DSM STRATEGY 2018

Driving Profitable Growth

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ROYAL DSM CAPITAL MARKETS DAY
4 NOVEMBER 2015 AMSTERDAM

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Safe harbor statement

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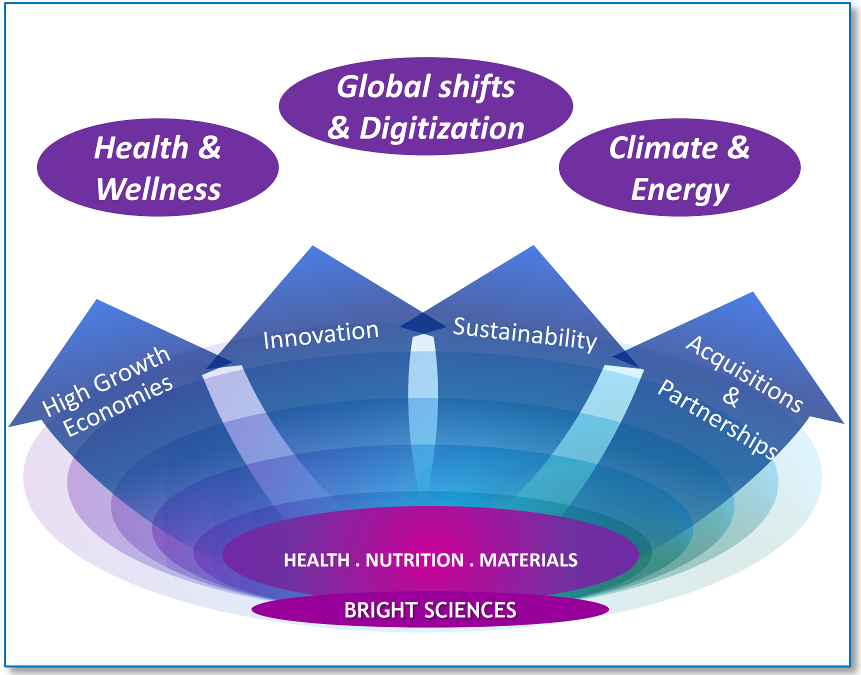
A more comprehensive discussion of the risk factors affecting DSM's business can be found in the company's latest Annual Report, which can be found on the company's corporate website, www.dsm.com

Agenda

1. Strategy 2018: financial targets & sensitivities
2. Financial Policies
3. Wrap-up

Strategy 2018: Driving profitable growth *through science-based, sustainable solutions*



IMPROVING FINANCIAL RESULTS

Growth

Cost & Productivity

Capital Efficiency

2018 TARGETS

annual **EBITDA** growth:
high single-digit

- - -

annual **ROCE** growth:
high double-digit bps

Result-driven organization & culture

Strategy 2018: financial **targets on EBITDA and ROCE** to be achieved via sales growth, cost savings and capital efficiency

2018 Targets

EBITDA growth: High single-digit annual growth

ROCE growth: High double-digit bps annual growth

How to achieve

Sales growth: Above market growth

Costs & Productivity: ~€250-300m savings by 2018

Working capital: <20% of sales by 2018

Focused CAPEX: ~6.5% of sales

Driving profitable growth supported by **above market sales growth**

2018 Targets

High single-digit annual growth
EBITDA growth

High double-digit bps annual growth
ROCE growth

How to achieve

Above market growth
Sales growth

~€250-300m savings by 2018
Costs & Productivity

<20% of sales by 2018
Working capital

~6.5% of sales
Focused CAPEX

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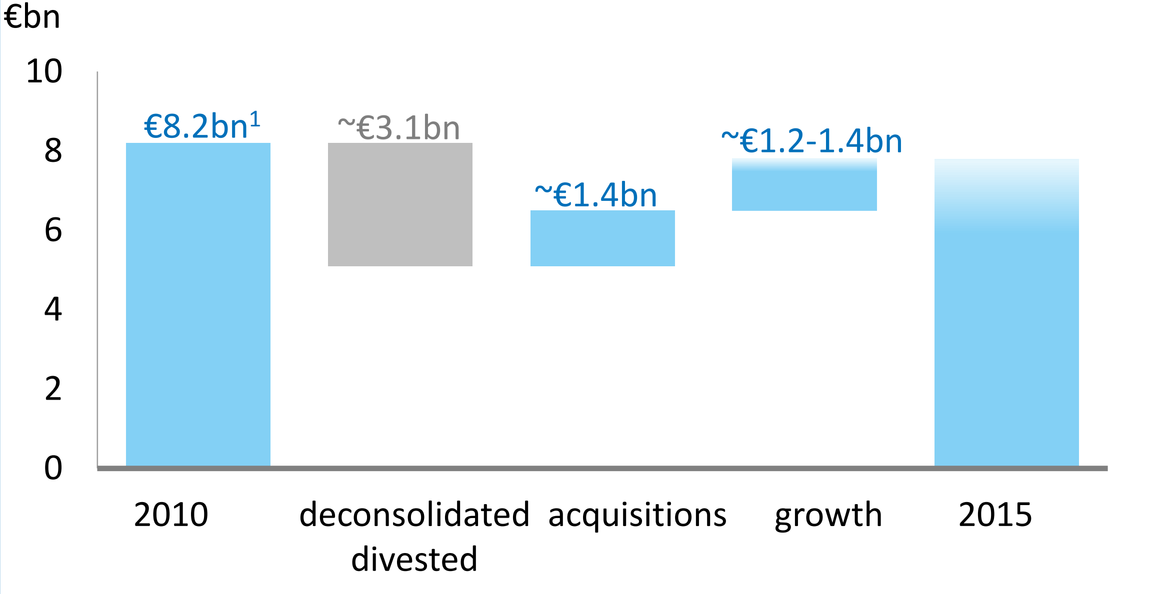
Revenue development 2010-2015: driven by M&A and organic growth



