



Annual Results 2018

Feike Sijbesma, CEO & Chairman Managing Board Royal DSM

Annual General Meeting, Heerlen (NL) - 8 May 2019

NUTRITION HEALTH SUSTAINABLE LIVING



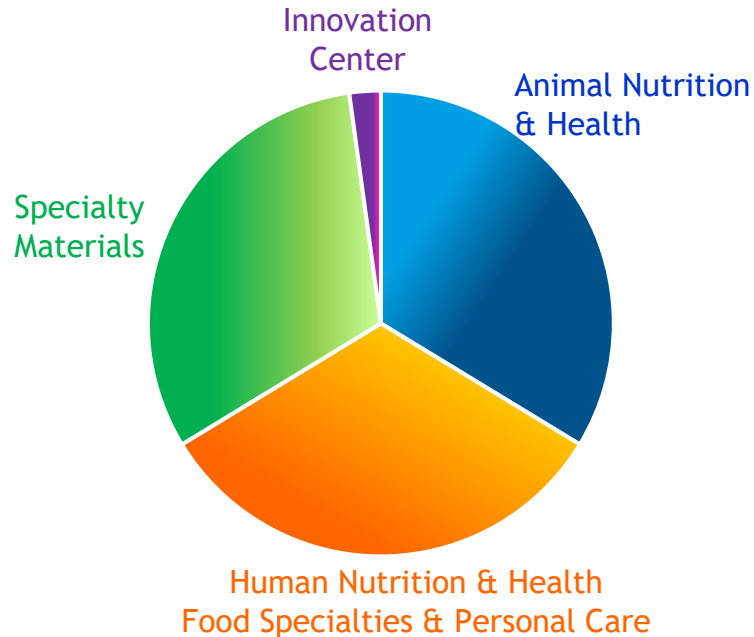
# Safe harbor statement

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

# Agenda

- 1 Introduction - attractive portfolio
- 2 2018 - Highlights of another successful year
- 3 Strategy 2018 - successfully delivered
- 4 Strategy 2021 Growth & Value - Purpose led, Performance driven
- 5 First quarter 2019 - A good start to the year

# Royal DSM @ a glance - (2018 numbers)

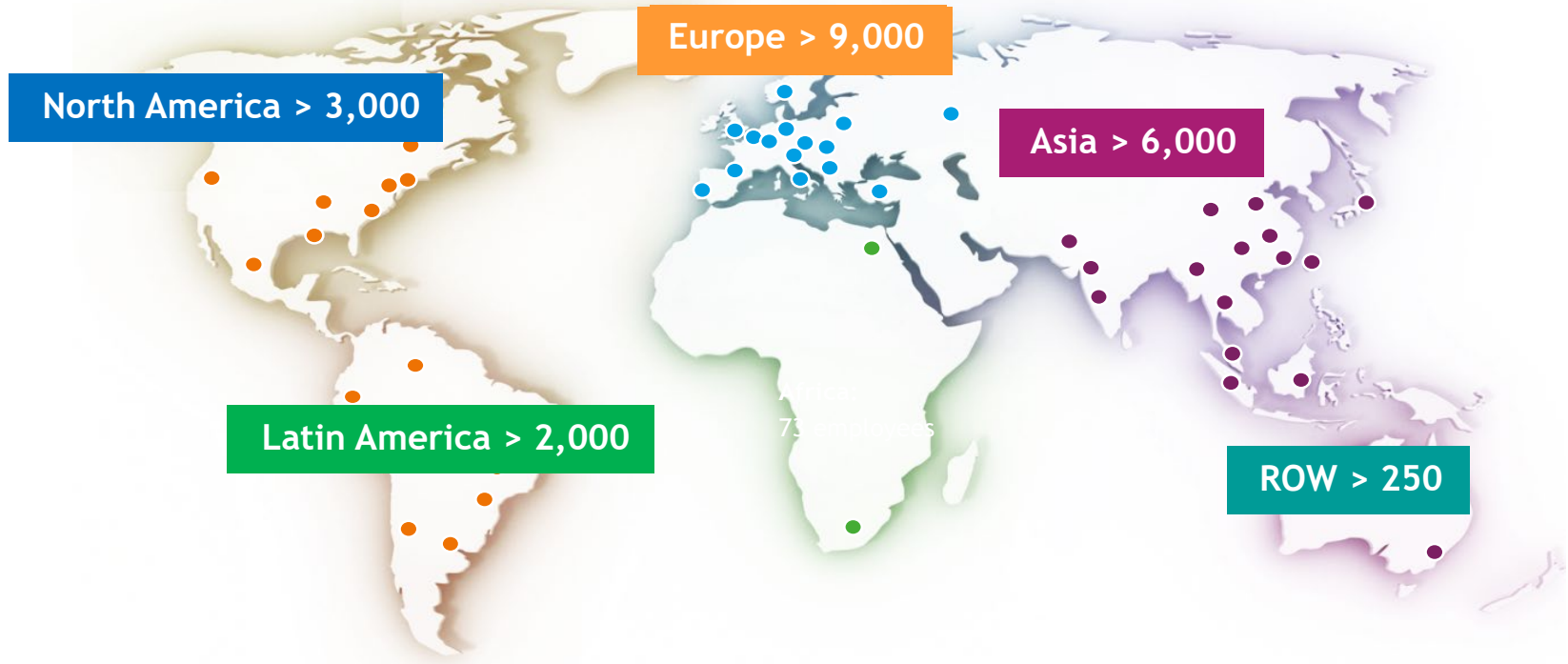


- Sales: ~ €10bn (adj. EBITDA: ~ €1.5/1.8bn)
- Global: ~ 45% sales from emerging economies (EU-35% - Americas-35% - Asia/ROW-30%)
- Innovation: ~ 20% of sales (avg. last 5 years)
- R&D investments: ~ 5% of sales (avg. last 5 years)
- Workforce: ~ 23,000 employees (highly engaged)
- Strategy: - aligned with UN SDG's & Megatrends
- Sustainability: - GHG linked RCF, SBT's, RE100, CO<sub>2</sub>@€50, TCFD  
- reaching ~2.5bn people worldwide

