



Stefan Doboczky, Member of the Managing Board

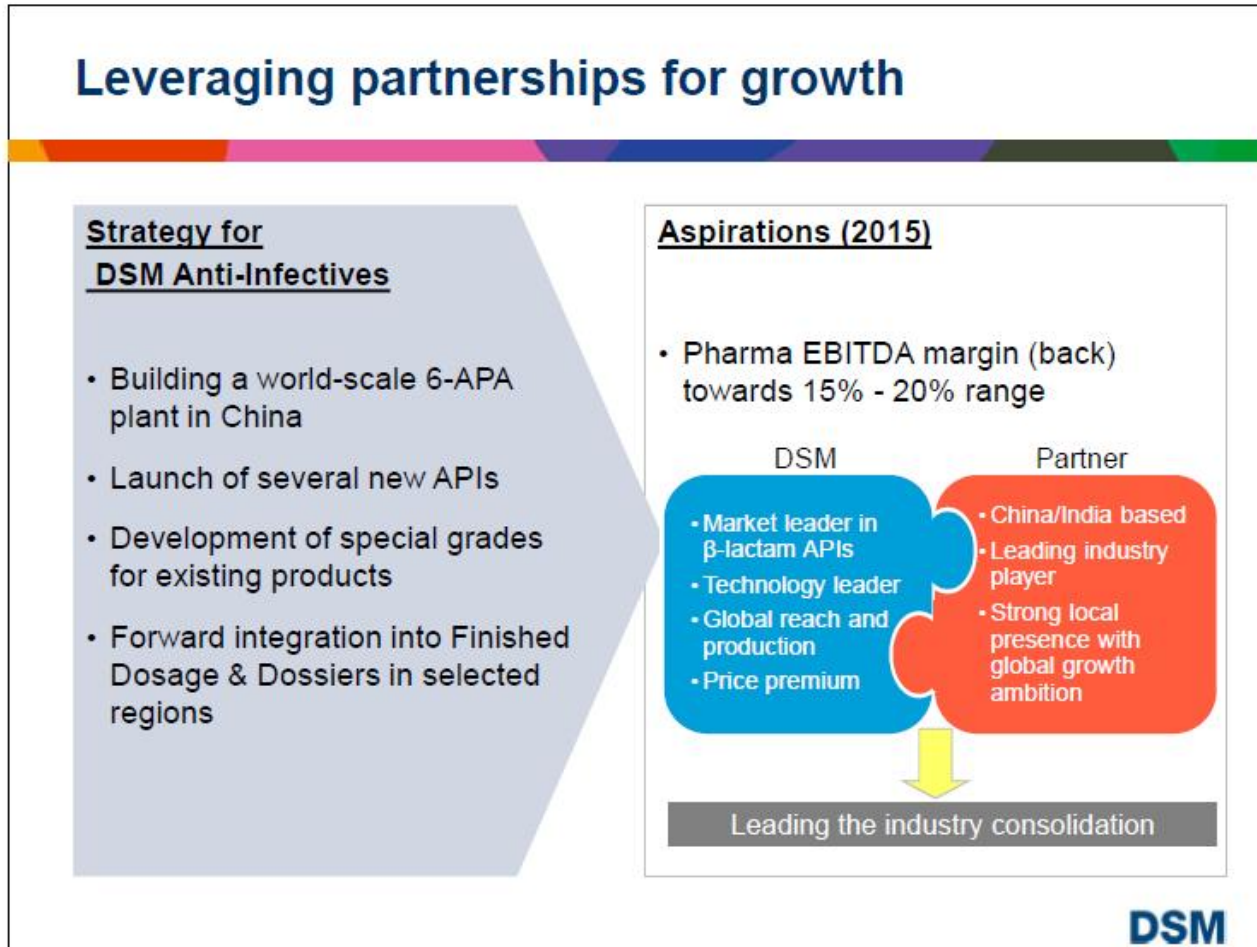
# Pharma: Leveraging partnerships for growth