- Upgraded quality of portfolio
- Organic growth was 3-4% per year on average
- FX contributed ~1% on average per year

[1] 2010 Sales from 2010 continuing operations, so excluding activities that were discontinued in 2010

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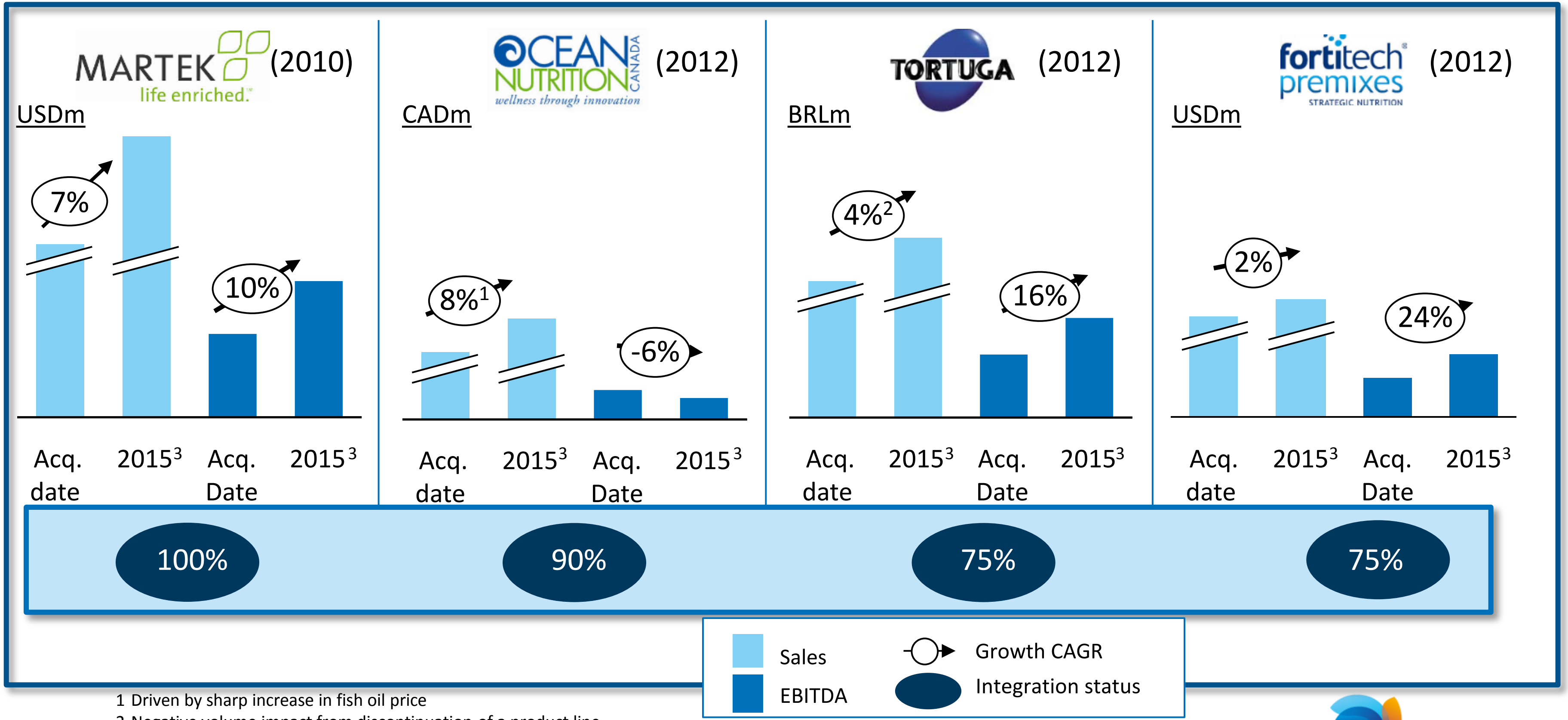
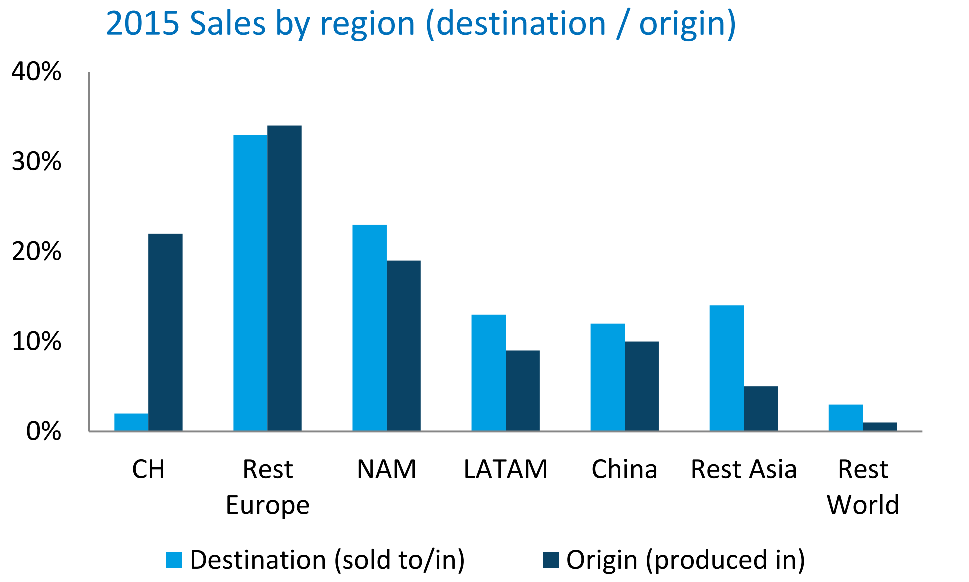
We will extract further value from the **Nutrition acquisitions**