# DSM global workforce

~60% Employees outside Europe (compared with 37% in 2006)

~23,000 Employees incl. JVs/Associates



# Successful transformation future-proofing DSM

Coal mining



(Petro)chemicals



Nutrition, Health & Sustainable Living



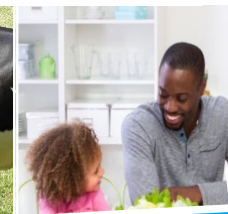
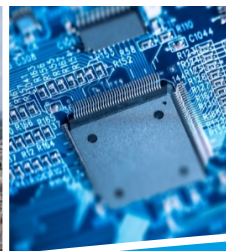
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DSM



Unlimited. DSM

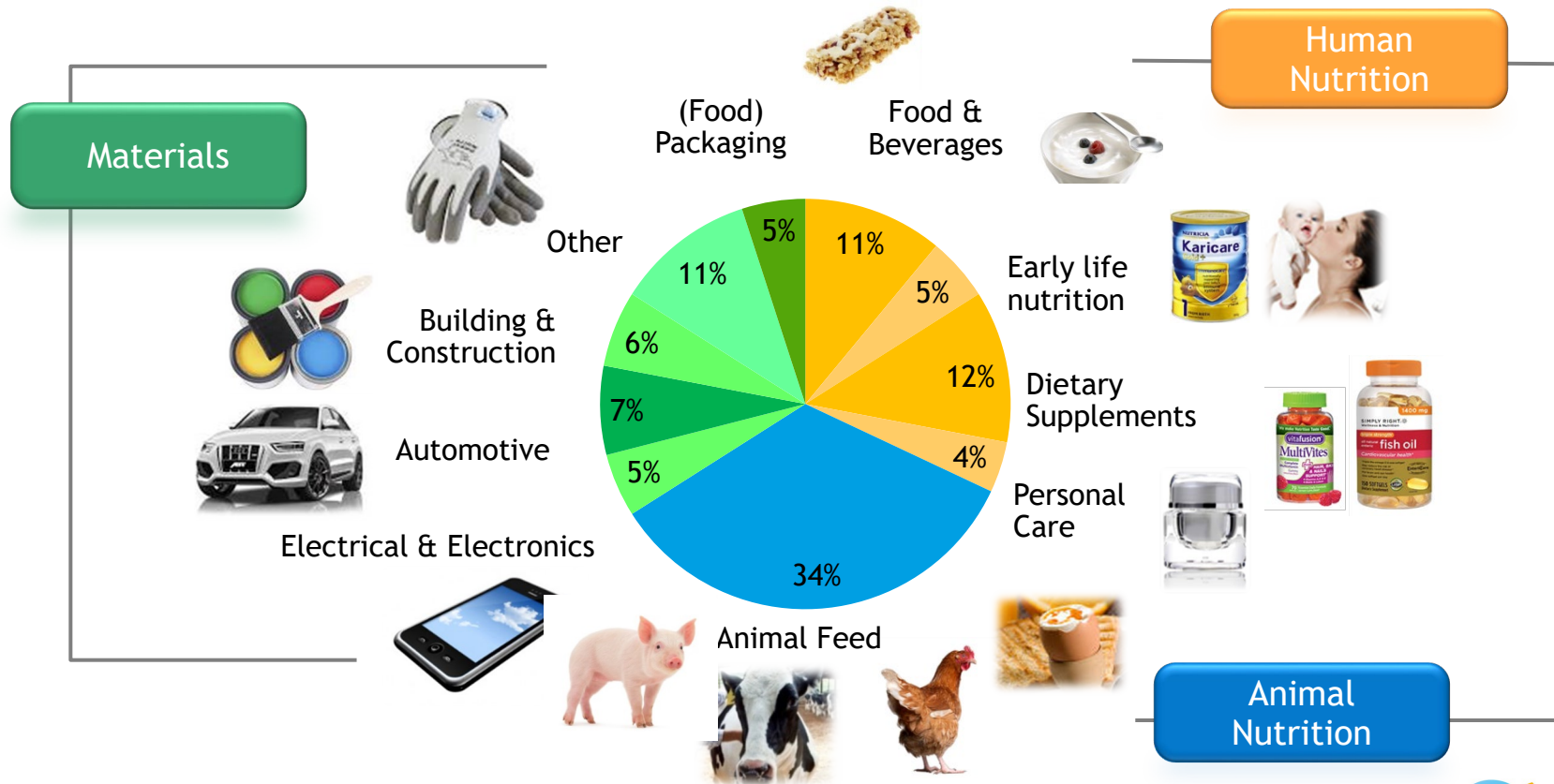


2018



DSM

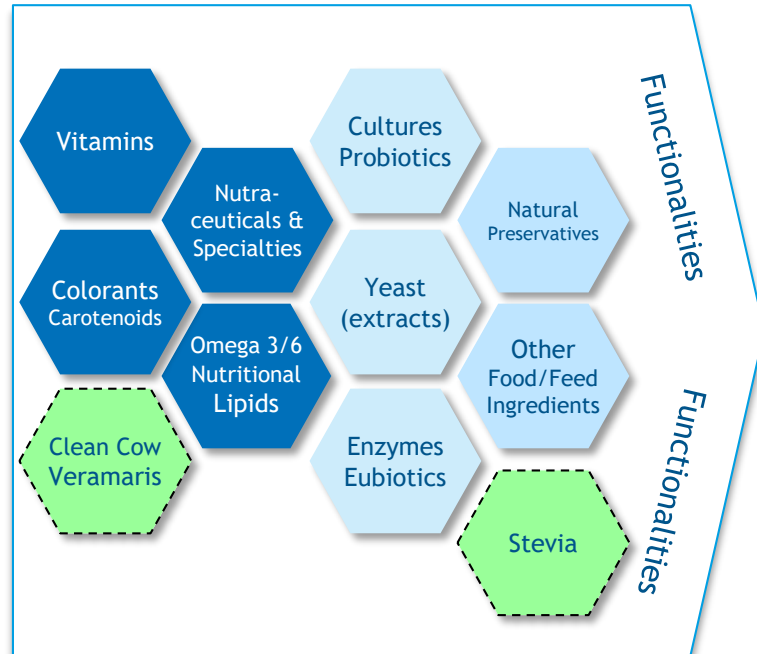
# DSM offers products & solutions to a wide range of end-markets



