

Press Release

Heerlen (NL), 4 August 2020

25E

DSM reports H1 2020 results

H1 Highlights¹

- DSM reports a solid first half in a challenging COVID-19 environment
- Group sales -1% and Adjusted EBITDA -4%
 - Nutrition: sales +6%, organic sales +5%, Adjusted EBITDA +5%
 - Materials: sales -16%, volumes -14%, Adjusted EBITDA -28%
- Adjusted net profit down 4% to €399m. Net profit: €270m
- Adjusted Net Operating Free Cash Flow of €342m, up 33% year to date
- Interim dividend of €0.80 per ordinary share
- Outlook 2020 unchanged: DSM expects Nutrition to deliver at least a mid-single digit increase in Adjusted EBITDA, but given current limited visibility in Materials the overall earnings outlook remains suspended

Key figures and indicators

in € million	H1 2020	H1 2019	% Change	Volume	Price/mix	FX	Other
Sales	4,532	4,568	-1%	-1%	-1%	0%	1%
Nutrition	3,224	3,029	6%	5%	0%	-1%	2%
Materials	1,194	1,427	-16%	-14%	-3%	1%	0%
Adjusted EBITDA	825	862	-4%				
Nutrition	674	639	5%				
Materials	189	262	-28%				
Innovation	11	11					
Corporate	-49	-50					
EBITDA	746	823					
Adjusted EBITDA margin	18.2%	18.9%					

Co-CEOs statement

Geraldine Matchett and Dimitri de Vreeze, Co-CEOs, commented: *“Our teams continued to successfully navigate the challenging global environment, with Q2 developments in line with the expectations we set out in May. Business conditions for Nutrition were good overall in the first half, with spikes in demand for Animal Nutrition in Q1 and Human Nutrition in Q2 as end-markets reacted in response to COVID-19. Trading conditions in Materials deteriorated abruptly at the end of Q1 as customers’ operations and end user demand were impacted by COVID-19, with these effects continuing throughout Q2.*

Having taken early actions to limit capital expenditure and minimize operating costs in Materials, we have now also initiated the next phase of our profit improvement actions aimed at delivering annualized recurring savings of €25-30 million.

Early in the year we launched the Fit for Growth program in Nutrition. The new organizational structure, which enables a more differentiated go-to-market approach, is in place and we are now working on further building out our specialty business. Our recent acquisitions all add to our specialty solutions offerings, accelerating our growth strategy.

The global human impact of the COVID-19 pandemic is a clear lesson and therefore we have joined several of the ‘Build Back Better’ initiatives. As a purpose-led organization, we believe it is more important than ever for the world to commit to a more sustainable, fair and resilient future.”

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

Organic sales growth is the total impact of volume and price/mix.

Adjusted Net Operating Free Cash Flow is the cash flow from operating activities, corrected for the cash flow of the APM adjustments, minus the cash flow of capital expenditures and drawing rights.

Q2 Highlights

- Group sales -2% and Adjusted EBITDA -8%:
 - Nutrition: sales +9%, organic sales +9%, Adjusted EBITDA +8%
 - Materials: sales -25%, volumes -21%, Adjusted EBITDA -47%
- Adjusted net profit down 15% to €183m. Total net profit: €102m
- Adjusted Net Operating Free Cash Flow of €191m, compared to €197m in Q2 2019

Key figures and indicators

in € million	Q2 2020	Q2 2019	% Change	Volume	Price/mix	FX	Other
Sales	2,239	2,276	-2%	-2%	0%	-1%	1%
Nutrition	1,649	1,512	9%	6%	3%	-2%	2%
Materials	534	710	-25%	-21%	-4%	0%	0%
Adjusted EBITDA	402	438	-8%				
Nutrition	350	323	8%				
Materials	71	135	-47%				
Innovation	6	5					
Corporate	-25	-25					
EBITDA	388	407					
Adjusted EBITDA margin	18.0%	19.2%					

Trading conditions during Q2 were in line with expectations as communicated in May with the Q1 results.

Nutrition delivered strong organic sales growth of 9% (including an up to 2% COVID-19 effect), with a very good performance in Human Nutrition (11% organic growth) which saw additional COVID-19 driven demand across all end markets. Part of this was driven by stocking (especially packaged foods in food and beverage and early life nutrition), while end user demand for immunity-optimizing products remained strong. By the end of the quarter, Human Nutrition saw more normalized trading conditions. Animal Nutrition (9% organic growth) saw continued overall solid business conditions, though the large stock building effects of Q1 began to partly reverse in the second half of the quarter.

Materials reported 21% lower volumes as the abrupt deterioration in demand at the end of Q1 continued through Q2, with customers' operations impacted by COVID-19 driven lockdowns around the world and weakened end user demand. High performance plastics sales were severely impacted by the poor market conditions in their largest end-market, global automotive, while Protective Materials (Dyneema) saw a substantial part of their contracted personal protection orders being deferred. These effects exacerbated the Adjusted EBITDA drop for the quarter. While volumes were down about 20-25% in April-May overall, market conditions improved gradually towards the end of the quarter in most end markets with June exit volumes being about -15%.

Outlook 2020

DSM reiterates the full year outlook given at Q1 2020 results, which reflects the considerable uncertainty as to how the COVID-19 pandemic will develop and what will be the global ramifications. Within this context, DSM expects Nutrition to deliver at least a mid-single digit increase in Adjusted EBITDA for 2020 compared to prior year, but given current limited visibility in Materials it feels prudent not to express an overall earnings outlook.

COVID-19 impact

DSM has maintained stringent hygiene and safety precautions in its facilities and supply chain since the outbreak of the COVID-19 pandemic. DSM is closely monitoring the local circumstances and responding accordingly. Through these swift actions, DSM continues to protect the wellbeing of its employees and partners while keeping production facilities running.

DSM estimates that Nutrition saw overall a slightly positive impact on first half sales from COVID-19 of about 1-2%. Materials saw a far more negative effect of somewhat above 15% on sales in that period. In response, Materials limited capital expenditure and minimized operating costs. The next phase, as part of a wider restructuring initiative to leverage synergies and increase operating agility, will be implemented in the second half of the year and aims to deliver annualized recurring cost savings of €25-30 million without compromising the potential of the business. DSM will continue to monitor the evolution of COVID-19, and its potential impact on the different end markets it operates in and is prepared to take further actions if needed.

DSM continues to apply its scientific know-how and resources to support the fight against COVID-19 through various global and local initiatives. These include manufacturing and delivering 2.8 million nose swabs and 390,000 liters of disinfectant in the Netherlands as well as vital test kit equipment and distributing millions of immunity-optimizing products to communities, healthcare workers, as well as all DSM employees and their families worldwide. DSM has also joined global collaborative 'Build Back Better' initiatives advocating for economic recovery policies that trigger investments and behavioral changes to increase society's resilience to global emergencies such as climate change. More details on these initiatives are included in the sustainability highlights.