1 Driven by sharp increase in fish oil price
2 Negative volume impact from discontinuation of a product line
3 Estimate

More **balanced regional sales** split provides a natural hedge both for growth and currency impact



- Sales to High Growth Economies are now 43%
- Better balance of costs & revenues in North and South America as well as in China

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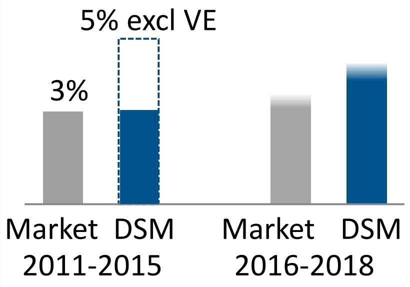
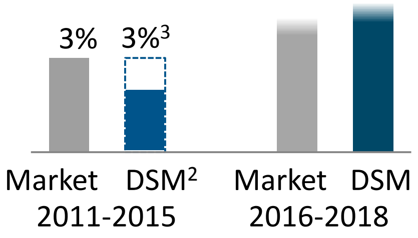
2016-2018 **'above market' growth**[1] plans of businesses are achievable

Nutrition growth



Performance Materials growth[2]



- Growth validated by scrutiny of sub-segments, market trends and track record
- Both Nutrition and Performance Materials have upgraded their portfolio
- Good growth in Nutrition despite Vitamin E prices and weak performance in Human Nutrition in North America
- Growth in Performance Materials driven by global presence and application development

1 At steady prices, CAGR %
2 Continuing operations excluding composite resins
3 Excluding Vehicle Protection tenders

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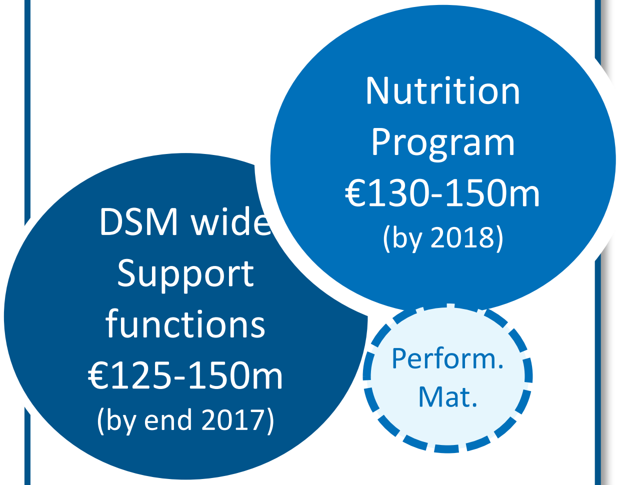
Driving profitable growth supported by **cost savings & efficiency improvements**

2018 Targets

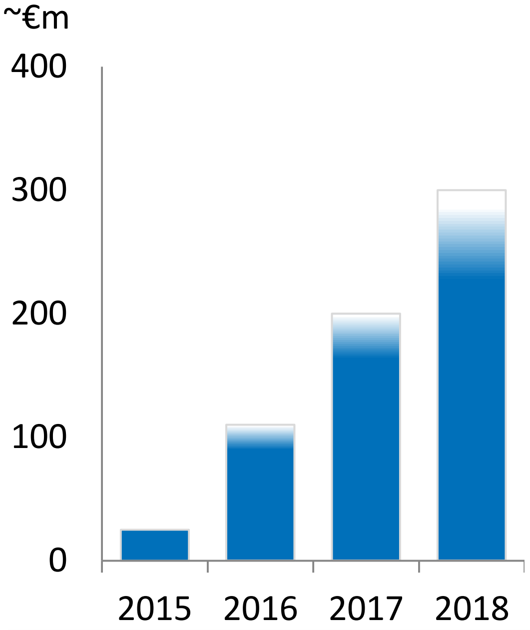
	EBITDA growth	ROCE growth
2018 Targets	High single-digit annual growth	High double-digit bps annual growth

	Sales growth	Costs & Productivity	Working capital	Focused CAPEX
How to achieve	Above market growth	~€250-300m savings by 2018	<20% of sales by 2018	~6.5% of sales

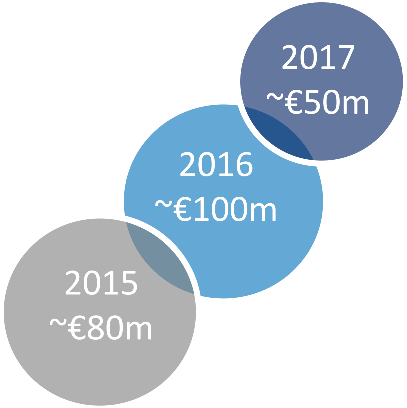
Improvement programs: **1. DSM-wide support functions program** and **2. Nutrition Improvement program**; with combined savings of €250-300m by 2018