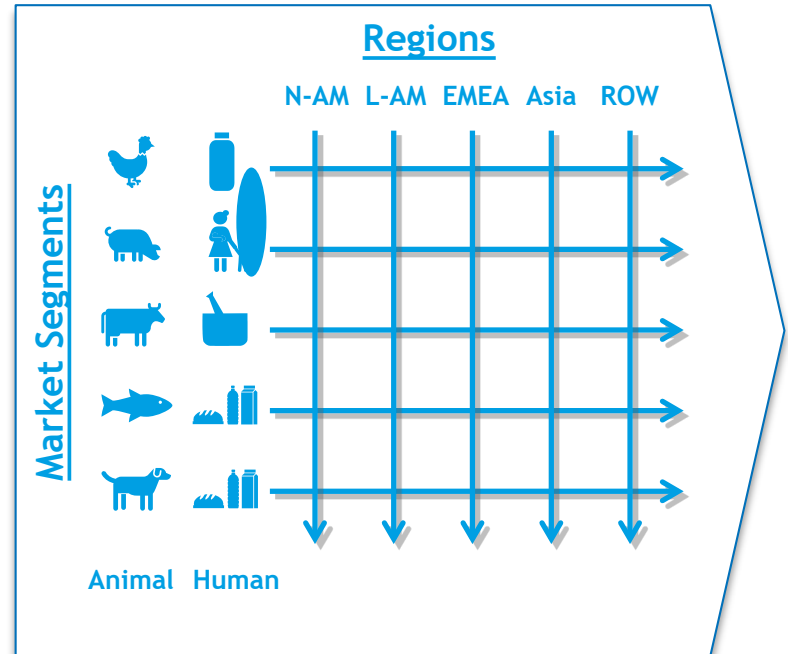
# Nutrition's attractive business model

Broad, global portfolio in food & feed ingredients and solutions

## Global Products



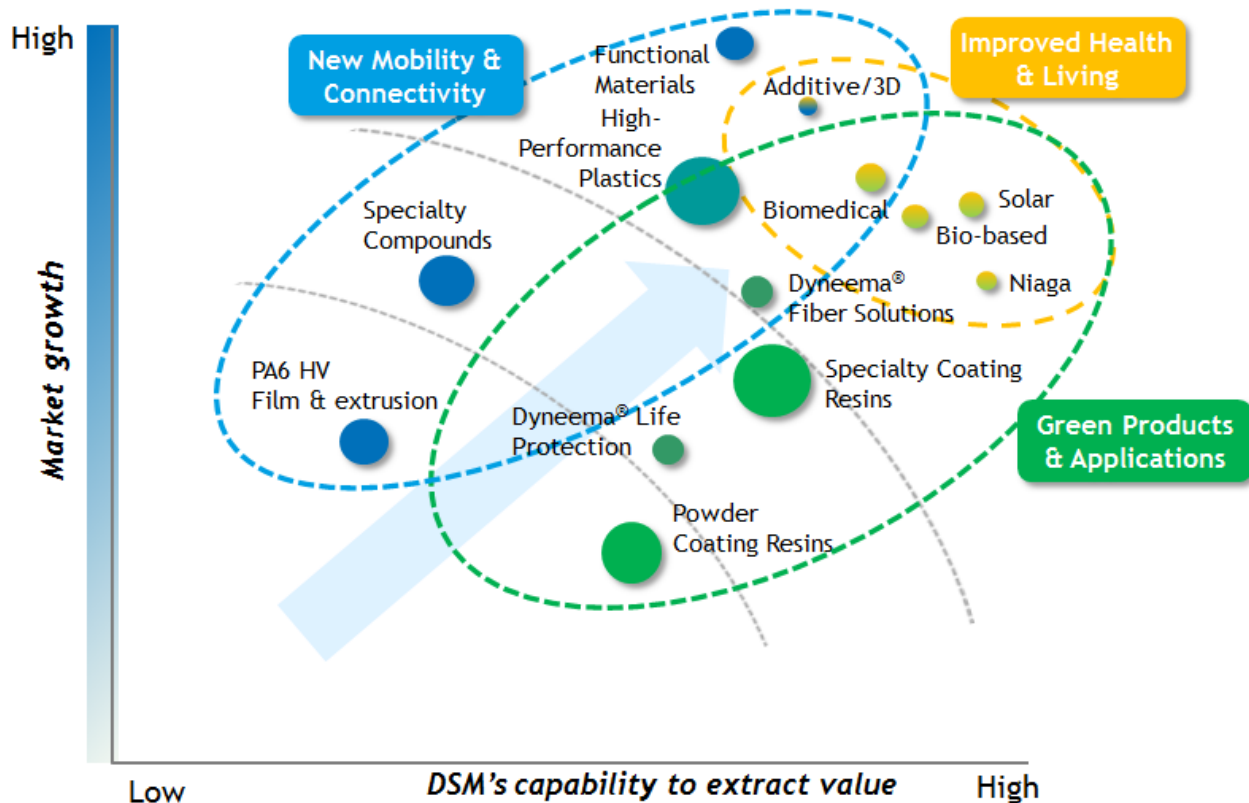
## Local Solutions





# Materials capturing opportunities in Sustainable Living

Silent transformation towards higher-growth, higher-margin, specialty applications



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# For DSM 2018 was a very successful year in almost every way

## Highlights



Hard work and engagement of our employees delivered very strong results (pride)



Financially: well ahead of our strategic targets, creating significant value in all our businesses



In sustainability we outperformed our aspirations



Our people highly engaged & committed; though safety performance needs to further improve



Well placed delivering 2021 targets  
(above-market growth/further step up in profitability, returns and sustainability)

# PROFIT: we delivered well ahead of our strategic targets

Creating significant value in all our businesses



Sales underlying  
€8,852m  
up 6% organically

Total Sales  
€9,276m  
up 7%

Adj. EBITDA  
underlying  
€1,532m  
up 6%

Total Adj. EBITDA  
€1,822m  
up 26%

ROCE underlying  
13.3%  
up 100bps

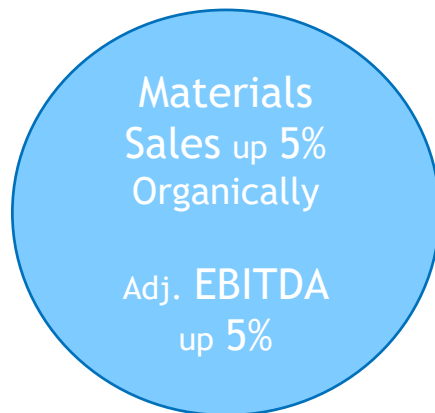
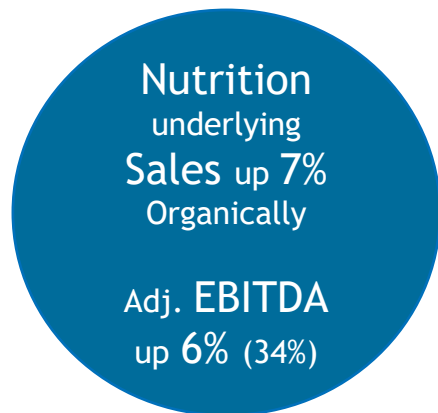
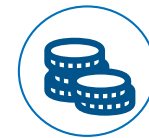
Total ROCE  
16.8%  
up 450bps

Net Debt  
€113m

