

Presentation to Investors

Q1 2020 results

NUTRITION · HEALTH · SUSTAINABLE LIVING



Co-CEOs statement

“COVID-19 has led to unprecedented global challenges. We took very early actions and focused on ensuring the health and safety of our employees and partners, keeping our operations running and serving customers and society with our essential products. We are proud of how our people are responding to the new challenges and are also supporting the communities around them in so many different ways.

We saw good underlying business conditions in Nutrition, with momentum increasing through the quarter, and with an overall small increase in demand from COVID-19. At the same time, trading conditions in Materials deteriorated rapidly at the end of Q1 as customers’ operations were impacted by COVID-19 restrictions, especially in Europe and North America.

While these are uncertain times, we are taking all necessary actions to address recent challenges in end markets. We remain well-positioned to manage near-term developments with a growing Nutrition business and a strong financial position. We stay focused on our long-term strategy to deliver above-market growth, pursuing our innovation programs, and growth initiatives, supported by the execution of our self-help actions.”

Geraldine Matchett and Dimitri de Vreeze, co-CEOs



Q1 2020 results

Highlights

- DSM reports a solid quarter
- Early actions on COVID-19 ensured continuity of operations and supply to customers
- Group sales and Adjusted EBITDA stable
 - ✓ Nutrition: sales +4%, organic sales +2%, Adjusted EBITDA +3%
 - ✓ Materials: sales -8%, volumes -6%, Adjusted EBITDA -7%
- Adjusted net profit up 8% to €216m. Net profit: €168m.
- Strong Adjusted Net Operating Free Cash Flow of €151m, up 152%.
- Outlook 2020: 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 is suspended at this time.

Key financials

Q1 2020

in € million	Q1 2020	Q1 2019	% Change	Volume	Price/mix	FX	Other
Sales	2,293	2,292	0%	1%	-3%	1%	1%
Nutrition	1,575	1,517	4%	5%	-3%	1%	1%
Materials	660	717	-8%	-6%	-4%	1%	1%
Adjusted EBITDA	423	424	0%				
Nutrition	324	316	3%				
Materials	118	127	-7%				
Innovation	5	6					
Corporate	-24	-25					
EBITDA	358	416					
Adjusted EBITDA margin	18.4%	18.5%					

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

Key financials

Q1 2020

in € million	YTD		
	Q1 2020	Q1 2019	% Change
Sales	2,293	2,292	0%
Adjusted EBITDA	423	424	0%
Adjusted EBITDA margin	18.4%	18.5%	
ROCE (%)	11.7%	12.9%	
Effective tax rate¹	18.0%	18.0%	
Adjusted net profit²	216	200	8%
Net profit - Total DSM²	168	196	-14%
Adjusted net EPS	1.24	1.12	11%
Net EPS - Total DSM	0.96	1.10	
Operating cash flow	287	201	43%
Adjusted Net Operating Free Cash Flow	151	60	152%

¹ Over Adjusted taxable result

² Including result attributed to non-controlling interest

Outlook 2020

There is 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 at this time.

Nutrition

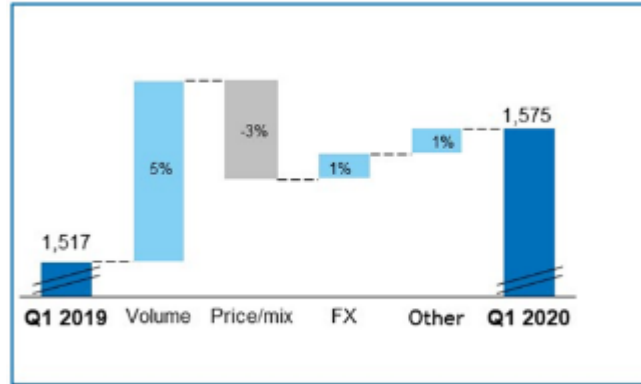
Key financials

in € million	YTD			YTD		
	Q1 2020	Q1 2019	% Change	Q1 2020	Q1 2019	% Change
Sales	1,575	1,517	4%	1,575	1,517	4%
Adjusted EBITDA	324	316	3%	324	316	3%
Adjusted EBITDA margin (%)	20.6%	20.8%		20.6%	20.8%	
Adjusted EBIT	229	228	0%	229	228	0%
Capital Employed	6,688	6,286				
Average Capital Employed	6,709	6,035				
ROCE (%)	13.7%	15.1%				
Total Working Capital	1,678	1,650				
Average Total Working Capital as % of Sales	27.9%	26.3%				