Cost savings: total **€250-300m** by 2018



Timing of cumulative cost savings



One-time costs

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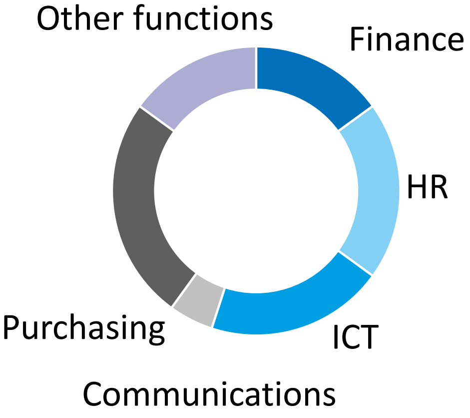
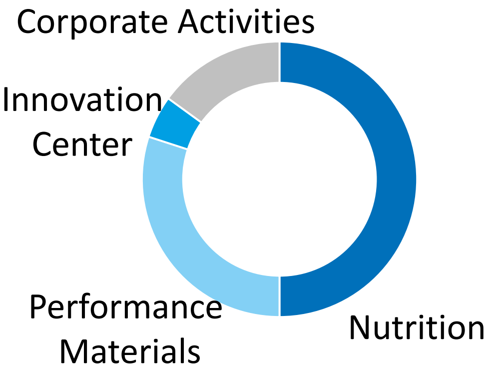
Program 1: DSM wide savings in support functions & staffs:

Structural savings of **€125-150 million** to be fully achieved by the end of 2017

Breakdown by function



Breakdown by cluster



Aim of the program

- External benchmark identified savings potential
- New organizational/operating model:
  - strong business and market focus
  - all support functions globally leveraged
  - elimination of duplications, delayering and demand reduction
  - one shared services organization and increased outsourcing
- 900-1100 FTE involved
- Effectiveness of R&D-spend under review

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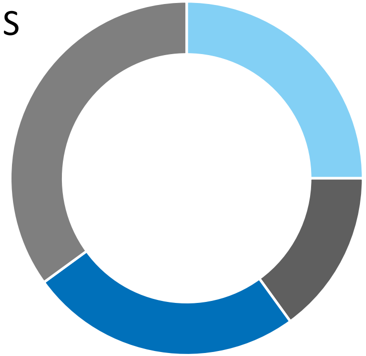
Program 2: Nutrition improvement program:

Cost savings & efficiency improvements in Nutrition **€130-150m** by 2018

Breakdown by category

EFFICIENCY GAINS
- Yield
- Energy

"Making the same with less inputs"



PURCHASING
"Lowering the cost of our direct raw materials"

FIXED COSTS REDUCTION

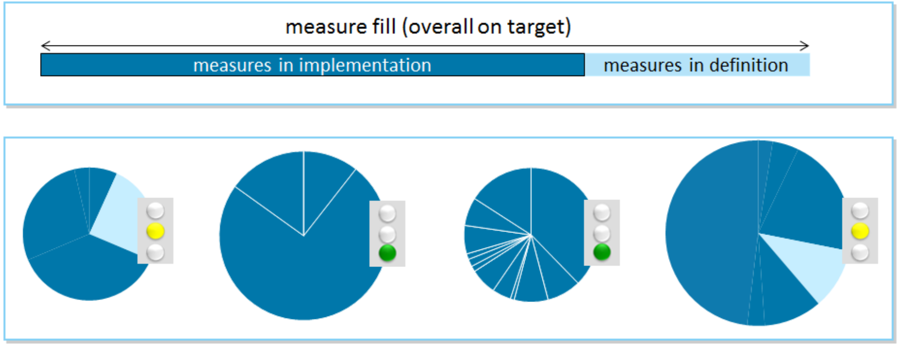
THROUGHPUT GAIN IN SOLD-OUT UNITS
"Getting more volume out of the same equipment"

Aim of the program

- Purchasing savings related to direct raw materials sourcing, energy, intermediates and indirect spend
- Fixed costs reduction, including ~100 FTE
- Efficiency gains related to increase uptime, yields and throughput to enable accelerated growth

Cost saving and improvement programs: **Close monitoring** of the design, maturity and achieved benefits

Cockpit progress cost savings per project



Example monitoring progress cost savings

- Governance / Steering:
  - monthly reporting in Executive Committee
  - owner: CEO & CFO (overall), Dimitri de Vreeze (support functions & staffs), Stephan Tanda (nutrition improvement)

- Close monitoring of progress ~ 500 measure sheets, each containing individual actions:
  - owner
  - Targeted cost and FTE reductions
  - milestones
  - timing
  - maturity

Driving returns supported by **reduction of working capital**

targets

High single-digit annual growth
EBITDA growth

High double-digit bps annual growth
ROCE growth

How to achieve

Above market growth
Sales growth

~€250-300m savings by 2018
Costs & Productivity

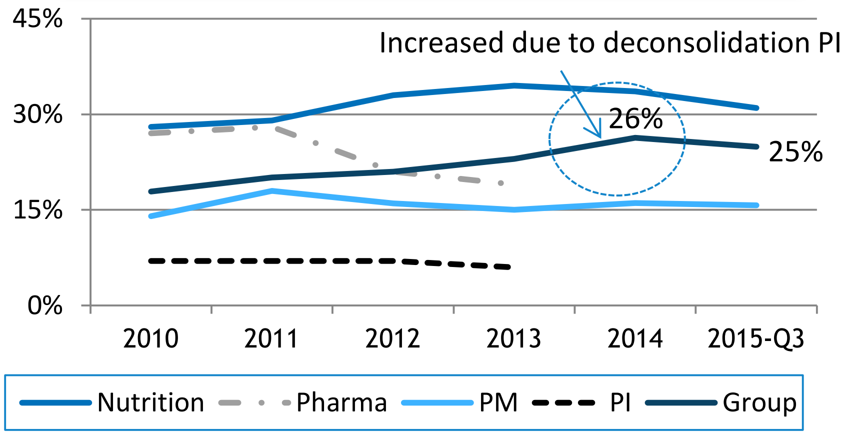
<20% of sales by 2018
Working capital[1]