Erber Group acquisition

On 12 June 2020, DSM announced the acquisition of the majority of assets of the Erber Group, an important step in the expansion of its specialty Animal Nutrition and Health solutions, for an enterprise value of €980 million. Biomin and Romer Labs, the acquired businesses of the Erber Group, will give DSM the market leadership in mycotoxin prevention, consolidate its position as one of the world's largest suppliers of eubiotics to animals and bring a complementary capability in diagnostic technology and innovative testing solutions. The acquisition is expected to complete in Q4 2020 subject to regulatory approval. To finance the acquisition, DSM has issued two long term bonds for €1 billion.

Key figures and indicators

in € million	H1 2020	H1 2019	% Change	Volume	Price / mix	FX	Other
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Nutrition	3,224	3,029	6%	5%	0%	-1%	2%
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Innovation Center	94	90					
Corporate Activities	20	22					

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Sales	2,239	2,276	-2%	-2%	0%	-1%	1%
Nutrition	1,649	1,512	9%	6%	3%	-2%	2%
Materials	534	710	-25%	-21%	-4%	0%	0%
Innovation Center	46	43					
Corporate Activities	10	11					

in € million	H1 2020	H1 2019	% Change	Q2 2020	Q2 2019	% Change
Sales	4,532	4,568	-1%	2,239	2,276	-2%
Adjusted EBITDA	825	862	-4%	402	438	-8%
Nutrition	674	639	5%	350	323	8%
Materials	189	262	-28%	71	135	-47%
Innovation Center	11	11		6	5	
Corporate Activities	-49	-50		-25	-25	
Adjusted EBITDA margin	18.2%	18.9%		18.0%	19.2%	
EBITDA	746	823		388	407	
Adjusted EBIT	514	568	-10%	242	289	-16%
EBIT	435	518		228	247	
Capital Employed	9,933	8,735				
Average Capital Employed	9,529	8,680				
ROCE (%)	10.8%	13.1%				
Effective tax rate¹	18.0%	18.0%				
Adjusted net profit²	399	415	-4%	183	215	-15%
Net profit - Total DSM²	270	401	-33%	102	205	-50%
Adjusted net EPS	2.30	2.32	-1%	1.06	1.20	-11%
Net EPS - Total DSM	1.54	2.24		0.58	1.14	
Operating cash flow	584	507	15%	297	306	-3%
Adjusted Net Operating Free Cash Flow	342	257	33%	191	197	-3%
Capital expenditures³	257	264		115	116	
Net debt	2,102	589				
Average number of ordinary shares	171.1	176.3		170.8	176.5	
Workforce (headcount end of period)⁴	21,940	22,174				

¹ Over Adjusted taxable result

² Including result attributed to non-controlling interest

³ Cash, net of customer funding, investment grants and excluding leases

⁴ Headcount 2019 refers to headcount at year end

Review by Cluster

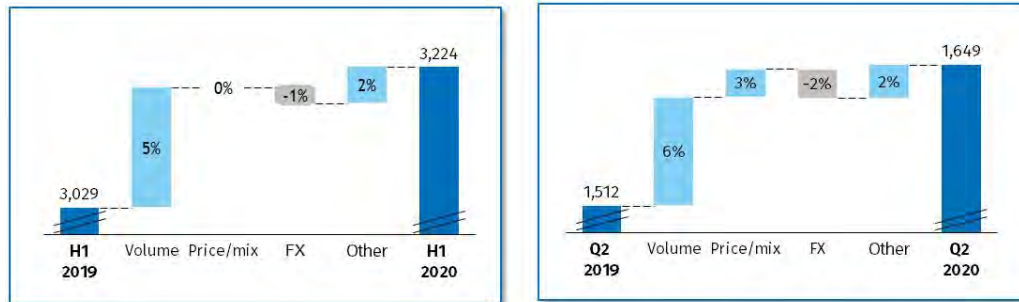
Nutrition

Early in the year, DSM launched the Fit for Growth program in Nutrition, designed to service its customers better and position DSM well to capture the growth opportunities in various end markets. A new organizational structure, which enables a more differentiated go-to-market approach, has been implemented. DSM is now working on further building out its specialty business, offering advanced and differentiated solutions. This will be achieved through targeted marketing and sales initiatives, leveraging DSM's solutions capabilities and supported by DSM's rich innovation pipeline, as well as by M&A.

DSM's recent acquisitions accelerate this growth strategy: CSK extended DSM's food and beverage solutions capabilities in dairy, where Glycom added to the early life specialty nutrition solutions offerings. In Animal Nutrition, DSM will take a leap forward in its specialty solutions offerings with the announced acquisition of Erber Group.

in € million	H1 2020	H1 2019	% Change	Q2 2020	Q2 2019	% Change
Sales	3,224	3,029	6%	1,649	1,512	9%
Adjusted EBITDA	674	639	5%	350	323	8%
Adjusted EBITDA margin (%)	20.9%	21.1%		21.2%	21.4%	
Adjusted EBIT	478	462		249	234	6%
Capital Employed	7,481	6,289				
Average Capital Employed	6,967	6,127				
ROCE (%)	13.7%	15.1%				
Total Working Capital	1,695	1,684				
Average Total Working Capital as % of Sales	27.0%	27.2%				

Sales development



H1 2020 sales

DSM's Nutrition business has proven to be very resilient in the current challenging conditions. H1 saw 5% organic sales growth, fully driven by volumes, of which about 1-2% being a COVID-19 benefit. Total sales were 6% up, including +2% from recently acquired CSK and Glycom and a negative foreign exchange effect of -1%.

H1 Adjusted EBITDA

Nutrition reported 5% growth in Adjusted EBITDA. The positive impact from higher volumes and the 2% contribution from CSK and Glycom was offset by a negative foreign exchange effect. The Adjusted EBITDA margin was stable at 20.9% versus 21.1% in the same period last year.

Q2 2020 sales

Nutrition reported 9% organic growth in Q2 (including an up to 2% COVID-19 effect), with volumes up 6% and prices up 3%. Overall, sales were up 9%, including the contribution of the acquired companies CSK and Glycom (+2%) and a negative foreign exchange effect driven mainly by the Animal Nutrition business of -2%.

Q2 2020 Adjusted EBITDA

Adjusted EBITDA growth was 8%, driven by higher volumes, with the 3% contribution from CSK and Glycom being offset by a negative foreign exchange effect especially from the Brazilian real. Increased prices were largely driven by higher input costs and FX-related prices.