DSM Capital Markets Day 2013

# Overview

- DSM Sinochem Pharmaceuticals
- DSM Pharmaceutical Products

# DSM Sinochem Pharmaceuticals: CSD aspirations 2010



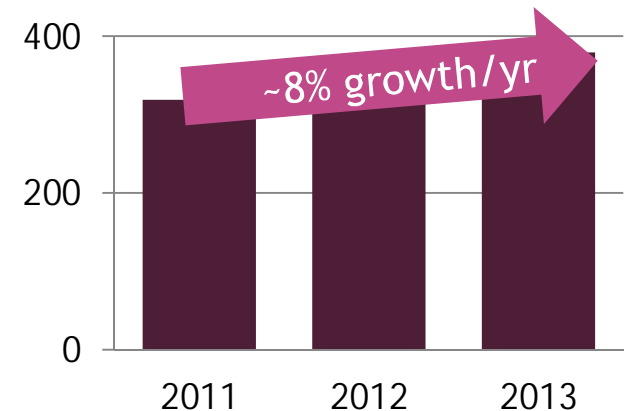
Source: DSM CMDs 2010

# Accomplishments

- Partnership with Sinochem established
  - 50% stake sold for €210m
  - Created strategically much stronger set up
- Solid sales growth achieved despite a challenging environment and lower prices
- Core business has been strengthened
  - New 6-APA plant in China
    - Local production in largest anti-infectives market
    - Lowest cost facility, sustainable green process
    - Ramp-up of plant slower than planned
  - New plant for second generation cephalosporins in China
  - Profit improvement programs successfully implemented
- Portfolio attractiveness has been improved:
  - New APIs commercialized: Successful entrance in new generation **Statins**
  - First successes in **Finished Dosages & Dossiers**

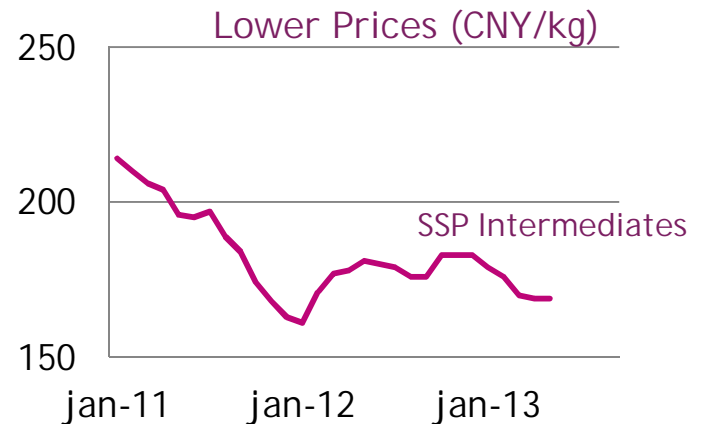
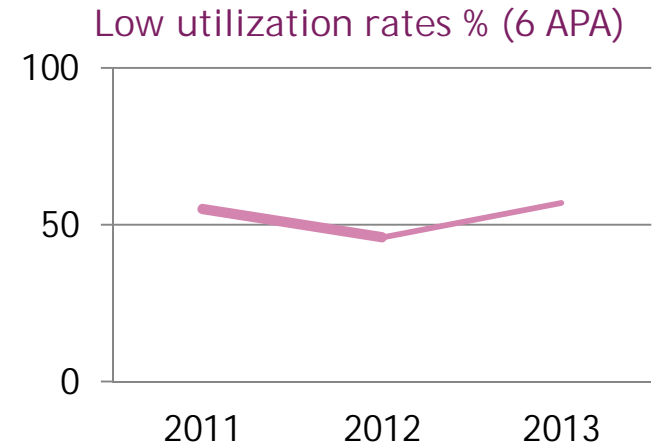


Solid sales growth  
DSM Sinochem Pharmaceuticals (€ m)



# Markets remain challenging

- Overcapacities are still the main issue in all parts of the chain
- Continuous price pressure is resulting in poor financial returns in the industry
- 2015 sales and margins aspirations are currently out of reach



# Portfolio attractiveness improved: Statins



## Brighter Living

- Statins are used by > 200m people in maintaining an active lifestyle and to fight against high cholesterol and cardiovascular diseases. This number is increasing fast, driven by an ageing population and lifestyle