versus €742m end of  
2017

# All businesses contributed to DSMs achieving its financial targets

Delivering continued above market-growth



# We outperformed our aspirations towards our PLANET

Further embedding sustainability across all of our business activities



**~8%**

Absolute  
Greenhouse Gas  
reduction vs 2016  
(30% by 2030)

**41%**

Purchased  
renewable  
electricity  
(75% by 2030)

**1.4%**

Energy Efficiency  
Improvement  
year-on-year  
(>1% per year)

**22**million m<sup>3</sup>

Water  
Consumption  
(down from 23 million  
m<sup>3</sup> in 2017)

# A high performance company & culture

Our success is built on engagement, commitment & capabilities of our **PEOPLE**



**76%**

Employee  
Engagement  
favorable score  
(>75% by 2021)

**0.33**

Safety Frequency  
Recordable index  
(<0.25% by 2021)

**19%**

Female  
executives  
(25% by 2020)

**60%**

Under-represented  
Nationalities  
(60% by 2020)

**62%**

Brighter Living  
Solutions

(>65% by 2021)

# Recognized by the benchmarks for ESG performance

Leading the way in integrating sustainability in business and operations



For the 3<sup>rd</sup> year on Fortune Magazine's Change the World list (2018)



Top-rating in ESG index in our Industry (2018)



Chemicals Industry Leader in ESG ranking (2018)



Constituent of FTSE4GOOD index (2018)



A- for Climate  
B- for Water (2018)



Industry Group leader for the 8<sup>th</sup> time (2018)