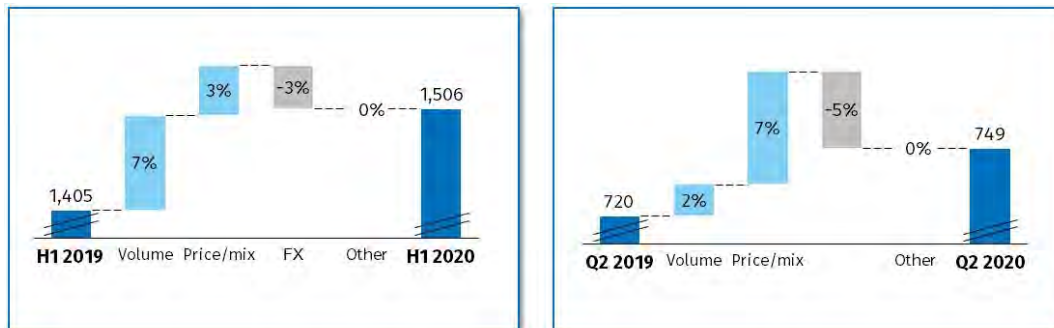
The Adjusted EBITDA margin remained stable at 21.2% versus 21.4% in the same period last year.

Animal Nutrition

With its “Global Products-Local Solutions” model, DSM is the leading global solution provider of advanced animal feed, with a strong innovation portfolio which includes amongst others Balancius™ eubiotics for poultry gut health, Veramaris algae-based Omega-3 oils for aquaculture and pet food plus Clean Cow for methane reduction of ruminants.

DSM's strategy calls for accelerated growth in specialty nutrition and health solutions with strong health and sustainability benefits. With the acquisition of Erber Group, DSM will make a significant addition to its specialty solutions capability. Through Erber's Biomin business, DSM will gain market leadership in mycotoxin prevention, increase its strong market position in animal gut health solutions and accelerate its precision nutrition initiatives with three additional premix facilities. In addition, the acquisition brings a complementary capability in diagnostic technology and innovative testing solutions through Erber's Romer labs, which will fit well with DSM's activities in Human Nutrition, including Delvotest® in Food Specialties.

Sales development



H1 2020 organic sales

In the first half year, Animal Nutrition delivered 10% organic growth, with a 7% volume increase, due to a strong COVID-19 effect in Q1. This accelerated purchasing effect in Q1 started to reverse in Q2 with customers destocking towards the end of Q2.

Underlying business conditions in poultry and pork were solid with an increased demand in western markets, due to a shift from food services to eating at-home, which increased the consumption of these easy-to-prepare proteins. In some emerging economies the consumption of poultry and pork started to ease due to the general loss of household income.

Global demand for beef softened, being overweight in food services channels, however DSM saw good sales growth as Brazilian beef exports increased following the Brazilian real devaluation. Demand for fish feed was solid in the first half, despite softness in food services' demand for farmed fish, especially salmonids.

The African Swine Fever continues to recede in China and the steady rebuilding of the swine population continues, with DSM benefitting from the growth of medium and larger professional farming operations, resulting in an increased demand for its higher value-added nutrition solutions. This early positive effect was partly offset by new ASF outbreaks in Vietnam and the Philippines.

Q2 2020 organic sales

Animal Nutrition reported 9% organic growth, with 2% increase in volumes and 7% increase in prices. After a strong start to the quarter, customers started to de-stock especially in geographies where lockdowns began to ease, partly levelling out the strong COVID-19 driven demand acceleration in Q1.

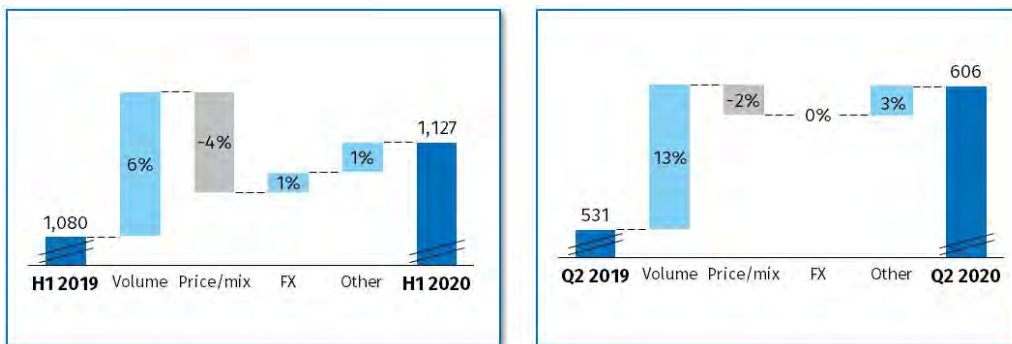
The reported 7% higher prices were largely driven by pass-through pricing of externally sourced ingredients and FX-related price increases in the Brazilian real.

Human Nutrition

Human Nutrition & Health focuses on moving closer to the customer by strengthening the solution-led value propositions of its very broad global products and services portfolio and creating end-to-end customer experiences through enhanced innovation and application capabilities. Consistent with this focus, DSM has made two recent acquisitions. At the end of 2019, DSM acquired CSK to expand its dairy solutions, strengthening Food Specialties' portfolio of taste, texture and bio-preservation solutions for semi-hard cheeses. In April 2020, DSM acquired Glycom, the only fully-integrated human milk oligosaccharides supplier in the world, to lead the introduction of the next generation of essential ingredients in early life nutrition. This innovative and unique product will also be interesting for other market segments like medical nutrition, dietary supplements, food and beverages, and pet food.

Recently, DSM also [launched](#) a complete portfolio of integrated solutions for creating stand-out plant-based meat alternatives. The product range featuring a selection of yeast extracts, process flavors, hydrocolloids and nutritional ingredients, is designed to enhance nutritional value, taste and texture while also managing sodium content in meat alternative applications such as burgers, sausages and nuggets.

Sales development



H1 2020 organic sales

In the first six months, Human Nutrition delivered 2% organic growth, with volumes up 6% and prices down 4%. Volumes were positively impacted by COVID-19 changes in purchasing patterns emerging at the end of Q1, part of which were temporary and started to normalize again by the end of Q2. During this time, higher demand for DSM's immunity-optimizing Dietary Supplements benefitted DSM's underlying growth rate in Human Nutrition.

Total sales were up 4%, supported by the recent Glycom acquisition (1%) and by a positive foreign exchange effect (1%).

Q2 2020 organic sales

Human Nutrition reported 13% volume growth, with a strong benefit from additional COVID-19 driven demand from the end of Q1 and into Q2, when strong consumer demand for packaged foods and early life nutrition resulted in stronger demand from DSM's customers to replenish the supply chain. These effects eased at the end of the quarter, entering July with more normalized business conditions. Demand for immunity-optimizing products remained elevated, resulting in strong sales growth in Dietary Supplements.

The overall price/mix was down 2% owing to continued lower vitamin C prices, and lower contractual Early Life Nutrition prices compared to the same period last year.

Total sales were up 14%, with 11% organic growth and Glycom delivering another 3%.

[Glycom](#), which was consolidated as from 1 April 2020, delivered €15 million sales with an Adjusted EBITDA of €6 million in Q2.