## Bright Science

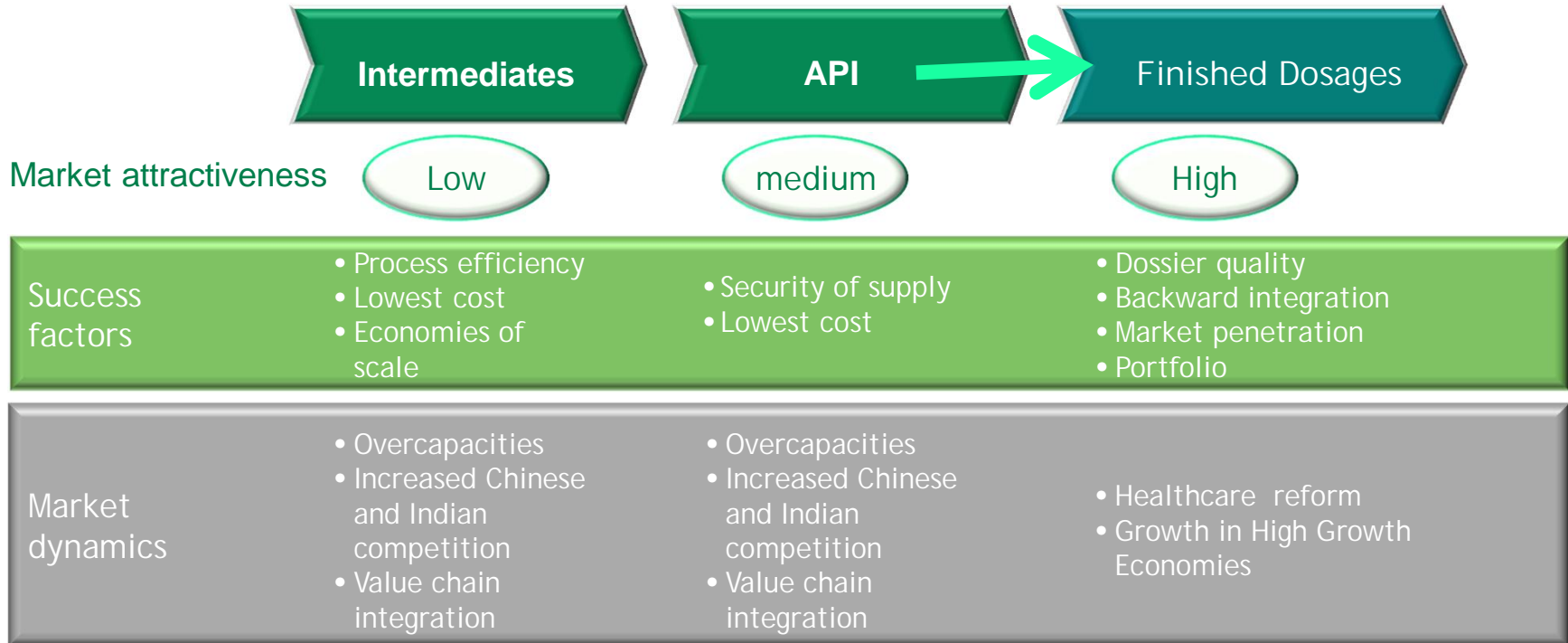
- Our unique biotechnology is a solid and sustainable foundation for new generation Statins with significantly lower carbon footprint compared to industry standards
- Multi-Purpose API plant is under construction in India in which Statins will be manufactured starting 2014.

## Unique opportunity for DSM:

- Strong projected growth for Statins
- Lower generic prices, improving accessibility
- DSP's Statins represent future industry standard

New generation Statins by DSM Sinochem Pharmaceuticals

# Portfolio attractiveness improved: Finished Dosages



- Finished dosages is most attractive part of the value chain
- Development and approval time is > 3 years
- First sales in 2013

## First successes in Finished Dosages & Dossiers

# Strategy

- Strategy of DSM Sinochem Pharmaceuticals:
  - Continue to strengthen the core business
  - Continue to upgrade the portfolio attractiveness
  - Downstream integration into formulations and finished dosages
- Gradual recovery of financial results expected
- Activities will be fully deconsolidated as from 1 January 2014, following IFRS rules