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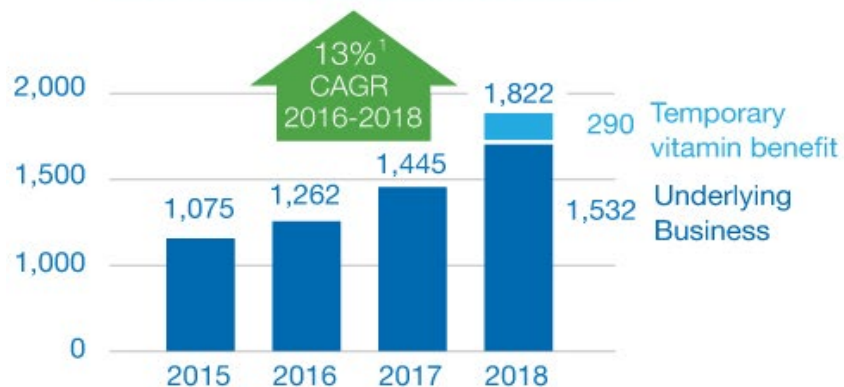
# Successfully completed Strategy 2018

DSM outperformed on its key financial targets

## Adjusted EBITDA

(x € million)

High single-digit %  
annual Adjusted EBITDA growth



<sup>1</sup>CAGR and average bps of underlying business

## ROCE

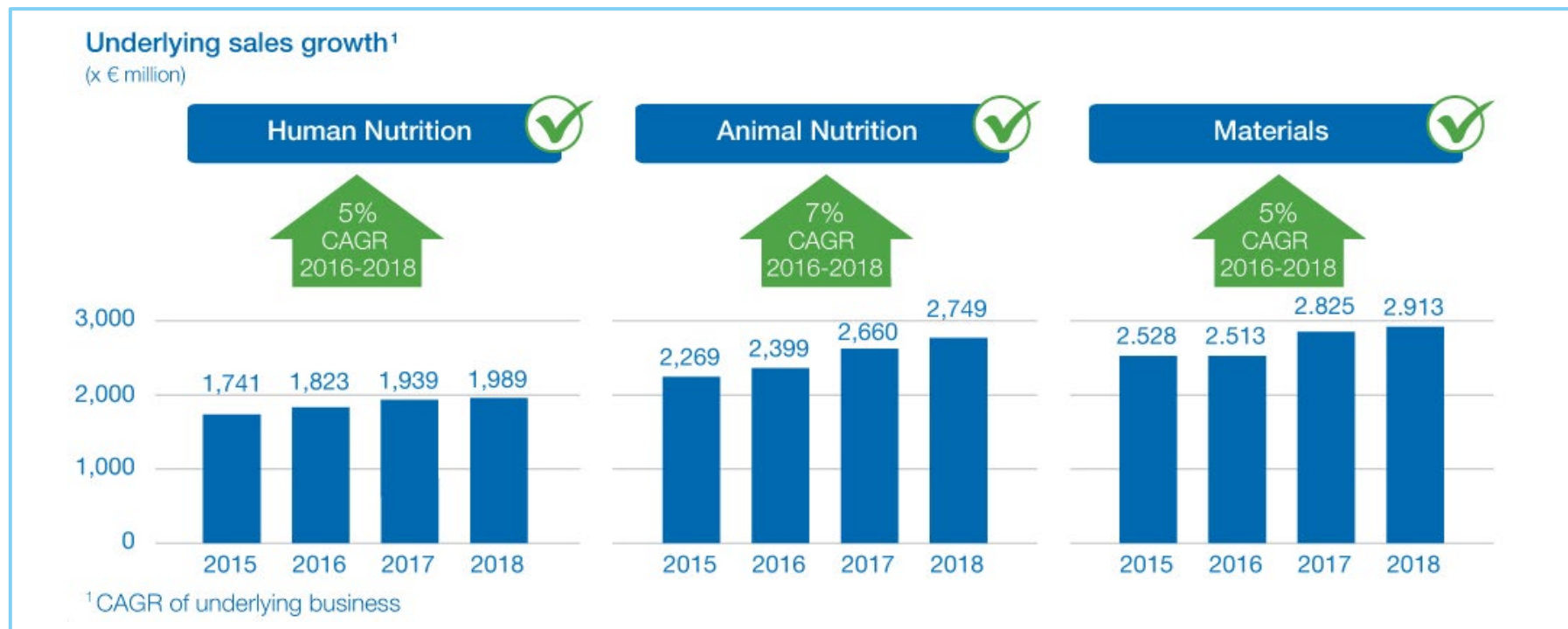
(in %)

