highsun Holdings Group Ltd.
- On 29 June 2018 DSM announced the sale of [DSM Sinochem Pharmaceuticals](#) to Bain Capital and has now classified its interest in this company as held for sale. The transaction is subject to customary regulatory approvals and consultations. DSM will receive about €250 million for its equity stake, excluding an earn-out (estimated at around €50 million) and transaction costs. DSM expects to receive approximately €275 million in cash following closing, including repayment of debt and after transaction costs

## Joint ventures/associates | Net result contribution

in € million	H1 2018	H1 2017	Q2 2018	Q2 2017
DSM Sinochem (50%)	7	4	3	1
Patheon <sup>1</sup>	0	7	0	-2
ChemicalInvest (35%) <sup>2</sup>	12	0	5	0
Other associates / joint ventures	-11	-14	-5	-10
Total before APM adjustments	8	-3	3	-11
APM adjustments	-1	2	-1	4
Share of the profit of associates/joint ventures	7	-1	2	-7

1. DSM completed the divestment of its share in Patheon on 29 August 2017

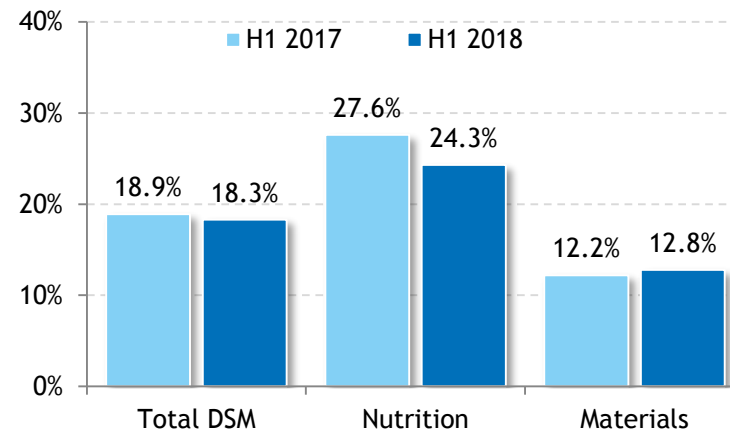
2. DSM does not recognize losses below zero equity value as DSM has no obligation to fund beyond its net interest

# Cash flow and Working Capital | Overview

## Cash flow, Capital Expenditures and Financing

in € million	H1 2018	H1 2017	Q2 2018	Q2 2017
Cash provided by Operating Activities	503	329	193	133
Operating Working Capital	2,347	2,062		
Operating Working Capital as % of Sales	24.9%	23.9%		
Total Working Capital	1,807	1,591		
Total Working Capital as % of Sales	19.2%	18.4%		

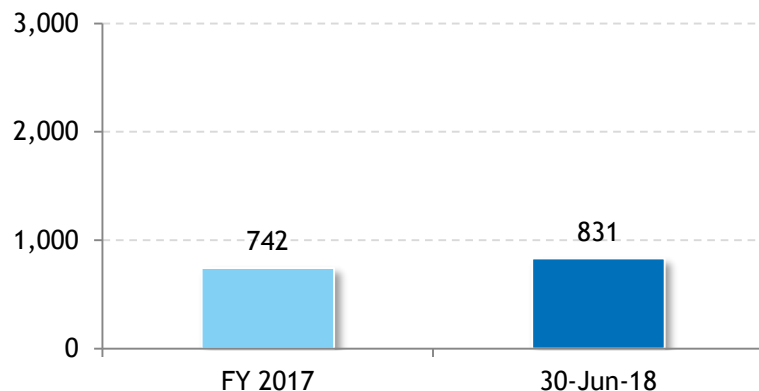
## Average Total Working Capital %



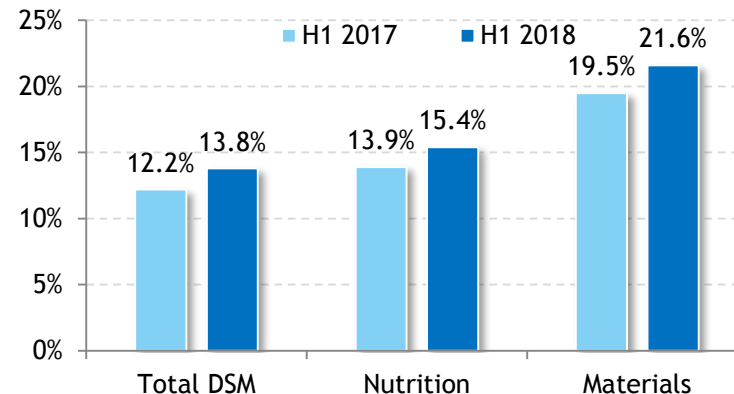
- **Cash flow from operating activities** amounted to €503 million in H1 2018 showing an improvement of €174 million (+53%) compared to H1 2017
- **Total Working Capital** amounted to €1,807 million at the end of H1 2018 compared to €1,591 million at the end of H1 2017
  - Average Total Working capital as a percentage of sales amounted to 18.3%. The increase in Operating Working Capital was due to higher working capital in Nutrition following inventory built up in view of the scheduled maintenance stops in H2 2018 as well as higher receivables as a result of higher sales levels