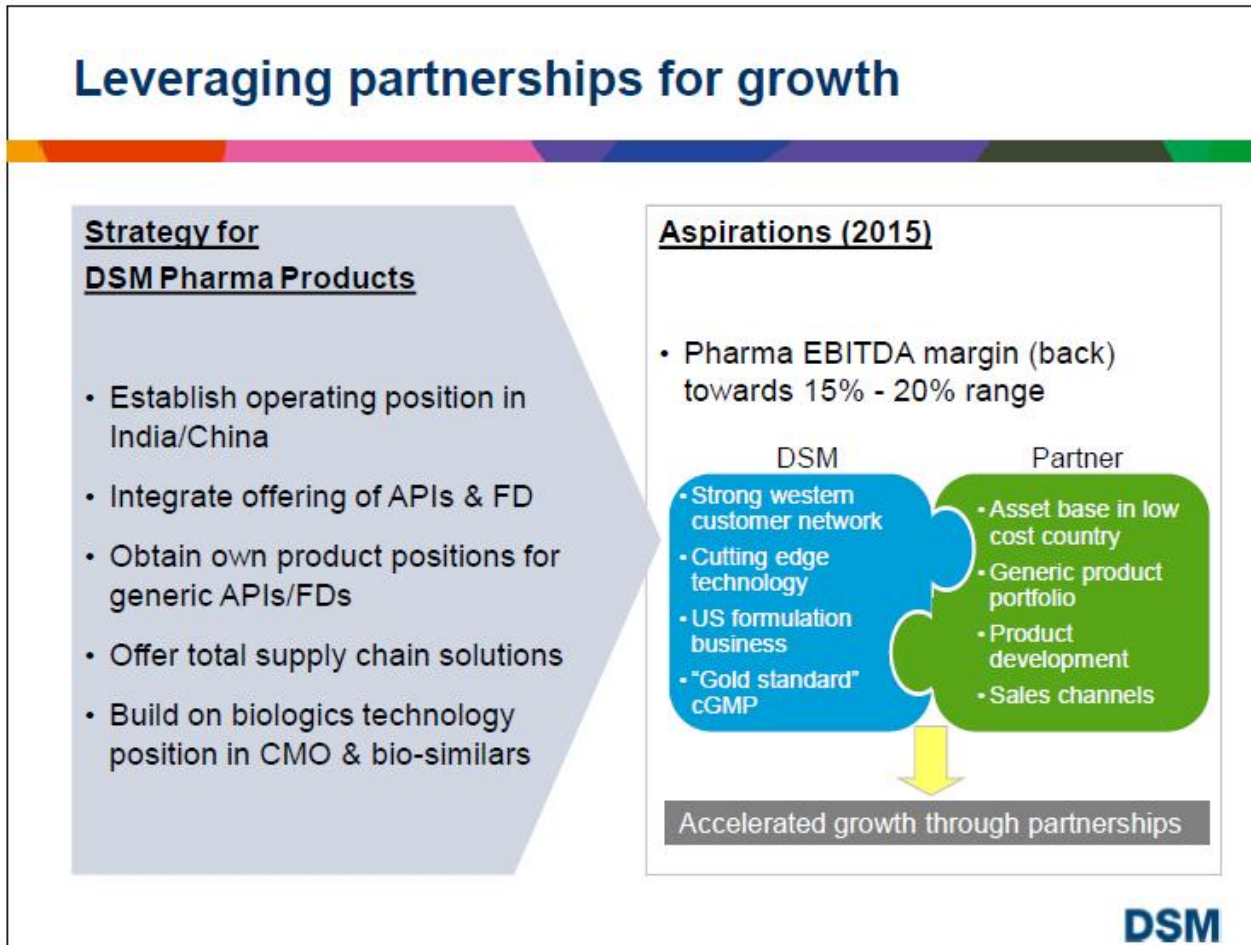




# Overview

- DSM Sinochem Pharmaceuticals
- DSM Pharmaceutical Products

# DSM Pharmaceutical Products: CSD aspirations 2010

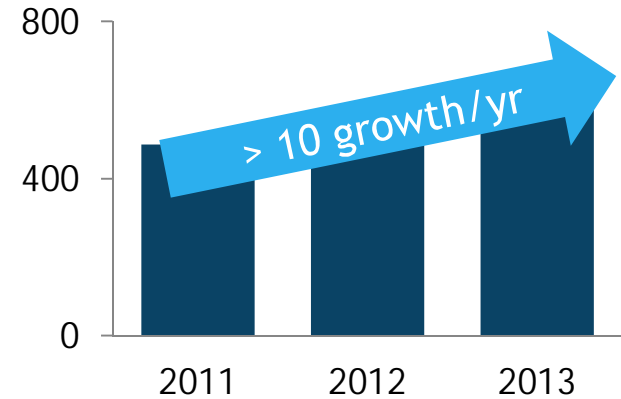


Source: DSM CMDs 2010

# Accomplishments

- Healthy sales growth in challenging environment
- Strengthened **DSM Pharmaceuticals, Inc. (DPI)**:
  - Investments in finished dosages
  - Strengthened account management
  - High growth rates, such as in cytotoxic
- Strengthened **Biologics**:
  - New bio-pharma plant in Brisbane (Australia)
  - US patents granted for high density technology (XD™ )
- **PIP** resulting in improved cost position, especially in chemical CMO

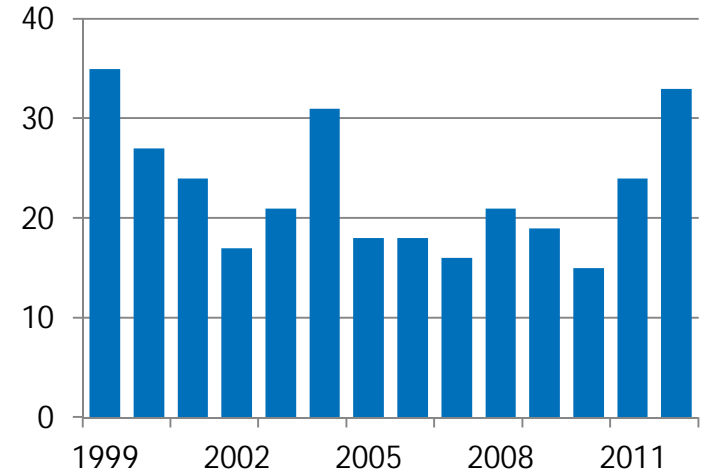
Sales DSM Pharmaceutical Products (€ m)



# Chemical CMO markets most challenging

- Chemical CMO confronted with overcapacities:
  - Reduced new product approvals during the last decade; recently signs of improvement
  - Reduced healthcare spending
  - Patent cliff in regulated market
  - Strong competition from Far East players
- => Resulting in continued cost pressure

New Chemical Entities approvals (FDA 1999-2012)



# Finished dosages becoming more attractive

- Increased regulatory scrutiny / increased barriers which favors high quality industry leaders such as DSM
- DPI in Greenville is a worldwide leader in finished dosages:
  - Commercial scale services for aseptic filling and lyophilization
  - Restricted Access Barrier Systems
  - Flexible scheduling and batch sizes
  - Global compliance systems
  - Options for expanded development and analytical services
- Cytotoxics is attractive market for DSM:
  - Number of antibody-drug conjugate submissions is surging
  - DPI is currently supplying 4 commercial products and has recently received numerous regulatory approvals for a new breast cancer treatment ADC in conjunction with one of our customers