High double-digit basis point  
annual ROCE growth



# Successfully completed Strategy 2018

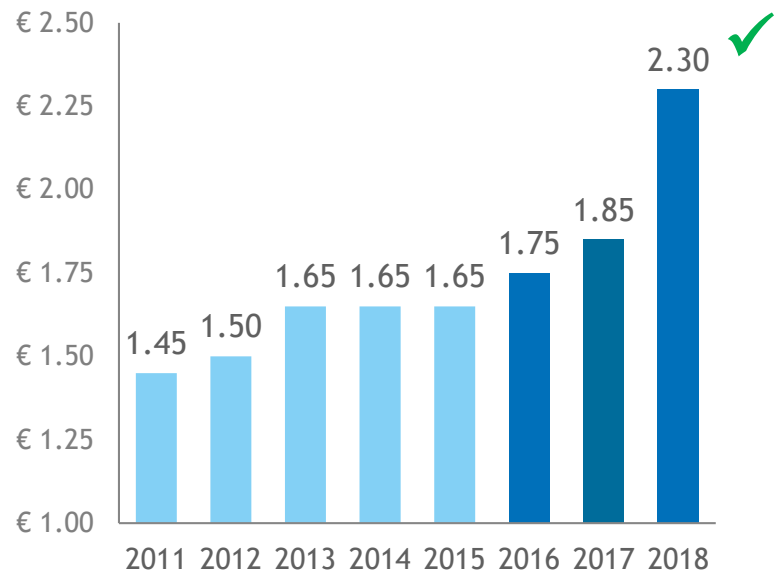
## DSM outperformed on its growth ambitions



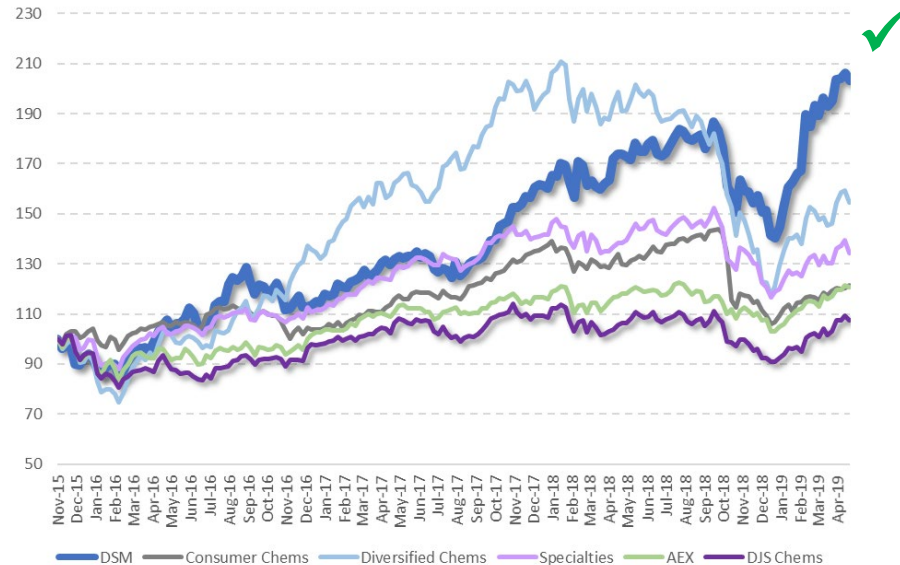
# Successfully completed Strategy 2018

## Significantly outperformed financial markets

Almost 40% in dividend/share since start Strategy 2018



Shareprice\* more than doubled since start Strategy 2018 (until 30 April '19)