~6.5% of sales
Focused CAPEX

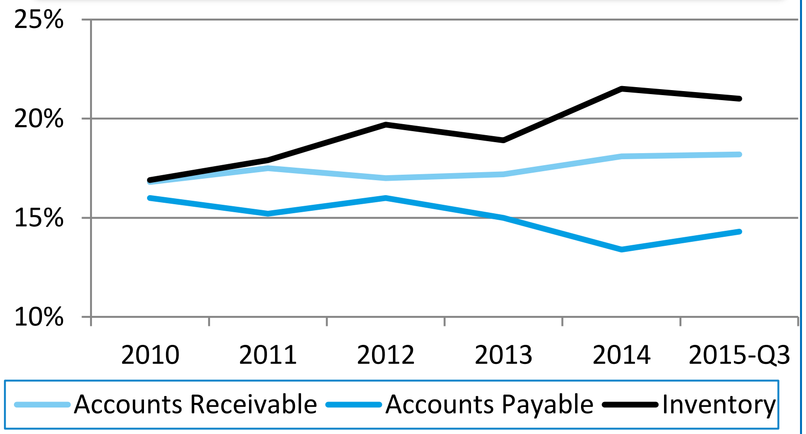
[1] Reporting as of 2016 will be total working capital

Operating working capital increase reflects portfolio change

OWC/sales per cluster [1]
2010-2015 Q3



OWC in AR%, AP%, Inventory% [1]
2010-2015 Q3



[1] Restated for continuing operations as from 2014 (2010-2013 not restated)

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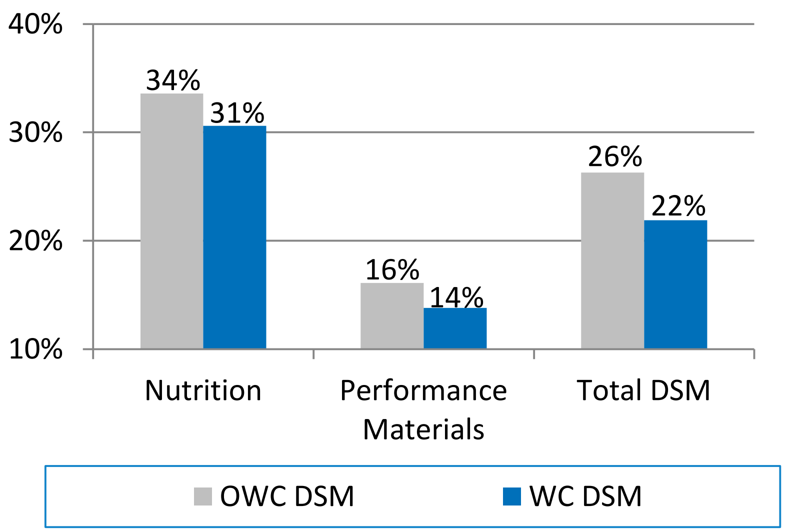
Strategy 2018: Bring down **total working capital below 20%**

Comparison: Impact from OWC% to WC% (2014 year end)[1]



Alignment with common practice

- External reporting will be aligned with common peer practice and changed from *Operating Working Capital* (OWC) to *total Working Capital* (WC) starting 2016
- Change in reporting has no impact on the drive to reduce working capital
- Main difference between OWC and WC are business related elements such as employee related liabilities
- ***DSM aims to bring down its total working capital <20% (2014: 22%)***