# DSM's position in biologics strengthened

- DSM technologies such as XD® and Rhobust® present a *new paradigm in biomanufacturing*: small footprint, modular, flexible, low capex and low cost
- Evidenced by the uptake of some industry majors
  - US patents granted for high density technology, XD™, licensed to several clients including Amgen
  - Rhobust® patents granted around the World
  - High uptake of both technologies in biosimilar developers where cost position is critical
- New mammalian facility in Brisbane, Australia opened in 2013, with future benefits:
  - support global client commercial needs
  - Asia-Pacific hub
  - Showcase for DSM technologies



# The new paradigm in biologics manufacturing

## Yesterday

- Large stainless steel bioreactors
- DSP bottlenecks
- Large fixed footprint / high CAPEX



20,000L Stainless Steel Fed-Batch Bioreactor

## Today at DSM Biologics

- Disposable systems
- Efficient processes
- Small footprint / low CAPEX
- Fast and flexible
- Meeting product quality demands



Single Use Bioreactor w/XD<sup>®</sup> Technology

# Strategy

- Form a partnership that creates a CMO industry leader
  - ✓ Combine businesses and capabilities leading to full portfolio and scale
    - » Enabling growth while offering opportunities for cost synergies
- Meanwhile, continue own strength business improvement
  - ✓ Continuing improvement of results
  - ✓ CMO business remains inherently lumpy