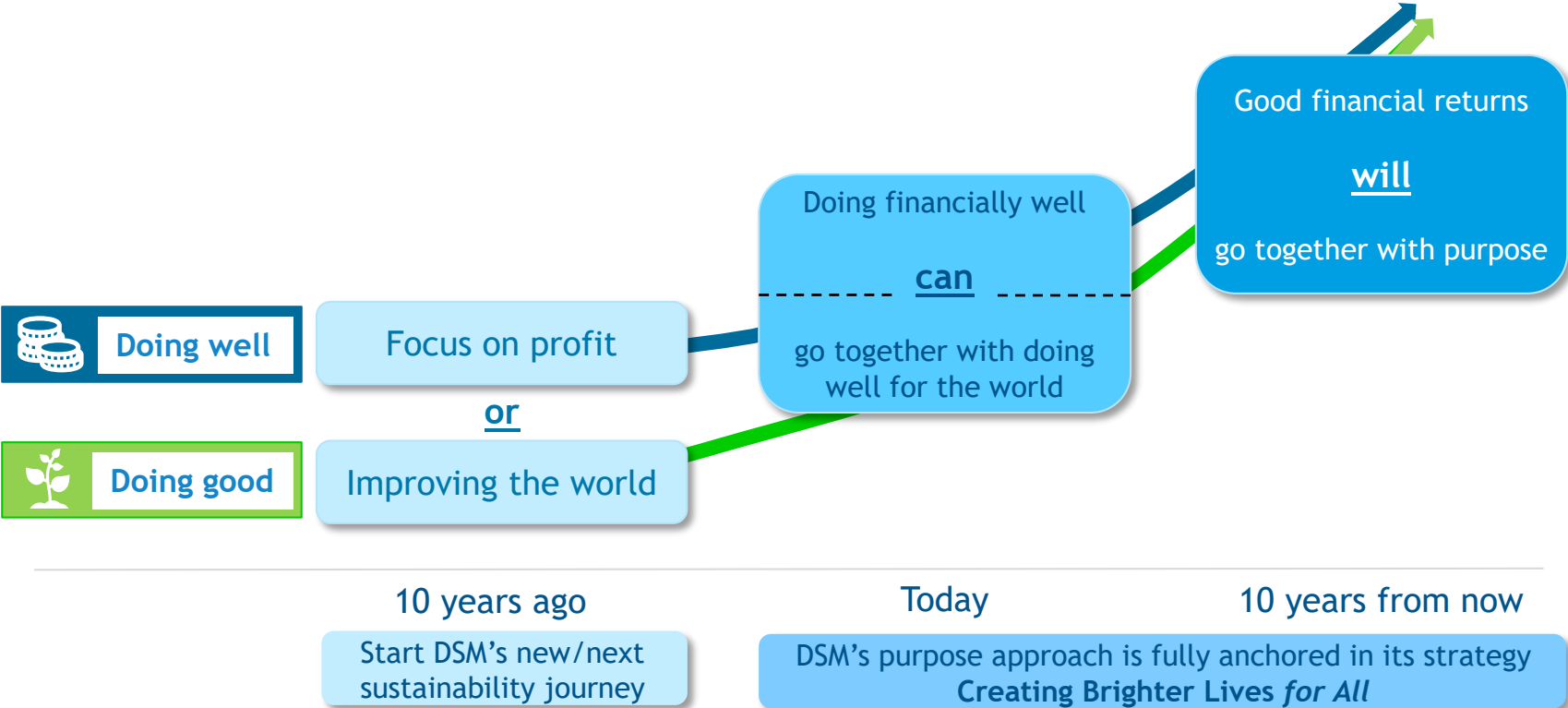


\* Shareprice almost tripled since 2017 (€35) and is now >12 times the introduction price 30 years ago (excl. dividend reinvestment)

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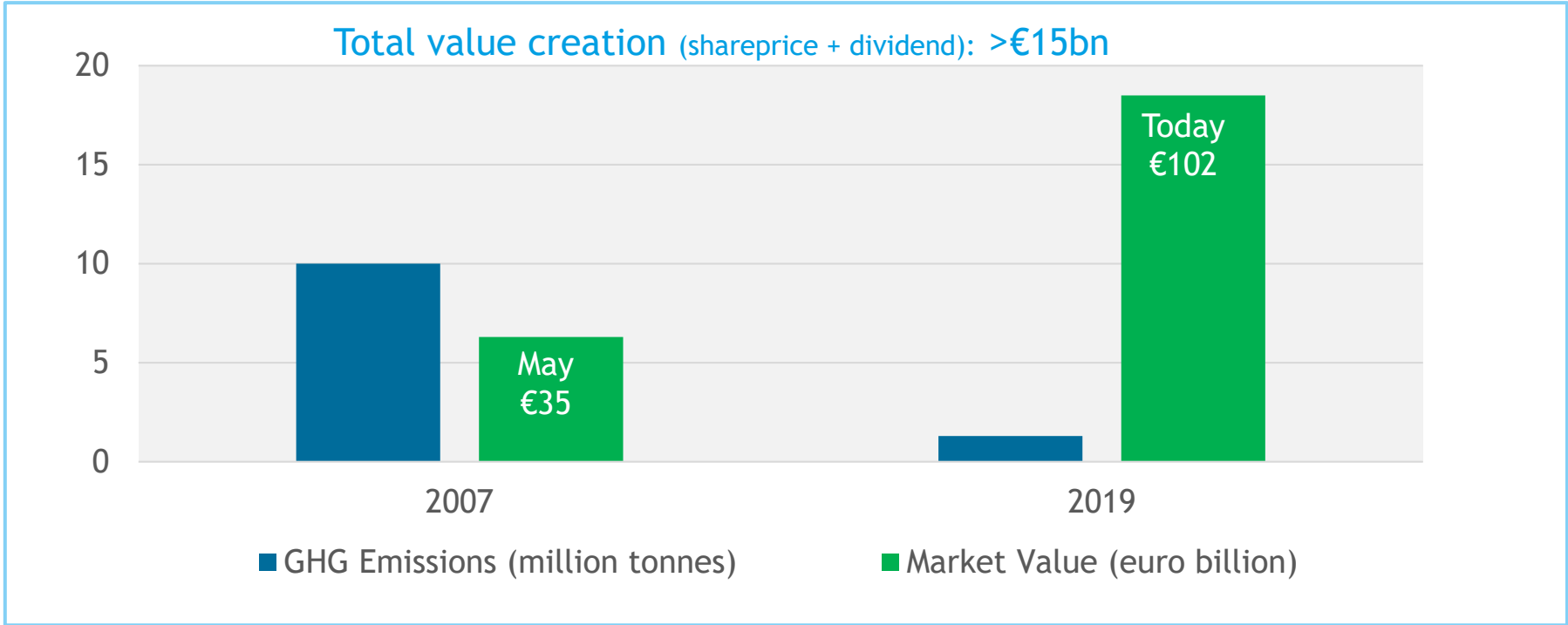
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# The World is changing .....