Nutrition

Business overview

Sales bridge | Q1 2019 to Q1 2020 (€m)

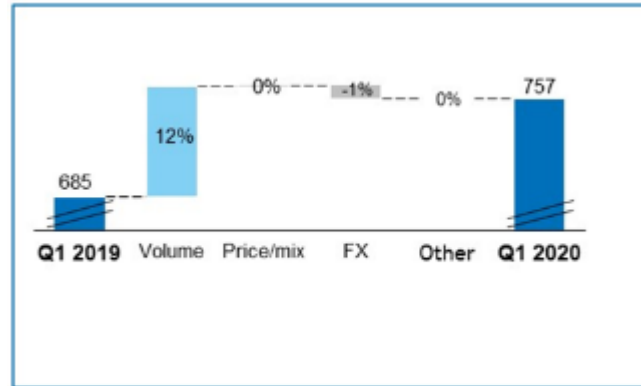


- **Sales development:** Nutrition showed healthy organic sales growth in Q1, supported by a slight increase from COVID-19 of about 1% on its sales. Animal Nutrition saw continued good business conditions through the quarter, and benefitted from some additional COVID-19 driven demand. Human Nutrition had a soft start, as expected, but saw strong momentum building by the end of the quarter due in part to changes in COVID-19 driven customer purchasing behavior. Food Specialties and Personal Care had a slightly negative impact from COVID-19.
- Nutrition reported 2% organic growth, with volumes up 5% and prices down 3%. Overall, sales were up 4%, including the contribution of the acquired specialty dairy solutions provider CSK (1%) and foreign exchange effects (1%).
- **Q1 Adjusted EBITDA development:** The Adjusted EBITDA growth was 3%, driven by higher volumes and the contribution from CSK, offset in part by higher logistics costs and a negative foreign exchange effect. The Adjusted EBITDA margin remained broadly stable at 20.6% versus 20.8% in same period last year.

Animal Nutrition & Health

Sales overview

Sales bridge | Q1 2019 to Q1 2020 (€m)

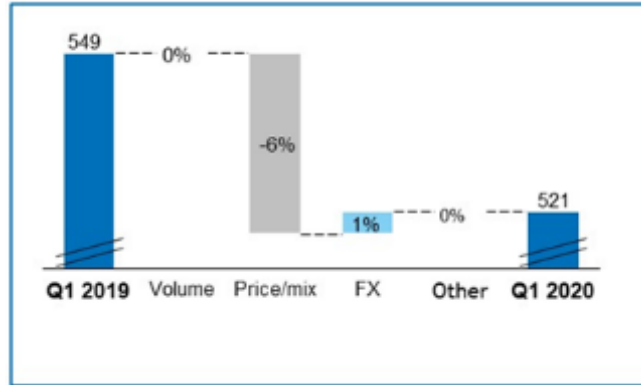


- Animal Nutrition reported 12% organic growth, fully driven by volumes, with good business conditions across all regions and species, highlighting the strength of our integrated and diversified global business model.
- The effects of African Swine Fever continued to recede during the quarter, with only a few new cases being reported in China and South-East Asia since the end of 2019, contributing to good growth in the region for Q1. The rebuilding of the swine population in the region will be gradual but significant given the devastation caused by the disease. This growth is predominantly happening at larger professional farming operations. Going forward, this trend will continue to benefit DSM's ever-expanding portfolio of higher value-added nutrition solutions.
- In relation to the COVID-19 outbreak, the rapid shift from food services to at-home eating, resulting from lockdown measures around the world, led to increased demand for easy-to-prepare protein such as poultry and eggs. During the quarter, DSM also saw additional purchases from feed producers who increased stocks of nutritional ingredients in anticipation of logistics disruptions as a result of the COVID-19 outbreak.
- The overall price/mix effect for Q1 was neutral.

Human Nutrition & Health

Sales overview

Sales bridge | Q1 2019 to Q1 2020 (€m)



- As expected, Human Nutrition had a slow start to the year with the continuation of softer conditions seen in Q4 in Early Life Nutrition and Food & Beverage, exacerbated by low vitamin C prices.
- However, as lockdown measures began to take effect in more markets, strong demand for packaged goods and infant nutrition altered business conditions from mid-March, intensified by household pantry loading.
- Dietary Supplements had a strong start to the year as the good business conditions of Q4 continued into 2020. The increasing demand for immunity-optimizing products led to further growth over the quarter. These effects continued into April.
- The overall price/mix was down 6% in the quarter owing to continued lower vitamin C prices and lower contractual Early Life Nutrition prices compared to the same period last year.