Other Nutrition activities

DSM's other Nutrition activities, which include Food Specialties, Hydrocolloids, and Personal Care & Aroma Ingredients, delivered 3% organic growth in Q2, resulting in a flat organic sales development in the first half year, with a good performance in Food Specialties and a weak performance in Personal Care.

Food Specialties delivered a good performance in the first half with an overall neutral effect from COVID-19 on sales. Hydrocolloids had a very strong second quarter, catching up from the soft start of the year due to the COVID-19 outbreak in China. Demand for baking and dairy was good, while beverages experienced some weakness, as demand for brewing products was low. Savory saw strong demand for packaged food applications.

CSK, which was consolidated from the start of the year, realized €35 million sales in H1, with a total Adjusted EBITDA of €8 million.

Personal Care & Aroma Ingredients had a weak first half due to soft demand in its Personal Care segment especially for sun filters directly related to COVID-19, while sales of Aroma Ingredients were supported by increased demand for detergents and disinfectants.

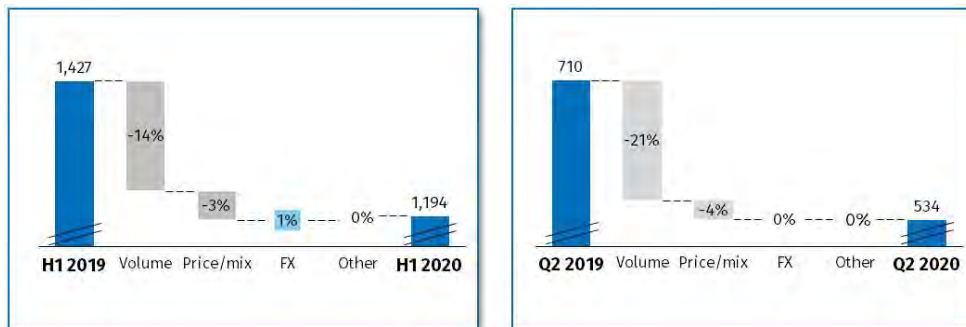
Materials

Materials continues its transformation into a high-growth, higher-margin specialty business, focused on Improved Health & Living, Green Products & Applications and New Mobility & Connectivity.

Customers' operations and end user demand were impacted by COVID-19. In response, Materials limited capital expenditure and minimized operating costs. The next phase, as part of a wider restructuring initiative to leverage synergies and increase operating agility, will be implemented in the second half of the year and aims to deliver annualized recurring cost savings of €25-30 million without compromising the potential of the business. DSM will continue to monitor the evolution of COVID-19, and its potential impact on the different end markets it operates in and is prepared to take further actions if needed.

in € million	H1 2020	H1 2019	% Change	Q2 2020	Q2 2019	% Change
Sales	1,194	1,427	-16%	534	710	-25%
Adjusted EBITDA	189	262	-28%	71	135	-47%
Adjusted EBITDA margin (%)	15.8%	18.4%		13.3%	19.0%	
Adjusted EBIT	119	193	-38%	36	100	-64%
Capital Employed	1,931	1,938				
Average Capital Employed	1,944	1,933				
ROCE (%)	12.2%	20.0%				
Total Working Capital	386	432				
Average Total Working Capital as % of Sales	16.1%	15.1%				

Sales development



H1 2020 Sales development

After a solid start to the year, Materials was affected by COVID-19, with demand deteriorating abruptly at the end of Q1, which continued in Q2, with only a slow recovery towards the end of the Q2 period.

- DSM Engineering Materials¹**. Volumes were significantly down driven by a very sharp demand reduction in global automotive, with only a very slow recovery starting in June and with a continued lack of visibility for the coming months. Electrics and Electronics demand was also impacted negatively, but showed a quicker recovery path part way through Q2, driven by China. Demand in Packaging and Medical was stronger in the first half.
- DSM Resins & Functional Materials**. Coating Resins had a good start to the year until it was impacted at the end of Q1 by the lock-downs around the world. Towards the end of Q2, the business saw a gradual recovery in Building & Construction, and good demand in Printing and Packaging. Functional Materials saw a decline in 4G related sales, while 5G networks investments were delayed. However, more recently, several operators have announced new investments in the 5G infrastructure, therefore expectations are that 5G roll-out will see a boost in 2021.

- **DSM Protective Materials¹**. Personal Protection activities were significantly down since March, with customers' operations being impacted by the lockdowns and large orders by local authorities and governments being delayed. However, the order book remains healthy with new contracts concluded in Q2.

H1 Adjusted EBITDA was -28% compared to previous year fully driven by lower volumes. H1 2020 Adjusted EBITDA margin was 15.8% compared to 18.4% in H1 2019.

Q2 2020 Sales development

Materials reported 21% lower volumes, driven by COVID-19 effects. The rapidly deteriorating demand at the end of Q1 fully materialized in Q2 as customer operations were impacted by COVID-19 driven lockdowns around the world and weakened end user demand. While volumes were down about 20-25% in April-May overall, market conditions improved gradually towards the end of the quarter in most end markets with June exit volumes being about -15%. Materials started Q3 with an encouraging orderbook, but significant uncertainty persists over the market conditions going forward, the impact of potential continued lockdowns in some regions and developments in end user demand.

Prices were down 4%, reflecting lower input costs.

Q2 Adjusted EBITDA was -47% compared to previous year fully driven by lower volumes, despite a small benefit from lower raw materials, somewhat lower costs and a positive FX effect. Q2 2020 Adjusted EBITDA margin was 13.3% compared to 19.0% in Q2 2019.

During the quarter high performance plastics' sales were affected by the sharp contraction in global automotive activity. Resins & Functional Materials saw a more favorable development, with a modest recovery through the quarter. Meanwhile Protective Materials (Dyneema) had a tough quarter as the execution of secured contracts was deferred as local authorities redirected resources to fight COVID-19, though the order book is strong.

These effects exacerbated the reduced Adjusted EBITDA in the quarter.

¹DSM Engineering Materials was formerly known as DSM Engineering Plastics. DSM Protective Materials was formerly known as DSM Dyneema.

Innovation Center

in € million	H1 2020	H1 2019	% Change	Q2 2020	Q2 2019	% Change
Sales	94	90	4%	46	43	7%
Adjusted EBITDA	11	11		6	5	
Adjusted EBIT	-11	-6		-6	-5	
Capital Employed	612	606				

H1 sales were up 4%, driven by DSM Biomedical good sales growth and by DSM Bio-based Products & Services licensing income. DSM Advanced Solar sales remained soft due to the challenging Chinese market.

DSM and its joint venture partner POET have decided to mothball their second generation bio-ethanol plant in Emmetsburg, Iowa, USA ('Project Liberty'). As a result, DSM records an impairment of its investments in this JV (€83 million) in Q2, which is reported in the line 'Share of the profit of associates / jointly controlled entities'. DSM Bio-based Products & Services will continue to license out the yeast and enzyme technologies for 1.5 and 2.0 generation bio-ethanol globally which were successfully developed.