# Net debt and ROCE | Overview

## Net debt



## ROCE (estimation of underlying business)

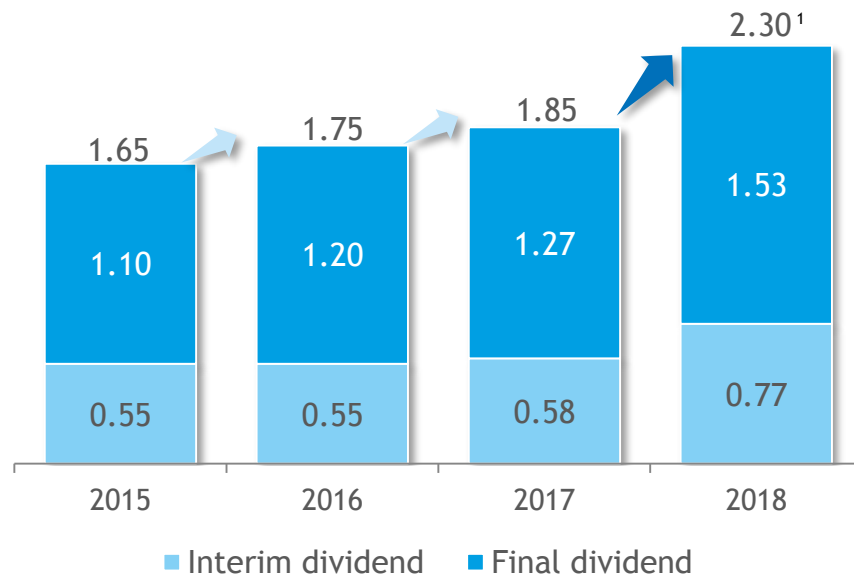


- **Net debt** was €831m vs. €742m at the end of 2017
- **ROCE** of underlying business up 160bps to 13.8%
  - Including temporary vitamin effect, H1 2018 ROCE at 20.8%

# Interim dividend proposal | DSM will pay an interim dividend of €0.77 per ordinary share in line with its proposal to increase 2018 dividend with ~25%

- Maintaining dividend policy: Stable and preferably rising
- Proposal to increase ordinary dividend for 2018 with about 25% to €2.30 per share
  - Reflecting future earnings/ cash generation
  - DSM to pay about one third of the proposed dividend for 2018 (€0.77 per ordinary share) as interim dividend
- The interim dividend will be payable in cash or in the form of ordinary shares, at the option of the shareholder
  - A maximum of 40% of the total dividend amount is available for stock dividend
  - Dividend in cash will be paid after deduction of 15% Dutch dividend withholding tax
- The ex-dividend date is 3 August 2018
  - The interim dividend will be payable as from 24 August 2018

Dividend per ordinary DSM share (€)



1. Subject to AGM approval

# ANNEX

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# DSM strategy update: Growth & Value - Purpose led, Performance driven

== Click here for all strategy documents ==

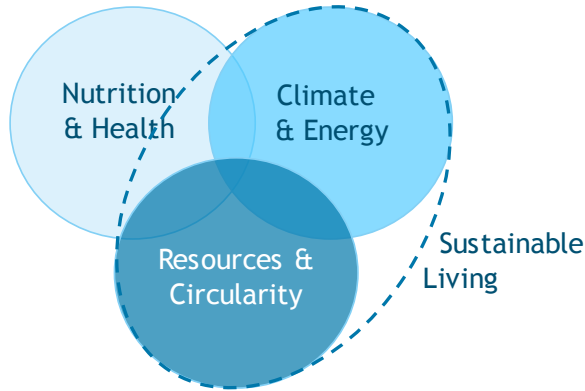
DSM's key competences ...



... addressing megatrends/SDGs ...



... provide growth opportunities in the focus-domains ...



... creating a growth company ...



2021 Targets:

high single-digit % annual increase  
Adj. EBITDA

~10% average annual increase  
Adj. Net Operating Free Cash Flow



Science based company in Nutrition, Health & Sustainable Living

Value-creating M&A

## Group | Net sales development (incl. temporary vitamin effect)

in € million	H1 2018	H1 2017	% Change	Volume	Price/mix	FX	Other
<b>Sales</b>	<b>4,794</b>	4,320	11%	5%	13%	-7%	0%
Nutrition	3,205	2,778	15%	5%	18%	-9%	1%
Materials	1,492	1,426	5%	6%	3%	-4%	0%
Innovation Center	75	84					
Corporate Activities	22	32					

in € million	Q2 2018	Q2 2017	% Change	Volume	Price/mix	FX	Other
<b>Sales</b>	<b>2,359</b>	2,161	9%	3%	12%	-6%	0%
Nutrition	1,555	1,380	13%	2%	17%	-7%	1%
Materials	754	725	4%	5%	2%	-3%	0%
Innovation Center	39	41					
Corporate Activities	11	15					

## Group | EBITDA development (incl. temporary vitamin effect)

in € million	H1 2018	H1 2017	% Change	Q2 2018	Q2 2017	% Change
<b>Sales</b>	<b>4,794</b>	4,320	11%	<b>2,359</b>	2,161	9%
<b>Adjusted EBITDA</b>	<b>1,046</b>	721	45%	<b>508</b>	376	35%
Nutrition	<b>839</b>	528	59%	<b>397</b>	271	46%
Materials	<b>261</b>	241	8%	<b>135</b>	128	5%
Innovation Center	<b>0</b>	1		<b>1</b>	0	
Corporate Activities	<b>-54</b>	-49		<b>-25</b>	-23	



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