[1] Continuing Operations

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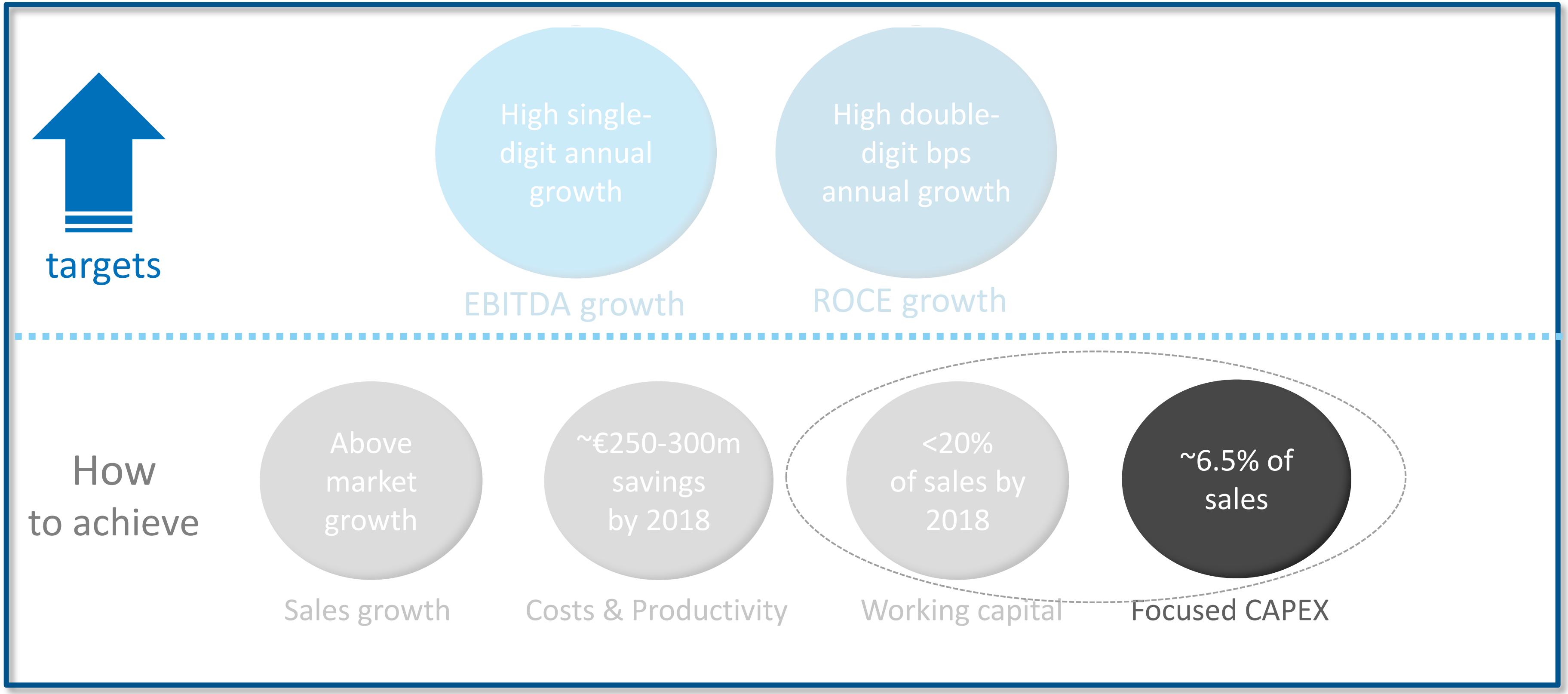
Driving returns supported by **disciplined & focused capital investments**



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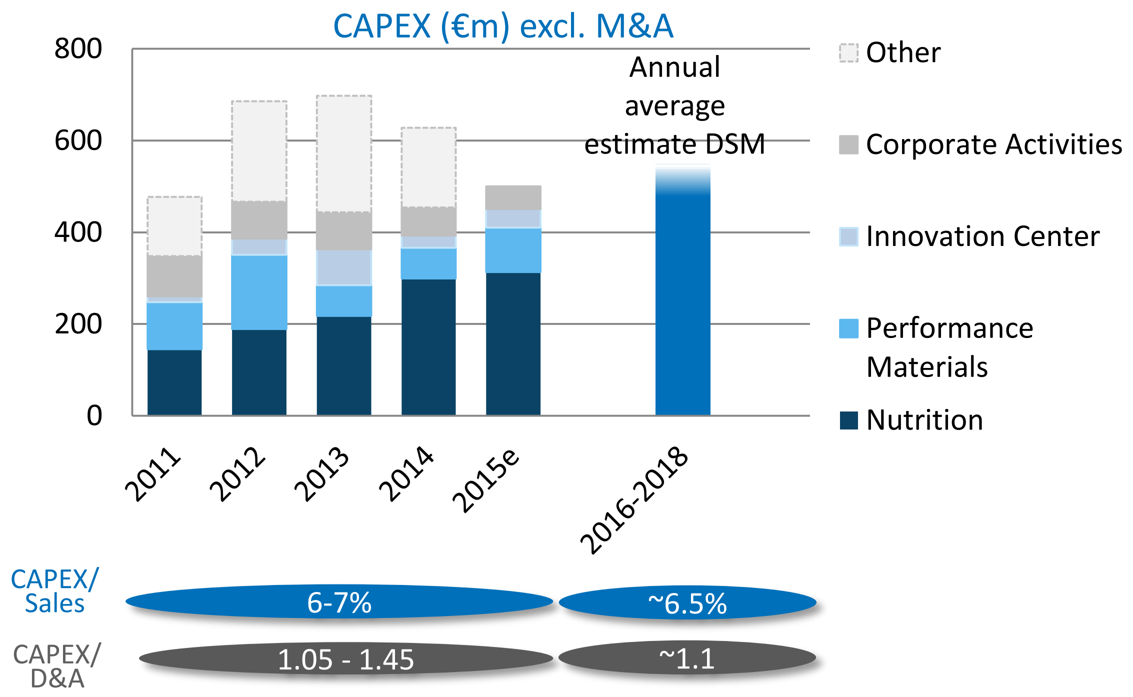
Targeted capital allocation to profitably grow the business



2016-2018:

- Strict and targeted capital allocation to growth areas
  - two-thirds of capex focus on Nutrition
  - 50-60% of capex has a growth focus
- Annual capex of €500-550m
- Capex slightly above D&A

These well-identified improvement will **drive delivery** of **Strategy 2018 targets**