H1 Adjusted EBITDA was in line with previous year.

Corporate Activities

in € million	H1 2020	H1 2019	Q2 2020	Q2 2019
Sales	20	22	10	11
Adjusted EBITDA	-49	-50	-25	-25
Adjusted EBIT	-72	-81	-37	-40

H1 Adjusted EBITDA was in line with previous year.

Condensed Cash Flow Statement and (Operating) Working Capital

in € million	H1 2020	H1 2019	Q2 2020	Q2 2019
Cash provided by Operating Activities	584	507	297	306
- Cash from APM adjustments	42	23	22	12
- Cash from capital expenditures	-274	-269	-122	-119
- Cash from drawing rights	-10	-4	-6	-2
Adjusted Net Operating Free Cash Flow	342	257	191	197
Operating Working Capital	2,346	2,361		
Average Operating Working Capital as % of Sales	26.0%	25.8%		
Operating Working Capital as % of Sales - end of period	26.2%	25.9%		
Total Working Capital	1,813	1,823		
Average Total Working Capital as % of Sales	21.5%	20.7%		
Total Working Capital as % of Sales - end of period	20.2%	20.0%		

Adjusted Net Operating Free Cash Flow amounted to €342 million in H1 2020 being an increase of 33% compared to previous year. The step-up in cash flow is amongst others driven by a reduced cash-out related to working capital in H1 2020 of €186 million, compared to €239 million in H1 2019.

Operating Working Capital and Total Working Capital: Operating working capital end Q2 2020 stayed in line with end Q2 2019. OWC as % of sales end-of-period showed a slight increase compared to end of Q2 2019 due to a lower sales level in Q2 2020.

Financial strength

DSM continues to benefit from a strong balance sheet and available liquidity, with Q2 2020 Net Debt to Adjusted EBITDA of 1.3x, strong cash generation and committed, undrawn revolving credit facilities of €1.5 billion. These facilities, comprised of a €1 billion revolving credit facility maturing in 2025 and €500 million new revolving credit facilities concluded recently, are not subject to any financial covenants or a MAC clause. Additionally, the company has no bond maturities in 2020 and 2021. DSM remains committed to maintaining a strong investment-grade credit profile. In connection with the announced acquisition of Erber Group, DSM placed €1 billion bonds, in two tranches: a €500 million bond with an eight-year maturity due in 2028, at a coupon of 0.25%, and a €500 million bond with a twelve-year maturity due in 2032, at a coupon of 0.625%.

Reflecting the strength of its financial position, DSM remains committed to its capital allocation policy. DSM will continue to reinvest capital into driving organic growth via disciplined capex and is committed to pursue its existing policy of distributing stable, preferably rising, dividends to its shareholders. DSM will pay an interim dividend for 2020 of €0.80 per ordinary share in line with its longstanding practice to pay about one third of the total dividend paid over the prior year.

Equity

In the first half of 2020, 1.9 million shares were released into circulation in connection with stock dividend, the exercise of options and delivery of performance shares. In the same period, 2.6 million shares were repurchased with the intention, to cover commitments under share-based compensation plans, stock dividend and to reduce the issued capital. As a prudent measure, given the current COVID-19 environment and the announced acquisition of Erber Group, DSM cancelled on 12 June 2020 the remainder of the €1 billion share buy-back program launched in 2019. The total number of shares repurchased under the program is around 6.6 million shares for a total consideration of €745 million.

Dividend

On 3 June 2020, the final dividend of €1.63 per share for the year 2019 was paid to holders of ordinary shares and a dividend of €0.11 per share was paid to holders of cumulative preference shares A. The total distribution to shareholders amounting to €283 million was recorded against retained earnings.

An interim dividend for 2020 of €0.80 per ordinary share and €0.06 for cumulative preference shares A was recognized as a liability in the second quarter of 2020. This distribution to shareholders amounting to €140 million will take place in Q3 2020. The interim dividend represents about one third of the total dividend paid over the prior year. The interim dividend will be payable in cash or in the form of ordinary shares at the option of the shareholder, with a maximum of 40% of the total dividend amount available for stock dividend. If more than 40% of the total dividend is requested by the shareholders to be paid out in shares, those shareholders who have chosen to receive their dividend in shares will receive their stock dividend on a pro rata basis, the remainder being paid out in cash. Dividend in cash will be paid after deduction of 15% Dutch dividend withholding tax. The ex-dividend date is 6 August 2020. The interim dividend will be payable as from 28 August 2020.

Overview of Alternative Performance Measures (APM) adjustments

The following overview provides a summary of the APM adjustments for the first half of 2020 (for the reconciliation see page 17).

Nutrition: EBITDA adjustments amounted to -€71 million (EBIT -€71 million) of which -€52 million related to the Fit for Growth restructuring program and -€19 million to acquisition related costs.

Materials: EBITDA adjustments amounted to -€6 million (EBIT -€6 million) of which -5m related to restructuring costs and -€1 million to acquisition related costs.

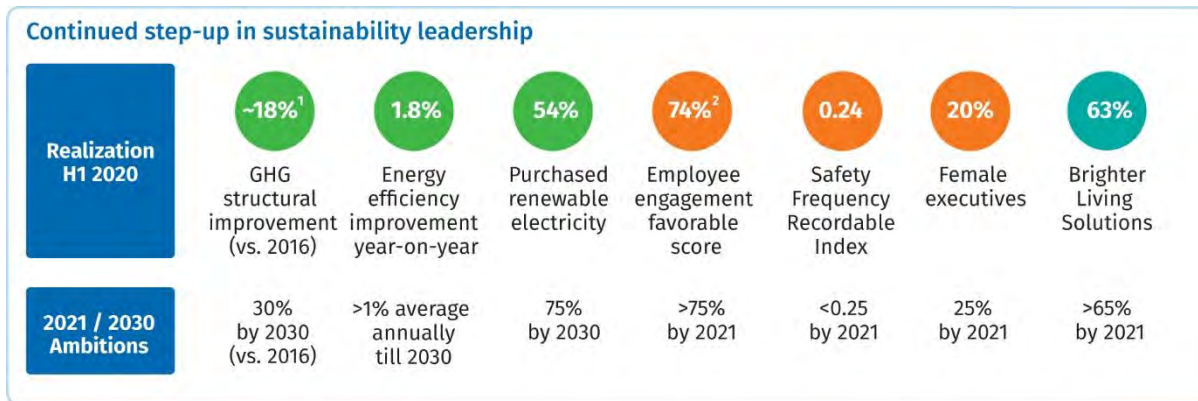
Innovation Center: EBITDA adjustments amounted to -€2 million (EBIT -€2 million) fully related to restructuring costs.

Corporate Activities: EBITDA adjustments were equal to zero as -€3 million related to restructuring costs offset by €3 million profit regarding earlier divestments.