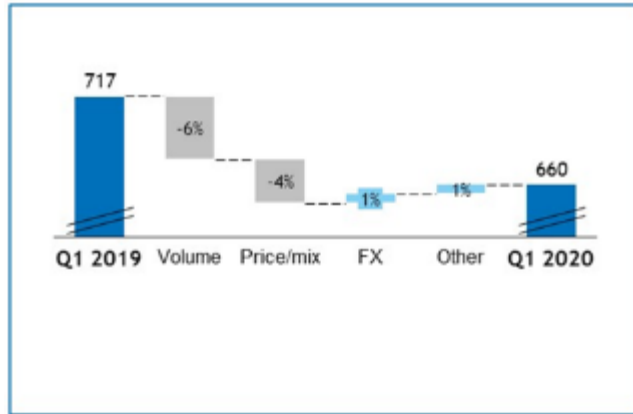
Other Nutrition activities

- DSM's other Nutrition activities, which include Food Specialties, Hydrocolloids, and Personal Care & Aroma Ingredients, delivered -4% organic growth, with a good performance in Food Specialties and a weak performance in Personal Care.
- **Food Specialties** delivered a good performance, despite having a slightly negative impact from COVID-19 effects. China-based activities (especially Hydrocolloids) experienced a shortfall in demand in their home markets. During the quarter, the COVID-19 effects started to impact European and North American activities leading to a strong demand for baking and dairy. Beverages however saw a decline as breweries had to reduce their production on weak demand. Savory saw a strong demand for packaged food applications.
- CSK was consolidated for the full first quarter, realizing €18 million sales with an Adjusted EBITDA of €4 million in Q1.
- **Personal Care and Aroma Ingredients** had a weak quarter due to soft demand in its Personal Care segment especially for sun filters, while demand for Aroma Ingredients strengthened over the quarter on increased demand for detergents and disinfectants.
- On 1 April 2020 DSM completed the **acquisition of Glycom**, as announced on 21 February 2020. Glycom is the only fully-integrated Human Milk Oligosaccharides (HMO) supplier in the world with its own product development, preclinical and clinical development, regulatory and large-scale production with an exciting innovation roadmap for next-generation HMOs. With these products, DSM adds a new category of ingredients for next-generation early-life nutrition solutions to its infant nutrition portfolio.

Materials

Business Overview

Sales bridge | Q1 2019 to Q1 2020 (€m)



- **Sales development.** After a solid start to the year, Materials was affected by COVID-19 with demand deteriorating rapidly at the end of the quarter. The lockdowns enforced across China/Asia, Europe and NA have impacted the operations of several DSM customers and closures of retail operations have significantly reduced demand. Overall, DSM estimates a 7% negative sales impact due to COVID-19 effects on Materials in Q1.
- Towards the end of the quarter, as China gradually lifted its lockdowns, local demand started to show initial signs of a slow recovery, especially in non-automotive applications. With lockdowns in place in the rest of the world, and especially in Europe and NA since mid-March, significant uncertainty persists over sales development going forward.
- Materials reported 6% lower volumes. Prices were down 4%, fully reflecting lower input costs.
 - ✓ **DSM Engineering Materials¹** reported lower volumes with an especially low demand in the global automotive segment, exacerbated by supply chain interruptions due to progressive lockdowns in Asia, Europe and NA during the quarter. Other segments have also been affected, partly offset by stronger demand in packaging and medical applications.
 - ✓ **DSM Resins & Functional Materials.** Coating Resins' volumes were slightly below Q1 2019, with demand shortfalls in China/Asia due to lockdowns compensated by good sales growth in Coating Resins in Europe and NA until March. Functional Materials saw a decline in 4G related sales, while 5G network investments are delayed.
 - ✓ **DSM Protective Materials** reported lower volumes mainly due to large government-driven personal protection projects being delayed.

Materials

Key Financials

in € million	YTD			YTD		
	Q1 2020	Q1 2019	% Change	Q1 2020	Q1 2019	% Change
Sales	660	717	-8%	660	717	-8%
Adjusted EBITDA	118	127	-7%	118	127	-7%
Adjusted EBITDA margin (%)	17.9%	17.7%		17.9%	17.7%	
Adjusted EBIT	83	93	-11%	83	93	-11%
Capital Employed	1,975	1,959				
Average Capital Employed	1,951	1,930				
ROCE (%)	17.0%	19.2%				
Total Working Capital	405	443				
Average Total Working Capital as % of Sales	15.3%	15.3%				

- Q1 2020 Adjusted EBITDA was -7% compared to previous year fully driven by lower volumes. Q1 2020 Adjusted EBITDA margin was 17.9% compared to 17.7% in Q1 2019, as the quarter saw a small benefit from lower raw material prices and lower costs.