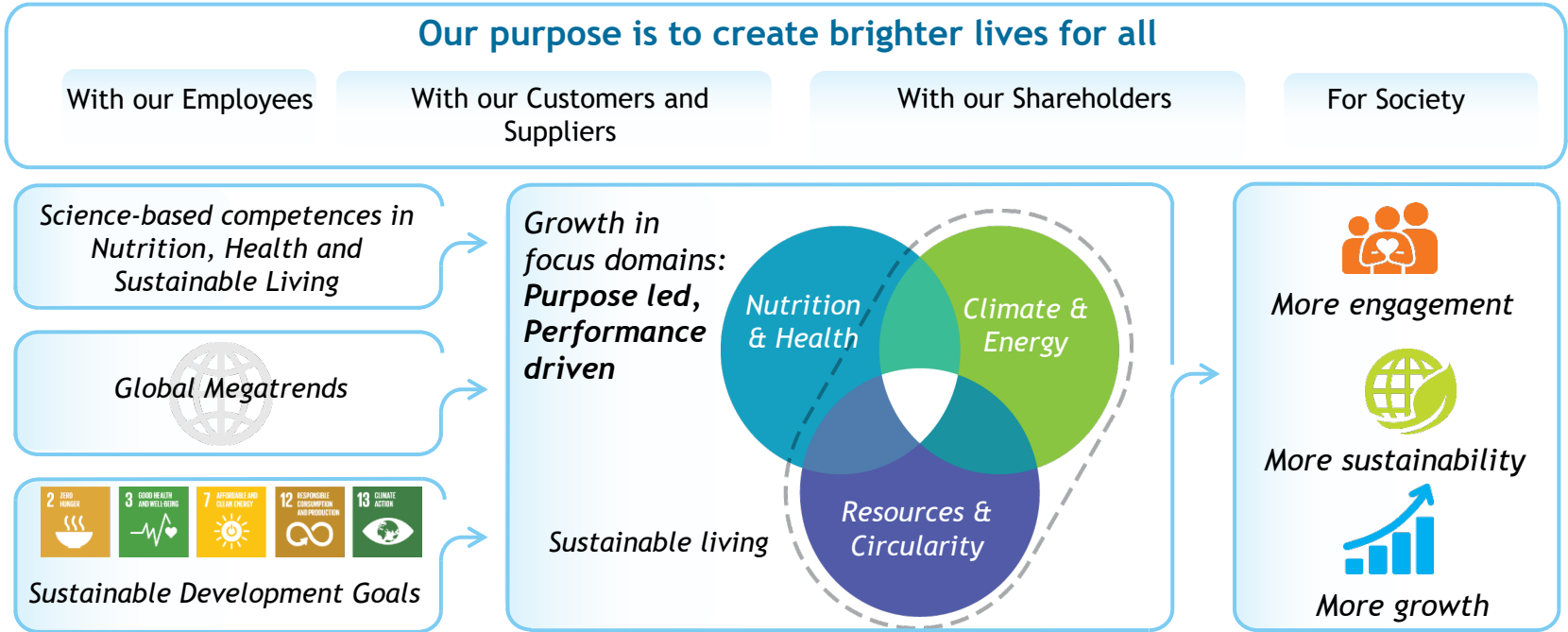
# Doing well, by doing good ... DSM does

As from 2007: Share price tripled; TSR: ~335% (incl dividend reinvested), GHG reduction -90%



# Purpose drives growth opportunities

Strategy 2021: Growth & Value - Purpose led, Performance driven



We are already reaching ~2.5 billion people worldwide



# Two ambitious targets for profit growth and cash generation .....

For the period 2019-2021

## 2021 Targets

High single-digit  
percentage annual  
Adj. EBITDA increase

~10% average annual  
Adj. Net Operating Free  
Cash Flow<sup>2</sup>  
increase

## Ambitions underpinning Group targets

1. Sales Above-market sales growth (~5%) for Group, Nutrition and Materials
2. Adj. EBITDA margin Nutrition: >20%  
Materials: 18-20%
3. Working capital Reduce by 50 bps annually to ~16%
4. Capex ~6.5% of sales
5. ROCE ~1%-point increase per annum
6. Adj. EPS Increase ahead of Adj. EBITDA growth

# Veramaris

## Omega-3 Fatty Acids from Natural Algae

- Joint venture with Evonik
- Disruptive new algae-based technology for producing Omega-3 EPA and DHA
- For use in fish feed
- Conserves natural biodiversity of our oceans
- Initial facility in Blair, with ~€150-200m sales potential per year



# Clean Cow

## Reducing Methane

- ~14.5% of all Greenhouse gas emissions comes from livestock (~65% from dairy and beef cows)
- Feed supplement reducing the methane emission of dairy cows with ~30%
- Attractive market potential of ~€1-2bn with launch after 2019



# Fermentative Stevia

## A sweat deal for sugar reduction

- More scalable, more sustainable and low cost-in-use, zero-calorie solution
- Market for high-intensity sweeteners produced by fermentation is expected to exceed €3 billion by 2025.
- JV Avansya with Cargill is well positioned to secure a significant potential in this market



# Niaga

Reducing 4.5bn m<sup>2</sup> of carpet waste every year

- Niaga® Technology: a 100% recyclable carpet, produced with up to 90% less energy
- Collaboration with carpet producers progressing successful
- Niaga technology also introduced to redesign mattresses of 100% material recovery, reuse and recyclability



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# Q1 2019:

## Highlights

- DSM reports a good start to the year
- Results compared to Underlying business in Q1 2018:
  - ✓ Group sales up 3%, Adjusted EBITDA up 10% to €412m (up 14% to €424m including IFRS 16 impact of €12m)
  - ✓ Nutrition: organic sales +3%, Adjusted EBITDA up 11% to €309m (up 14% to €316m including IFRS 16 impact of €7m)
  - ✓ Materials: organic sales -5%, Adjusted EBITDA flat on €126m (up 1% to €127m including IFRS 16 impact of €1m)
- Adjusted Net Operating Free Cash Flow €60m
- Total Net profit €196m, up versus Q1 2018 of €331m when correcting for the temporary vitamin effect of €165m EBITDA following an exceptional supply disruption in the industry
- Full year outlook increased



**BRIGHT SCIENCE. BRIGHTER LIVING.™**