Alternative Performance Measures (APM) related to the result of associates / jointly controlled entities

APM adjustments related to associates / jointly controlled entities amounted to a net result of negative €69 million due to the impairment of the remaining invested amount in the POET joint venture and its related assets (€83 million). The APM adjustments related to associates were further impacted by the release of a provision.

Sustainability performance



1) DSM estimates the effect of the underlying structural improvements in absolute GHG emissions to be roughly 18% versus 2016, while the total absolute GHG emission reduction (including volume and product mix effects) versus 2016 is approximately 22%.

2) 2019 score: employee engagement will be measured again in Q3 2020.

COVID-19

- DSM's long-standing priority remains the health, safety and well-being of its employees and partners:
 - DSM took very early actions, including preemptive travel restrictions, working from home where possible, and heightening hygiene and safety protocols.
 - DSM distributed free immunity-optimizing micro-nutrients to all employees and their families worldwide and provided employee assistance programs across the globe. In addition, DSM performed pulse-surveys to monitor the well-being of its employees.
 - DSM extended its online tools and resources to enable remote working and engagement (including holding its first virtual Annual General Meeting of Shareholders) and provided online learning opportunities for its employees.
- DSM continues to apply its scientific know-how and resources, including financial contributions, to help ease the impact of COVID-19 through various local and global initiatives:
 - DSM donated large quantities of immunity-optimizing vitamins and probiotics, as well as personal protective equipment to healthcare workers and local communities across Asia, Europe, Latin and North America.
 - DSM is manufacturing 2.8 million nose swabs below cost to help accelerate Dutch COVID-19 testing.
 - DSM produced and donated 390,000 liters of disinfectant distributed to healthcare institutions in the Netherlands and hand sanitizer to nearby hospitals in Switzerland and North America.
 - DSM co-initiated and coordinated a consortium for the sourcing and large scale production of medical face masks for healthcare professionals in the Netherlands.
- DSM advocated on the role of business in response to COVID-19 as part of its ongoing commitment to a more sustainable, fair and resilient future.:
 - DSM joined global 'Build Back Better' collaborative efforts such as the EU Green Recovery Alliance, the World Economic Forum's (WEF) COVID-19 Action Platform and the Stakeholder Principles in the COVID era, the WEF and Prince of Wales' Great Reset initiative, the WEF European Green Deal CEO Action Group, as well as the UN-backed campaign "Uniting Business and Governments to Recover Better".

Other

- IMPACT4Nutrition, the private sector partnership platform co-created by DSM, UNICEF, Tata Trusts, Sight & Life and the Confederation of Indian Industry (CII) to support the national nutrition mission and improve nutrition outcomes for children in India, won the UNICEF Global INSPIRE Award.
- DSM continued its Inclusion & Diversity journey:
 - With the appointment of Helen Mets, as new EVP Materials and Member of the Executive Committee, the percentage of women in DSM's Executive Committee is 57%. DSM's Managing Board comprises 50% women and its Supervisory Board 38% women. With these percentages, DSM is achieving its aim of having at least 30% male and at least 30% female members in each.
 - 20% of DSM's executives are female.
- DSM USA joined the National Diversity Council Coalition for Racial and Social Justice initiative which included an Allyship Pledge to Support the Black Community and created an employee resource group called Black Employee Network at DSM (BLEND).
- Two additional new employee resource groups have been formed: Rainbow Group, supporting our LGBTQ+ colleagues, and the 'Valuable' group, supporting colleagues with disabilities.

H1 Planet highlights

- DSM further improved the environmental impact of its own operations:
 - DSM is well on track this year with respect to its greenhouse gas, energy efficiency and purchased renewable electricity targets.
 - The underlying structural improvement in absolute greenhouse gas reduction in H1 2020 compared to the 2016 baseline is ~18%, versus its target of 30% by 2030
 - Energy efficiency has improved by 1.8% compared to full year 2019 versus a >1% average annual ambition.
 - 54% of purchased electricity came from renewable resources compared with 50% in 2019, firmly on course to achieve its target of 75% by 2030.
 - DSM signed two new Power Purchase Agreements (PPAs) with EDPR in Europe and with Origis Energy in the USA, covering approximately 25% of DSM's current total annual electricity consumption.
 - DSM continues to engage with key suppliers to reduce and report GHG emissions reductions related to the products supplied to DSM under its CO2REDUCE program.
- DSM enabled its customers to deliver more sustainable solutions to their (end) consumers:
 - DSM halved the carbon footprint of Akulon® PA6, one of its key thermoplastic material products used in applications such as automotive, electrical equipment, electronic devices, and packaging.
 - DSM introduced Again™, a commercial carpet for office use designed for circularity. Designed with Niaga® technology. Its materials can be recovered, recycled and reused, again and again.
 - DSM partnered with SABIC and UPM Biofuels to create bio-based Dyneema®, a key step in sourcing at least 60% of Dyneema's feedstock from bio-based raw material by 2030.

H1 Other highlights

- 63% of DSM sales came from Brighter Living Solutions. These are products and services that have a better environmental (ECO+) and/or social (People+) impact than mainstream solutions.
- DSM received a platinum sustainability medal from EcoVadis putting DSM in the top 1% of its industry. DSM is already ranked first out of 120 companies in its industry by Sustainalytics, has an AAA rating from MSCI, has Prime Status with ISS-ESG and has a leading position in the rankings of Vigeo Eiris.

Condensed consolidated statement of income for the first half

in € million	H1 2020	H1 2019
Sales	4,532	4,568
EBITDA	746	823
Operating profit (EBIT)	435	518
Financial income and expense	-31	-57
Profit before income tax expense	404	461
Income tax expense	-67	-80
Share of the profit of associates/ jointly controlled entities	-67	20
Net profit	270	401
Of which:		
Profit attributable to non-controlling interests	-2	-2
Net profit attributable to equity holders of DSM	268	399
Dividend on cumulative preference shares	-4	-4
Net profit available to holders of ordinary shares	264	395
Depreciation and amortization	311	305

Reconciliation to Alternative Performance Measures for the first half

in € million	H1 2020	H1 2019
EBITDA	746	823
Acquisitions/divestments	17	4
Restructuring	62	35
Other	0	0
Sub-total APM adjustments to EBITDA	79	39
Adjusted EBITDA	825	862
Operating profit (EBIT)	435	518
APM adjustments to EBITDA	79	39
Impairments of PPE and Intangible assets	0	11
Sub-total APM adjustments to operating profit (EBIT)	79	50
Adjusted operating profit (EBIT)	514	568
Net profit	270	401
APM adjustments to operating profit (EBIT)	79	50
APM adjustments to financial income and expense	0	0
Income tax related to APM adjustments	-19	-12
APM adjustments to share of the profit of associates/jointly controlled entities	69	-24
Sub-total APM adjustments to net profit	129	14
Adjusted net profit	399	415
Net profit available to holders of ordinary shares	264	395
APM adjustments to net profit	129	14
Adjusted net profit available to holders of ordinary shares	393	409