Innovation Center

Key Financials

in € million	YTD			YTD		
	Q1 2020	Q1 2019	% Change	Q1 2020	Q1 2019	% Change
Sales	48	47	2%	48	47	2%
Adjusted EBITDA	5	6		5	6	
Adjusted EBIT	-5	-1		-5	-1	
Capital Employed	618	614				

- **Q1 sales** were up 2%. Biomedical reported good sales growth. Bio-based Products & Services had somewhat lower license income from bio-based fuels. Solar remained soft due to the challenging Chinese market.
- **Q1 Adjusted EBITDA** was slightly down as a result of a negative price/mix effect.

Corporate Activities

Key Financials

in € million	YTD		Q1 2020	Q1 2019
	Q1 2020	Q1 2019		
Sales	10	11	10	11
Adjusted EBITDA	-24	-25	-24	-25
Adjusted EBIT	-35	-41	-24	-41

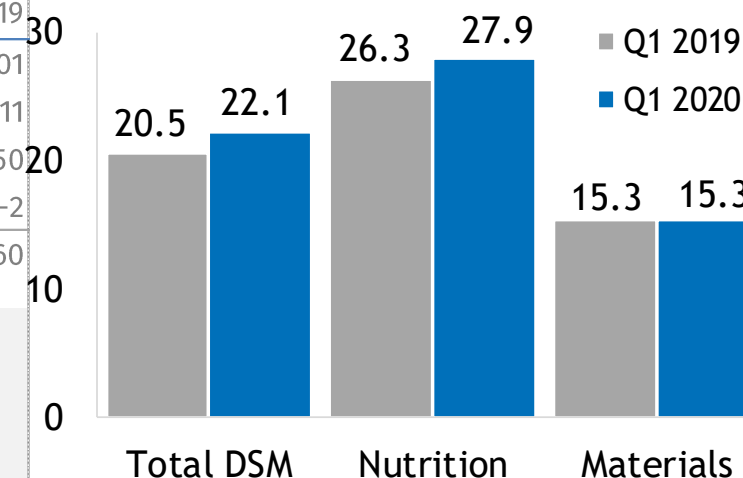
- Q1 Adjusted EBITDA was in line with previous year.

Cash Flow and Working Capital

Condensed Cash Flow statement and (Operating) Working Capital

in € million	YTD		Q1 2020	Q1 2019
	Q1 2020	Q1 2019		
Cash provided by Operating Activities	287	201	287	201
- Cash from APM adjustments	20	11	20	11
- Cash from capital expenditures	-152	-150	-152	-150
- Cash from drawing rights	-4	-2	-4	-2
Adjusted Net Operating Free Cash Flow	151	60	151	60
Operating Working Capital	2,373	2,430		
Average Operating Working Capital as % of Sales	26.4%	25.7%		
Operating Working Capital as % of Sales - end of period	25.9%	26.5%		
Total Working Capital	1,951	1,941		
Average Total Working Capital as % of Sales	22.1%	20.5%		
Total Working Capital as % of Sales - end of period	21.3%	21.2%		

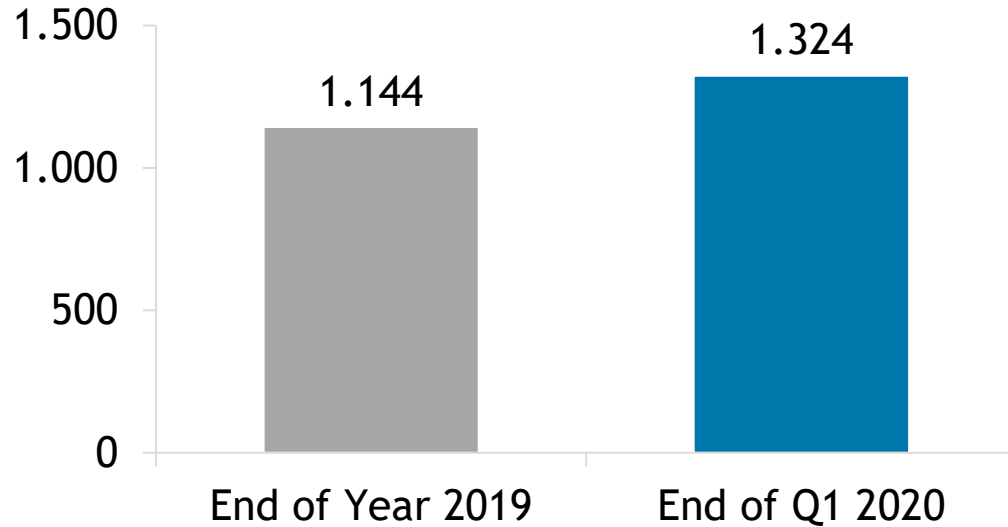
Average Total Working Capital as % of Sales