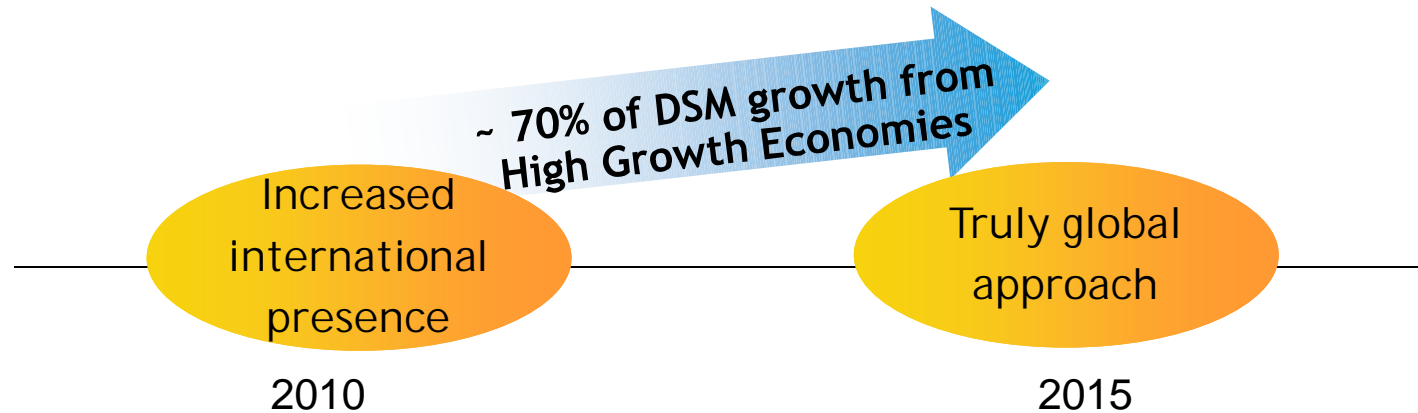


Stefan Doboczky, Member of the Managing Board

High Growth Economies: *geared for accelerated growth*

DSM Capital Markets Day 2013

# CSD aspirations in 2010

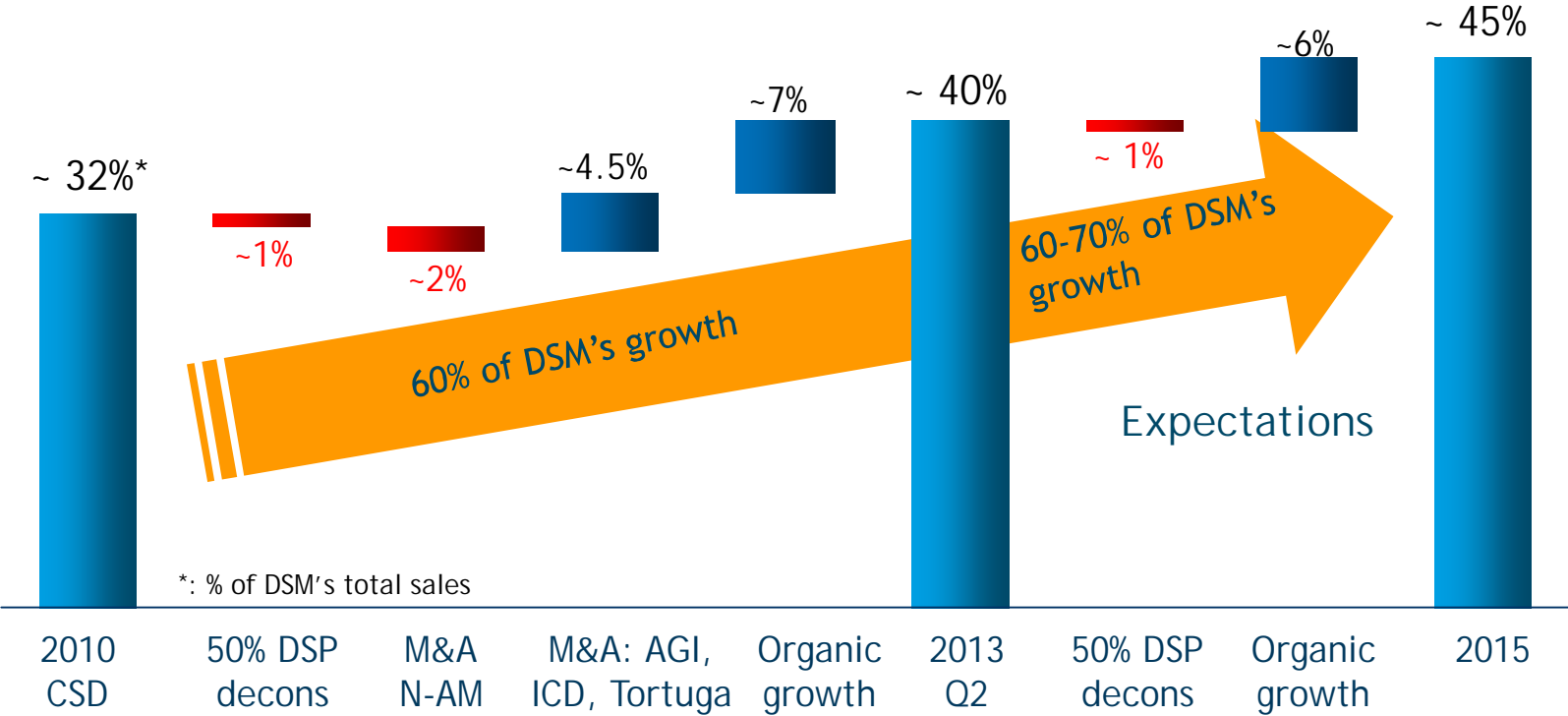


## Aspiration

- High Growth Economies: sales from 32% towards 50%
- China sales to > US\$ 3bn
- Set up Innovation Centers China/India
- Presence in India, LATAM, Russia
- Fully align organization with growth ambitions (strengthening regions)

**From reaching out to becoming truly global**

# Major step-up in sales to High Growth Economies



- Acquisitions in HGE significantly added to presence, whereas acquisitions with sales predominantly in NA (incl. Martek, Ocean Nutrition) diluted HGE sales ratio (%)
- Deconsolidation of anti-infectives business (DSP) has had a negative effect
- Fast growing private consumption is important driver, as DSM's sales to HGE are predominantly for domestic/regional application

# China: towards US\$ 3bn

## Business

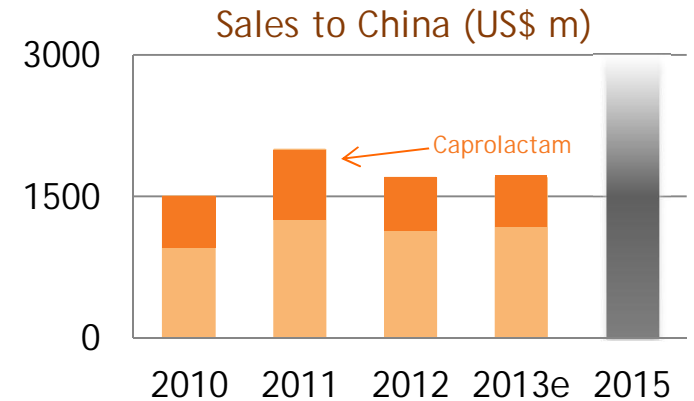
- Sales increased from US\$1.5bn (CSD 2010) to US\$1.7bn in 2012
- New plants for 6-APA, SSC and Composite Resins
- Acquisitions: ICD (HPPE), AGI (UV-curable resins), André Pectin (Hydrocolloids) and premix facilities

## Organizational

- Organization strengthened including shift towards local executives
- HQ of DSM Fibre Intermediates moved to Shanghai
- Science & Technology Center opened in Shanghai
- Around 3,300 employees (June 2013)

## Next steps

- Leverage global products and acquisitions via strong network in China (e.g. infant nutrition)
- Strengthen R&D/innovations for local/regional markets including new ANH R&D center
- Start up 2<sup>nd</sup> caprolactam line
- Investments: e.g. vitamin B6 facility