Condensed consolidated statement of income for the second quarter

in € million	Q2 2020	Q2 2019
Sales	2,239	2,276
EBITDA	388	407
Operating profit (EBIT)	228	247
Financial income and expense	-18	-28
Profit before income tax expense	210	219
Income tax expense	-37	-36
Share of the profit of associates/ jointly controlled entities	-71	22
Net profit	102	205
Of which:		
Profit attributable to non-controlling interests	-1	-1
Net profit attributable to equity holders of DSM	101	204
Dividend on cumulative preference shares	-2	-2
Net profit available to holders of ordinary shares	99	202
Depreciation and amortization	160	160

Reconciliation to Alternative Performance Measures for the second quarter

in € million	Q2 2020	Q2 2019
EBITDA	388	407
Acquisitions/divestments	8	1
Restructuring	6	30
Other	0	0
Sub-total APM adjustments to EBITDA	14	31
Adjusted EBITDA	402	438
Operating profit (EBIT)	228	247
APM adjustments to EBITDA	14	31
Impairments of PPE and Intangible assets	0	11
Sub-total APM adjustments to operating profit (EBIT)	14	42
Adjusted operating profit (EBIT)	242	289
Net profit	102	205
APM adjustments to operating profit (EBIT)	14	42
APM adjustments to financial income and expense	0	0
Income tax related to APM adjustments	-3	-11
APM adjustments to share of the profit of associates/jointly controlled entities	70	-21
Sub-total APM adjustments to net profit	81	10
Adjusted net profit	183	215
Net profit available to holders of ordinary shares	99	202
APM adjustments to net profit	81	10
Adjusted net profit available to holders of ordinary shares	180	212

Condensed Consolidated Statement of Comprehensive Income

in € million	H1 2020	H1 2019
Items that will not be reclassified to profit or loss		
Remeasurements of Defined Benefit Pension Plans	-47	-50
Change in Fair Value Reserve	42	-9
FX on Translation of Foreign Operations Related to Non-Controlling Interest	-2	2
Items that may subsequently be reclassified to profit or loss		
FX on Translation of Foreign Operations	-170	60
Change in Hedging Reserve	9	24
Equity accounted investees - share of Other comprehensive income	-3	-1
Other Comprehensive Income (before tax)	-171	26
Income Tax Expense	6	13
Other Comprehensive Income (net of tax)	-165	39
Profit for the Period	270	401
Total Comprehensive Income	105	440

The exchange rate impact on translation of foreign operations of -€170 million is mainly caused by the weakening of the Brazilian real.

Condensed Consolidated Statement of Changes in Equity

in € million	H1 2020	H1 2019
Total Equity (at beginning of the period)	7,835	7,815
Changes:		
Total Comprehensive Income	105	440
Dividend	-425	-417
Repurchase of Shares	-283	-266
Proceeds from Re-issue of Ordinary Shares	130	232
Other Changes	18	36
Total Equity (end of period)	7,380	7,840

Condensed Consolidated Balance Sheet

in € million	H1 2020	year-end 2019
Intangible Assets	4,197	3,515
Property, Plant & Equipment	4,035	4,040
Deferred Tax Assets	231	217
Share in Associates & Joint Ventures	83	155
Financial derivatives	53	27
Other Financial Assets	338	265
Non-Current Assets	8,937	8,219
Inventories	2,177	2,019
Trade Receivables	1,643	1,592
Income tax receivables	54	61
Other Current Receivables	44	45
Financial Derivatives	17	19
Current Investments	655	688
Cash & Cash Equivalents	1,300	800
Current Assets	5,890	5,224
Total Assets	14,827	13,443
Shareholders' Equity	7,279	7,731
Non-controlling interest	101	104
Equity	7,380	7,835
Deferred Tax Liabilities	360	296
Employee Benefits Liabilities	455	413
Provisions	120	120
Borrowings	3,492	2,464
Financial derivatives	7	7
Other Non-current Liabilities	166	145
Non-current liabilities	4,600	3,445
Employee Benefits	43	43
Provisions	71	48
Borrowings	605	189
Financial Derivatives	23	18
Trade Payables	1,474	1,345
Income tax payable	66	42
Other Current Liabilities	565	478
Current Liabilities	2,847	2,163
Total Equity and Liabilities	14,827	13,443
Net debt	2,102	1,144
Equity/Total Assets	50%	58%

Condensed Consolidated Cash Flow Statement

in € million	H1 2020	H1 2019
Cash, Cash Equivalents and Current Investments (at beginning of period)	1,488	2,558
Current Investments (at beginning of period)	688	1,277
Cash & Cash Equivalents (at beginning of period)	800	1,281
Operating Activities		
EBITDA	746	823
Change in Working Capital	-186	-239
Income Tax	-51	-51
Other	75	-26
Cash provided by Operating Activities (Operating cash flow)	584	507
Investing Activities		
Capital Expenditures	-274	-269
Payments regarding drawing rights	-10	-4
Acquisitions	-729	-207
Disposal of Subsidiaries, Businesses & Associates	1	2
Disposal of Other Non-current Assets	1	3
Change in Fixed-term Deposits	34	128
Interest Received	4	5
Dividend and capital (re)payments	-9	-12
Other	-6	23
Cash used in Investing Activities	-988	-331
Financing Activities		
Dividend	-163	-158
Interest Paid	-26	-31
Repurchase of shares	-283	-249
Proceeds from re-issued treasury shares	33	136
Change in Commercial Paper	459	
Proceeds from / repayments of corporate bonds	991	
Payment of lease liabilities	-27	-26
Other Cash from/ used in Financing Activities	-64	11
Cash from / used in Financing Activities	920	-317
Exchange Differences	-16	-3
Cash and Cash Equivalents (end of period)	1,300	1,137
Current Investment (end of period)	655	1,149
Cash and Cash Equivalents & Current Investments (end of period)	1,955	2,286

Geographical Information

H1 2020	The Netherlands	Rest of Western Europe	Eastern Europe	North America	Latin America	China	India	Japan	Rest of Asia	Rest of the World	Total
Net Sales by Origin											
in € million	1,052	1,630	94	786	287	448	29	44	128	34	4,532
in %	23	36	2	17	6	10	1	1	3	1	100
Net Sales by Destination											
in € million	230	1,094	293	1,041	534	498	90	139	481	132	4,532
in %	5	24	6	23	12	11	2	3	11	3	100
Total Assets (total DSM) in € million	4,735	4,021	172	2,843	865	1,368	147	149	418	109	14,827
Workforce (headcount, end of period)	3,916	5,181	589	3,224	2,070	4,928	673	201	870	288	21,940
H1 2019											
Net Sales by Origin											
in € million	1,146	1,443	99	778	312	496	44	54	157	39	4,568
in %	25	32	2	17	7	11	1	1	3	1	100
Net Sales by Destination											
in € million	189	1,097	300	1,051	536	530	122	149	456	138	4,568
in %	4	24	6	23	12	12	3	3	10	3	100
year-end 2019:											
Total Assets in € million	4,111	3,109	156	2,874	944	1,406	165	148	419	111	13,443
Workforce (headcount)	3,960	5,133	575	3,346	2,134	4,960	681	205	888	292	22,174

Notes to the condensed financial statements

Accounting policies and presentation

The consolidated financial statements of DSM for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These accounting policies are applied in these interim financial statements that are in compliance with IAS 34 'Interim Financial Reporting' and need to be read in conjunction with the Integrated Annual Report 2019 (IAR 2019) and the H1 2020 report by the Managing Board earlier in this press release.