2018 Targets

High single-digit annual growth

EBITDA growth

High double-digit bps annual growth

ROCE growth

How to achieve

Above market growth

Sales growth

~€250-300m savings by 2018

Costs & Productivity

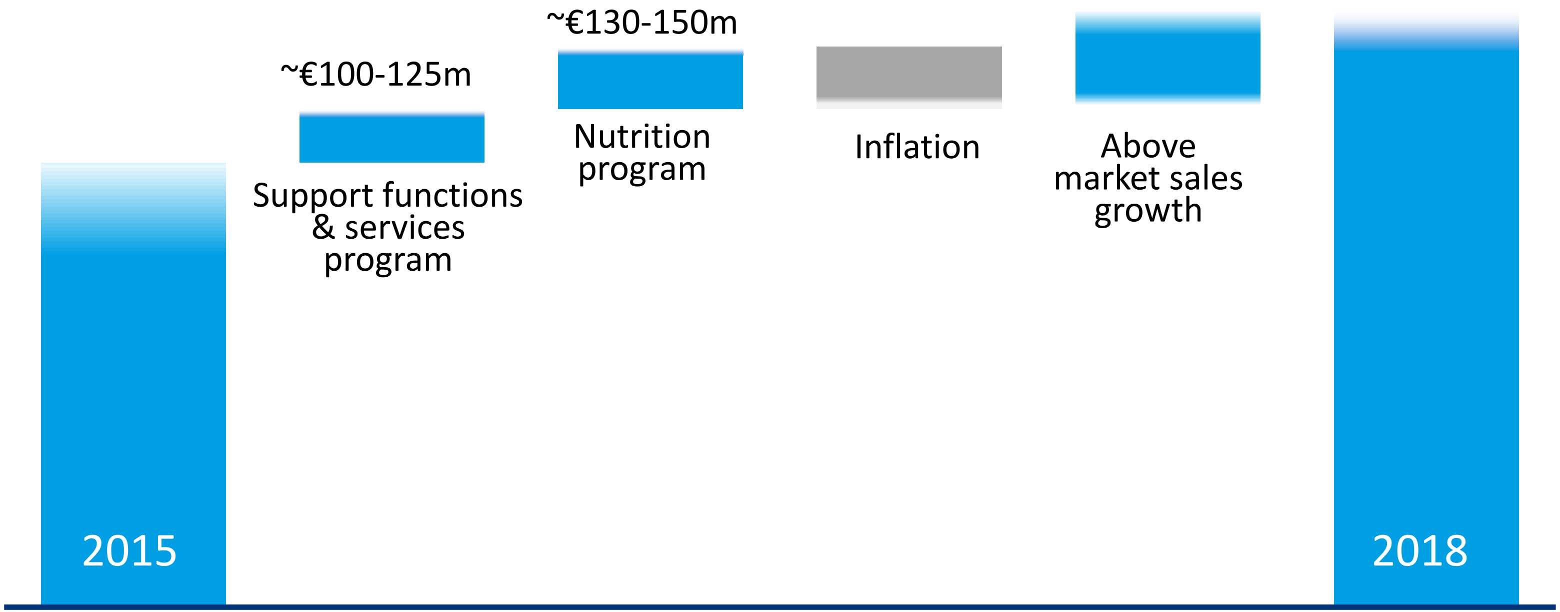
<20% of sales by 2018

Working capital

~6.5% of sales

Focused CAPEX

Strategy 2018: **EBITDA target**



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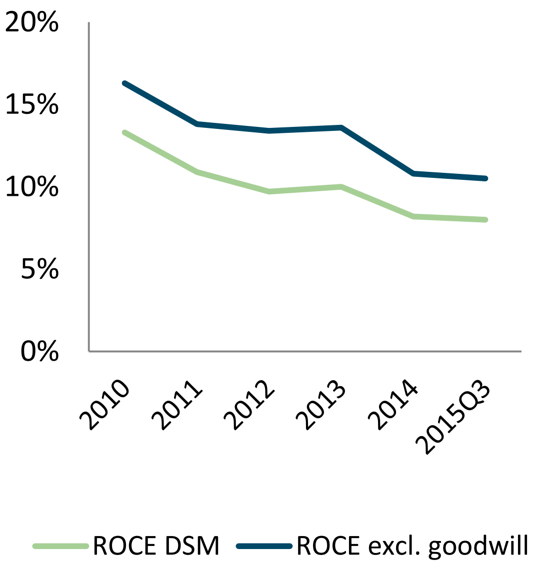
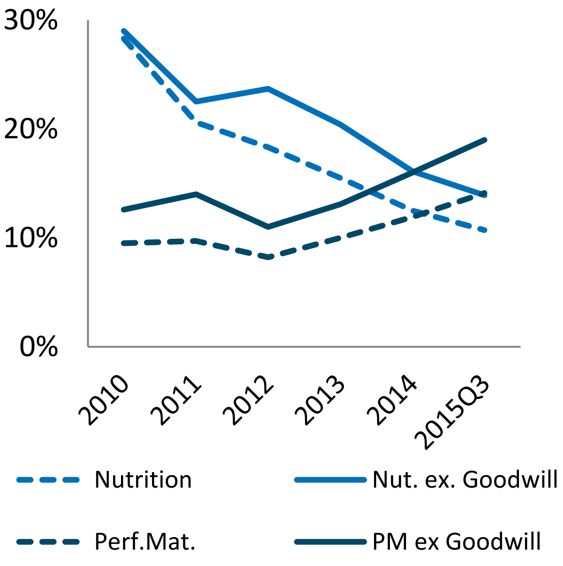
Strategy 2018: High double-digit bps annual **ROCE growth target** driven by: EBIT(DA) growth and capital efficiency