Deconsolidation of anti-infectives and lower prices for caprolactam impacted growth

# India: establish a foothold

## Business

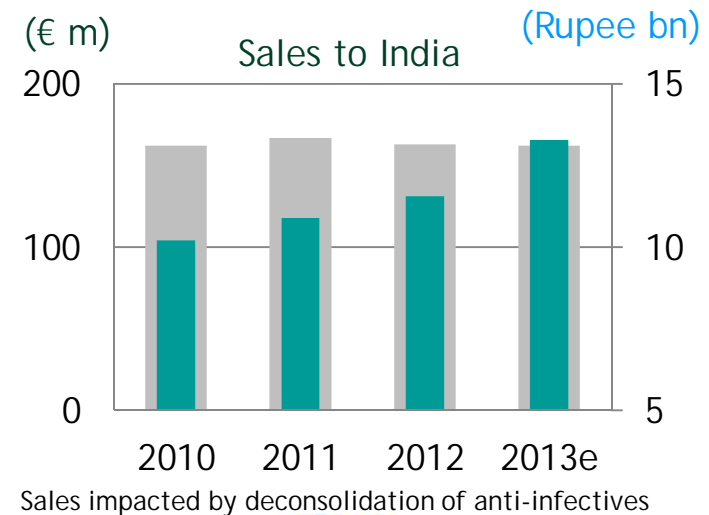
- Strong double-digit sales growth in local currencies, however flat in Euro
- Sales growth driven by Nutrition, Pharma and PM
- Shared service center for Finance in Hyderabad

## Organizational

- Innovation center fully operational, focusing on high potential markets such as Nutrition and biofuels
- Full utilization of the power of 'ONE DSM' by leveraging cross-Business opportunities
- Almost 800 employees (June 2013)

## Next steps

- Continue to invest in nutrition platform:
  - Leverage recent acquisitions for cross selling
  - New HNH premix plant (2014)
- Focused investments in local innovation:
  - Application development center for HNH
  - Pilot facility for Biogas
- Further expanding shared service center activities



# Latin America: Strong position in Brazil

## Business

- Acquisitions in nutrition (Tortuga and Fortitech)
- Sales growth in Latin American has been exceeding GDP growth in last four years, driven by Nutrition
- Very attractive second-generation bioethanol potential

## Organizational

- Regional presidency Latin America in place, country organization moving forward
- Full focus at this moment on integration of acquisitions
- More than 2,000 employees (June 2013)

## Next steps

- Use network in the region for cross-selling opportunities
- Commercialize second generation bioethanol and sustainable chemistry activities
- Focus on localized products and application development for regional markets



# Progress in Russia & C/E Europe

## Business

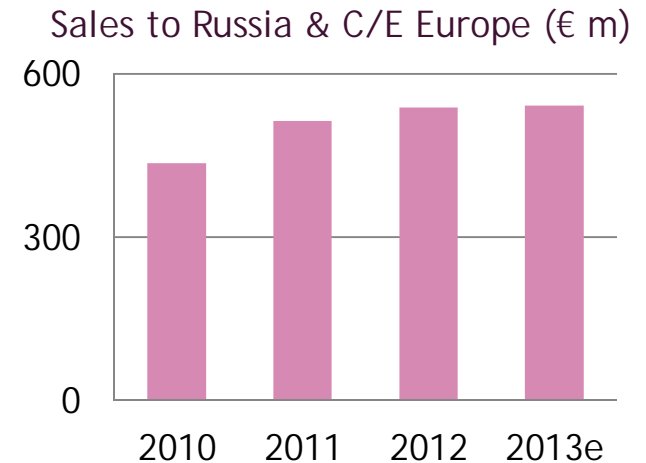
- Steady sales growth driven by Nutrition
- Two production partnerships: Nutrition (Tatarstan) and Engineering Plastics (Togliatty)
- Licensing deal with KuibyshevAzot

## Organizational

- Full time President in place for Russia
- Almost 150 employees (June 2013)

## Next steps

- Further business growth targeted in Nutrition, life protection, functional materials and 2<sup>nd</sup> generation biotechnology
- Use cross-selling opportunities offered by recent Nutrition acquisitions
- Selective investments



# Southeast Asia: fast gaining significance

## Business

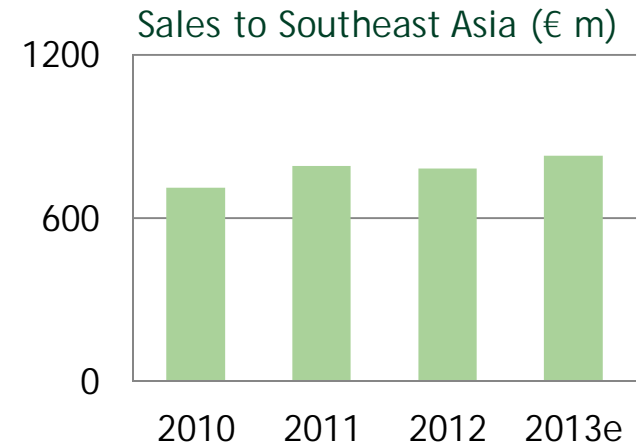
- Strong sales growth, with major step-up in 2013 following the acquisition of Unitech
- Premix network enlarged
- Application lab for DSM Dyneema in Singapore