Audit

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

Seasonality

In cases where businesses are significantly affected by seasonal or cyclical fluctuations in sales, this is discussed in the 'Review by Cluster' earlier in this report.

Risks and uncertainties

DSM has a risk management system in place. A description of the system and an overview of potentially important risks for DSM are provided in the IAR 2019 and in the governance section on www.dsm.com. DSM has reviewed the developments and incidents in the first half of 2020 and assessed the risks for the year with special attention for the unusual circumstances caused by the COVID-19 pandemic. Based on these assessments DSM has concluded that the most important risks and responses as reported in the Integrated Annual Report 2019 are still applicable, although the uncertainty has increased due to the COVID-19 impact on the global economic environment.

Scope of the consolidation

The provisional accounting of the Glycom acquisition which was acquired in 2020 and the follow-up on the provisional accounting of CSK and Yimante, which were acquired in 2019, resulted in the following (adjustments to) assets and liabilities (measured at the date of acquisition):

	Glycom	CSK	Yimante	Total
Intangible assets	443	89	-4	528
Property, plant & equipment	91	-2		89
Other non-current assets	2		-1	1
Inventories	8	5		13
Receivables and other current assets	3			3
Cash	7			7
Total assets	554	92	-5	641
Non-controlling interest			-1	-1
Deferred tax liability	93			93
Non-current borrowings	42			42
Other non-current liabilities	15	3	-1	17
Current borrowings	33			33
Other current liabilities	19			19
Total non-controlling interest and liabilities	202	3	-2	203
Net assets at fair value	352	89	-3	438
Equity consideration	695			695
Goodwill	343	-89	3	257

Fair value of financial instruments

In the following tables, the carrying amounts and the estimated fair value of the financial instruments are given. For methods and assumptions used to determine the fair value as well as information on the fair value hierarchy used, please refer to the IAR 2019.

in € million	Carrying amount					Fair value*			
	Amortized cost	Fair value of hedging instrument	Fair value through Profit & Loss	Fair value Other Compreh. Income	Total	Level 1	Level 2	Level 3	Total
Assets 31.12.2019									
Non-current financial derivatives			27		27		27		27
Other participating interests				150	150	44	40	66	150
Non-current loans to associates and JVs	3				3		3		3
Other non-current receivables	105				105			105	105
Other non-current deferred items	7				7			7	7
Trade receivables	1,592				1,592			1,592	1,592
Other current receivables	45				45			45	45
Current financial derivatives		19			19		19		19
Current investments	688				688			688	688
Cash and cash equivalents	755		45		800	45		755	800
Liabilities 31.12.2019									
Non-current borrowings	-2,277				-2,277	-2,397			-2,397
Leases (non-current)	-187				-187			-187	-187
Non-current financial derivatives		-7			-7		-7		-7
Other non-current liabilities	-145				-145	-126		-19	-145
Current borrowings	-140				-140	-140			-140
Leases (current)	-49				-49			-49	-49
Current financial derivatives		-18			-18		-18		-18
Trade payables	-1,345				-1,345			-1,345	-1,345
Other current liabilities	-478				-478			-478	-478
Assets 30.06.2020									
Non-current financial derivatives		8	45		53		53		53
Other participating interests				193	193	58	74	61	193
Non-current loans to associates and JVs	4				4		4		4
Other non-current receivables	106				106			106	106
Other non-current deferred items	35				35			35	35
Trade receivables	1,643				1,643			1,643	1,643
Current loans to associates and JVs									
Other current receivables	44				44			44	44
Current financial derivatives		17			17		17		17
Current investments	655				655			655	655
Cash and cash equivalents	807		493		1,300	493		807	1,300
Liabilities 30.06.2020									
Non-current borrowings	-3,320				-3,320	-3,441			-3,441
Leases (non-current)	-172				-172			-172	-172
Non-current financial derivatives		-7			-7		-7		-7
Other non-current liabilities	-166				-166	-149		-17	-166
Current borrowings	-99		-459		-558	-558			-558
Leases (current)	-47				-47			-47	-47
Current financial derivatives		-23			-23		-23		-23
Trade payables	-1,474				-1,474			-1,474	-1,474
Other current liabilities	-565				-565			-565	-565

*Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs that have a significant effect on the fair value are observable, either directly or indirectly

Level 3: Techniques that use inputs that have a significant effect on the fair value that are not based on observable market data

Statement of the Managing Board

The half-year condensed financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of DSM and its consolidated companies. The half-yearly management report gives a true and fair view of the information required pursuant to section 5.25d paragraph 8 and 9 of the Dutch Act on Financial Supervision.

Heerlen, 4 August 2020
The Managing Board

Geraldine Matchett, co-CEO
Dimitri de Vreeze, co-CEO

Financial calendar

3 November 2020	Publication of the results of the first nine months of 2020
4 November 2020	Virtual Investor Event
16 February 2021	Publication of full year 2020 results
5 May 2021	Publication of the results of the first three months of 2021
6 May 2021	Annual General Meeting of Shareholders
3 August 2021	Publication of the half year results of 2021
2 November 2021	Publication of the results of the first nine months of 2021

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Additional Information

Today DSM will hold a conference call for **media** at 08:00 CET and a conference call for **investors and analysts** at 09:00 CET. Details on how to access these calls can be found on the DSM website, www.dsm.com.

DSM – Bright Science. Brighter Living.™

Royal DSM is a global, purpose-led, science-based company active in Nutrition, Health and Sustainable Living. DSM's purpose is to create brighter lives for all. DSM addresses with its products and solutions some of the world's biggest challenges while simultaneously creating economic, environmental and societal value for all its stakeholders – customers, employees, shareholders, and society at large. DSM delivers innovative solutions for human nutrition, animal nutrition, personal care and aroma, medical devices, green products and applications, and new mobility and connectivity. DSM and its associated companies deliver annual net sales of about €10 billion with approximately 23,000 employees. The company was founded in 1902 and is listed on Euronext Amsterdam. More information can be found at www.dsm.com.

Find us on:    

Forward Looking Statements

This press release 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 press release, unless required by law. The English language version of the press release is leading.