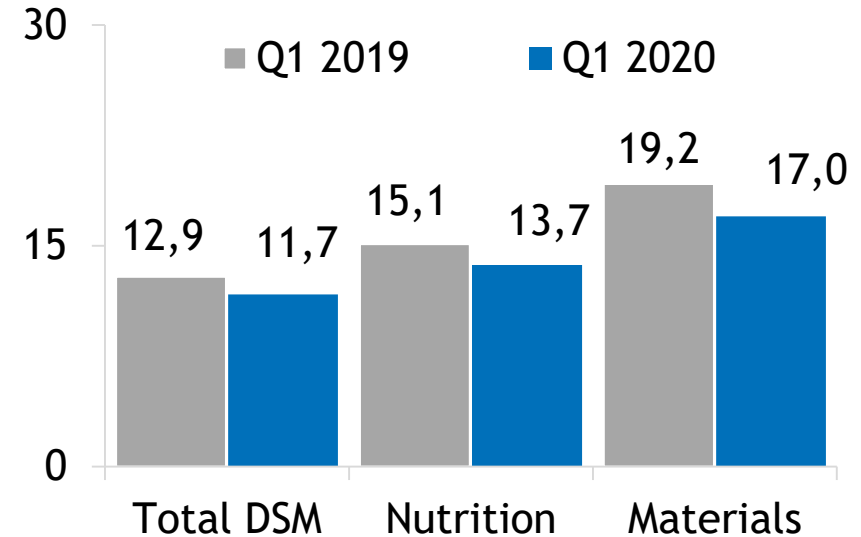
- **Adjusted Net Operating Free Cash Flow** amounted to €151 million, an increase of 152% compared to previous year. The step-up in cash flow is driven by limited cash-out related to working capital in Q1 2020 of €100 million, compared to €165 million in Q1 2019.
- **Operating Working Capital and Total Working Capital:** Operating working capital end Q1 2020 decreased by €57m compared to end of Q1 2019, which was mainly due to an increase in payables on the back of accelerated sourcing of materials. This was also reflected in the OWC as % of sales end-of-period which decreased by 0.6.

Net debt and ROCE

Net debt (€ million)



ROCE (%)



- **Net debt** increased by €180 million to €1,324 million, mainly from the execution of the SBB program. In Q1 2020, our net debt to EBITDA ratio was 0.8x.
- **ROCE** as of Q1 2020 was 11.7%, down 120 bps from Q1 2019, mainly driven by higher capital employed due to recent acquisitions.

Sustainability update

- In Q1 2020, DSM further improved the environmental impact of its own operations:
 - ✓ DSM signed two new Power Purchase Agreements (PPAs) with EDPR (Europe) and Origis Energy (USA) that will cover approximately 25% of DSM's current total annual electricity consumption and translate into a CO₂ emissions reduction of 85,000 tons/year. DSM is on track to achieve its target of purchasing 75% of its electricity needs from purchased renewable sources by 2030.
- Additionally, DSM enabled its customers to deliver more sustainable products to consumers:
 - ✓ Two leading coating formulators integrated DSM's bio-based, self-matting resin that outperforms conventional market alternatives on sustainability, setting high standards in the flooring industry;
 - ✓ DSM partnered with SABIC and UPM Biofuels in March 2020 to create bio-based Dyneema[®], which represents an important step in realizing the goal of sourcing at least 60% of Dyneema's feedstock from bio-based raw material by 2030.

Safe harbor

This presentation may contain forward-looking statements with respect to DSM's future 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 Q1 2020 performance can be found in the Q1 2020 results press release, published together with this presentation. A more comprehensive discussion of the risk factors affecting DSM's business can be found in the company's latest Annual Report, which can be found on the company's corporate website, www.dsm.com

DSM Factbook

For more information on DSM's portfolio, products & strategy, please visit our Factbook online:

<https://www.dsm.com/corporate/investors/key-facts-figures-overview/key-market-data-factbooks.html>





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