## Organizational

- HQ of DSM Engineering Plastics and DSM Sinochem Pharmaceuticals moved to Singapore
- Increased footprint in Singapore helps to gain significance for DSM in the region
- Almost 900 employees (June 2013)

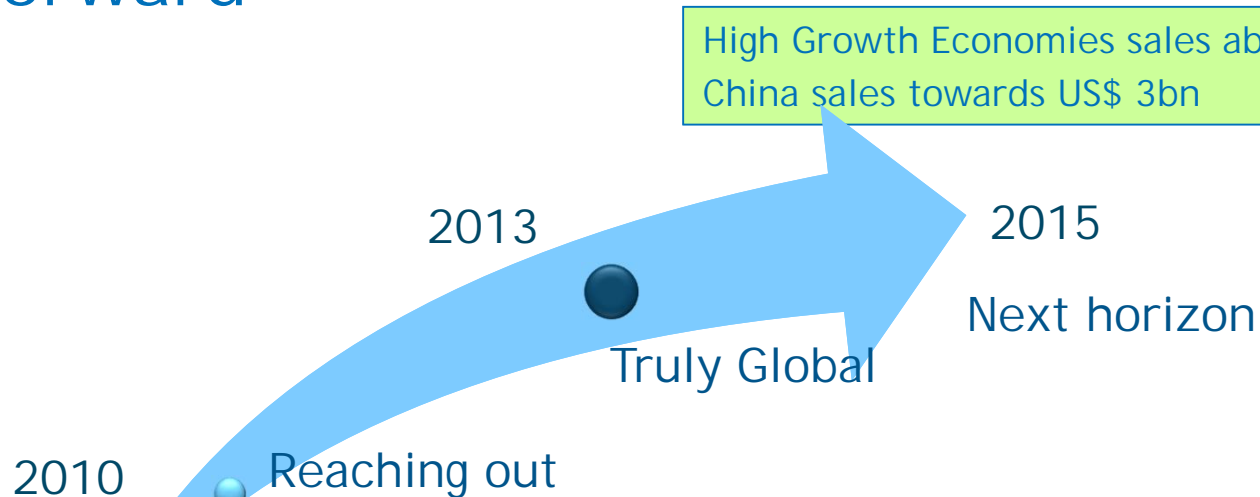
## Next steps

- Leverage DSM businesses and acquisitions for cross-selling in the region
- Expand premix footprint
- Establish Nutrition innovation center in Singapore
- Further strengthen regional hubs (e.g. Indonesia)





# Move forward



- Relevant Business Group headquarters relocated to Asia
- Continued investments
- Innovation Centers set up in China/India
- Regional organizations established in China, India, LATAM, Russia
- More than 30% of DSM employees live and work in High Growth Economies

- Continue to strengthening local innovation and application development
- Cultivate synergies of acquisitions with enlarged product/service network
- Strengthen regional power base (organization and staffing)
- Experiment with new business models

Contact:



## DSM Investor Relations

P.O. Box 6500, 6401 JH Heerlen, The Netherlands

 (+31) 45 578 2864

e-mail: [investor.relations@dsm.com](mailto:investor.relations@dsm.com)

internet: [www.dsm.com](http://www.dsm.com)

visiting address: Het Overloon 1, Heerlen, The Netherlands

## DISCLAIMER

This document 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. Examples of forward-looking statements include statements made or implied about the company's strategy, estimates of sales growth, financial results, cost savings and future developments in its existing business as well as the impact of future acquisitions, and the company's financial position. These statements can be management estimates based on information provided by specialized agencies or advisors.

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 the company's actual performance and position to differ materially from these statements. These factors include, but are not limited to, macro-economic, market and business trends and conditions, (low-cost) competition, legal claims, the ability to protect intellectual property, changes in legislation, changes in exchange and interest rates, changes in tax rates, pension costs, raw material and energy prices, employee costs, the implementation of the company's strategy, the company's ability to identify and complete acquisitions and to successfully integrate acquired companies, the company's ability to realize planned disposals, savings, restructuring or benefits, the company's ability to identify, develop and successfully commercialize new products, markets or technologies, economic and/or political changes and other developments in countries and markets in which DSM operates.

As a result, DSM's actual future performance, position and/or financial results may differ materially from the plans, goals and expectations set forth in such forward-looking statements.

DSM has no obligation to update the statements contained in this document, unless required by law. The English language version of this document is leading.

A more comprehensive discussion of the risk factors affecting DSM's business can be found in the company's latest Annual Report, a copy of which can be found on the company's corporate website, [www.dsm.com](http://www.dsm.com)