- ROCE[1] in the prior strategy period was negatively impacted by:
  - M&A related intangibles and goodwill
  - Negative impact CHF on EBIT while at same moment inflating capital employed
- Strategy 2018: High double-digit bps annual ROCE growth driven by EBIT(DA) growth and capital efficiency





[1] ROCE 2010-2015 shown in graphs is for continuing operations (excluding PI, Pharma and Composite Resins)

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How the **clusters** are expected to contribute to the **financial targets of the group**

2018 Targets

Strategy 2018 financial targets for DSM

- High single-digit annual EBITDA growth
- High double-digit bps annual ROCE growth

How to achieve

Nutrition

- Annual EBITDA growth: high single-digit
- Annual ROCE growth: high double-digit bps
- EBITDA margins: 18-20% over the period
- Above-market sales growth (at stable prices)

Performance Materials

- Annual EBITDA growth: high single-digit
- Annual ROCE growth: high double-digit bps
- EBITDA margins: >15% over the period
- Above-market sales growth (at stable prices)

Key assumptions for Strategy 2018

No major macro downturn assumed….

- global GDP growth rates of 3.2%[1] is assumed for 2016-18
- challenges in certain markets are expected to remain and economic forecast's picture is uncertain

Current FX rates versus € assumed….

- US$ 1.10, CHF 1.08, BRL 4.00, RMB 7.00
- DSM hedges approximately 50% of its transactional exposure in key currencies
- rules of thumb: before hedging and at current FX:
  - 1 ct US$ ~€9-10m on EBITDA
  - 1 rappen CHF ~€6-7m on EBITDA

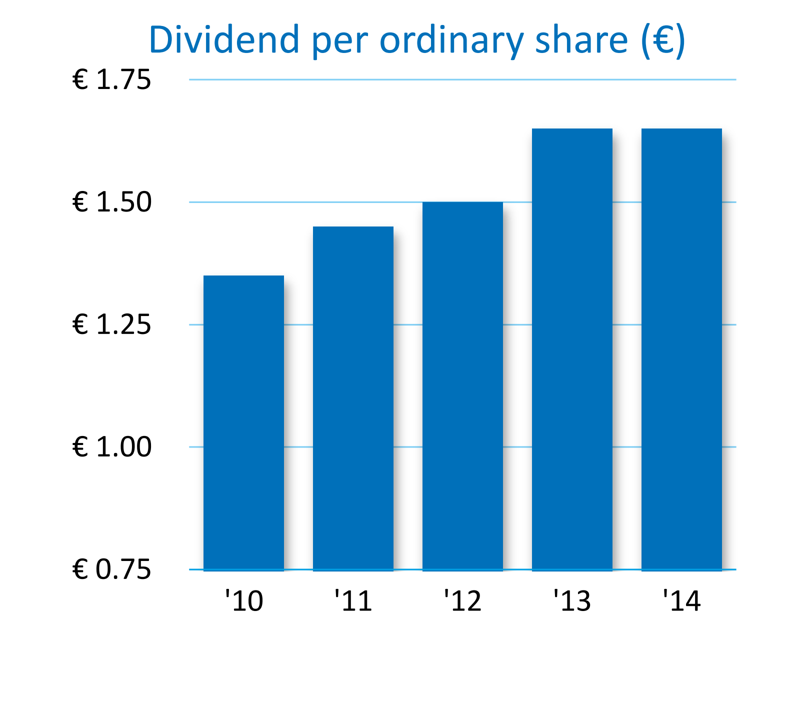
[1] Source: IMF World Economic Outlook Database, October 2015 – % change of GDP at constant prices; 2016 : 2.963%, 2017: 3.207%, 2018: 3.292%

Strategy 2018: Generate **stronger free cash flow** (excl. exceptionals)

EBITDA Growth + Working Capital Reduction + Balanced CAPEX - Tax = Stronger Free cash flow

- EBITDA Growth: High single-digit annual EBITDA growth
- Working Capital Reduction: total working capital <20%
- Balanced CAPEX: Disciplined CAPEX, focus on Nutrition
- Tax: 18%-20%

Cash allocation: Rewarding **shareholders** with **stable, preferably rising dividend**

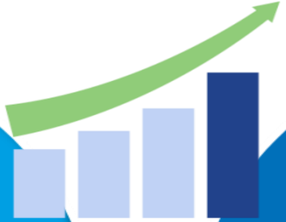


- Cash allocation priorities
  1. Disciplined capex to support profitable growth
  2. Dividend
  3. Acquisitions
  4. Share buy-backs
- Dividend policy unchanged “stable and preferably rising”
- Committed to: *maintain strong investment grade credit rating*

DSM is committed to maintain a **strong balance sheet**

- DSM's refinancing has been geared towards evenly spread maturity profile, to reduce refinance risk
- Average cost of long term funding has been reduced from 4.2% (2013), 3.9% (2014) to 3.4% (2015e)
- Net Debt increased by ~€400m in H1 2015 versus year-end 2014 mainly driven by foreign exchange and the impact of derivatives
- Extract value from the Pharma and Bulk Chemicals ventures in the coming years, providing financial headroom
- No significant liabilities in our pension funds

Wrap-up: **Committed to drive shareholder value & maintain strong balance sheet**



Committed to
Drive shareholder value

1. Above market growth
2. Cost reductions & efficiencies
3. High single-digit EBITDA growth

Committed to
Maintain a strong balance sheet

1. Extract value from joint ventures
2. Improve operating cash flow
3. Capital efficiency

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