



# Presentation to Investors

Q1 2016 results

ROYAL DSM  
HEALTH NUTRITION MATERIALS



# Safe harbor statement

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More details on DSM's Q1 2016 performance can be found in the Q1 2016 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](http://www.dsm.com)

# Highlights Q1 2016

- DSM reports a strong first quarter
- Group net sales up at €1,913 million, with 2% organic growth
- Group EBITDA up 19% to €296 million
- Nutrition: 6% organic sales growth, EBITDA up 15%
- Materials: EBITDA up 10%, supported by low input costs
- Group ROCE: improved to 9.8% (Q1 2015: 6.8%) driven by EBIT growth
- Outlook maintained: DSM aims to deliver increased full-year EBITDA and ROCE in line with the targets set out in its Strategy 2018: *Driving Profitable Growth*

# Quote from CEO Feike Sijbesma



Feike Sijbesma  
CEO / Chairman of  
the DSM Managing Board

*“We are pleased to report that we delivered a strong first quarter in terms of growth, profitability and returns, with all businesses seeing the effects of our improvement programs.*

*Both Animal and Human Nutrition delivered above-market volume growth, with Human Nutrition showing a marked improvement, albeit against a relatively weak comparable quarter in 2015. Our efforts resulted in EBITDA growth and an improved margin in Nutrition. Materials remained robust, helped in part by the shift towards higher added-value products in the portfolio. In addition, low input prices continued to support margins during Q1 2016 despite softer volumes in some segments, although we expect this support to diminish somewhat going forward.*

*While the macro-economic environment remains uncertain, we are confident that we will deliver in line with our medium-term goals. This will be supported by innovation, our growth initiatives and underpinned by our group-wide cost and productivity improvement programs.”*

# Key financials | Q1 2016

in € million	Q1 2016	Q1 2015	% Change
<b>Sales - Continuing Operations</b>	<b>1,913</b>	1,886	1%
<b>EBITDA - Continuing Operations</b>	<b>296</b>	248	19%
<b>EBITDA margin - Continuing operations</b>	<b>15.5%</b>	13.1%	
<b>EBIT - Continuing Operations</b>	<b>185</b>	131	41%
<b>ROCE - Continuing Operations (%)</b>	<b>9.8%</b>	6.8%	
<b>Profit for the period, before exceptional items - Cont. Ops.</b>	<b>109</b>	69	58%
Profit for the period, after exceptional items - Total DSM	<b>85</b>	-71	
<b>Net EPS before exceptional items - Cont. Ops.</b>	<b>0.60</b>	0.39	54%
Net EPS after exceptional items - Total DSM	<b>0.46</b>	-0.42	
<b>Cash Flow - Continuing Operations</b>	<b>137</b>	84	
Exceptional items after tax - Total DSM <sup>1</sup>	<b>-19</b>	-145	

<sup>1</sup> Excluding share of profit of associates/ joint control entities

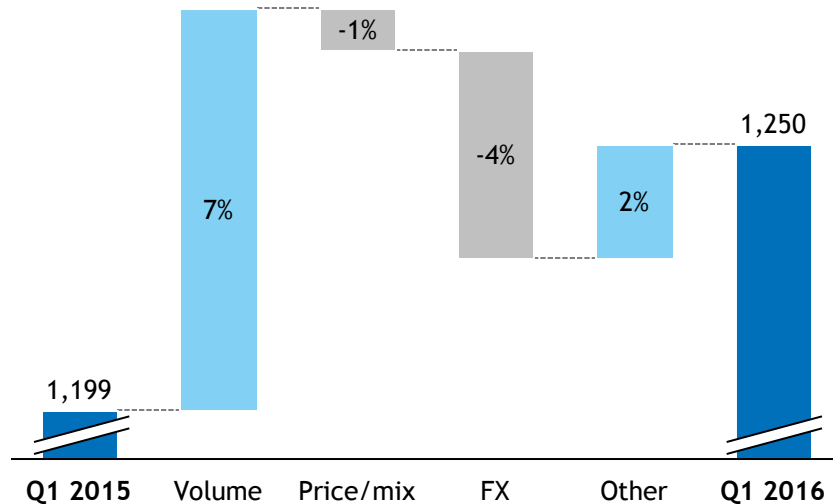
# Net sales development | Q1 2016

in € million	Q1 2016	Q1 2015	% Change	Volume	Price/mix	FX	Other
<b>Sales - Continuing Operations</b>	<b>1,913</b>	1,886	1%	5%	-3%	-2%	1%
Nutrition	1,250	1,199	4%	7%	-1%	-4%	2%
Materials	600	632	-5%	1%	-6%	0%	
Innovation Center	43	36	19%	19%	0%	0%	
Corporate Activities	20	19					
<i>Discontinued Operations</i>	0	506					

## EBITDA development | Q1 2016

in € million	Q1 2016	Q1 2015	% Change
<b>EBITDA - Continuing Operations</b>	<b>296</b>	248	19%
Nutrition	225	195	15%
Materials	95	86	10%
Innovation Center	1	-5	
Corporate Activities	-25	-28	
<i>Discontinued Operations</i>	0	38	

## Sales bridge - Q1 2015 to Q1 2016



- **Q1 2016 sales** up 4% compared to Q1 2015; 6% organic sales growth
  - Strong volume growth in Human Nutrition and continued good volume development in Animal Nutrition
  - Price/ mix slightly down
  - Exchange rates had a 4% negative impact on sales, mainly due to the effect of the Brazilian real in Animal Nutrition



# Nutrition | Key financials

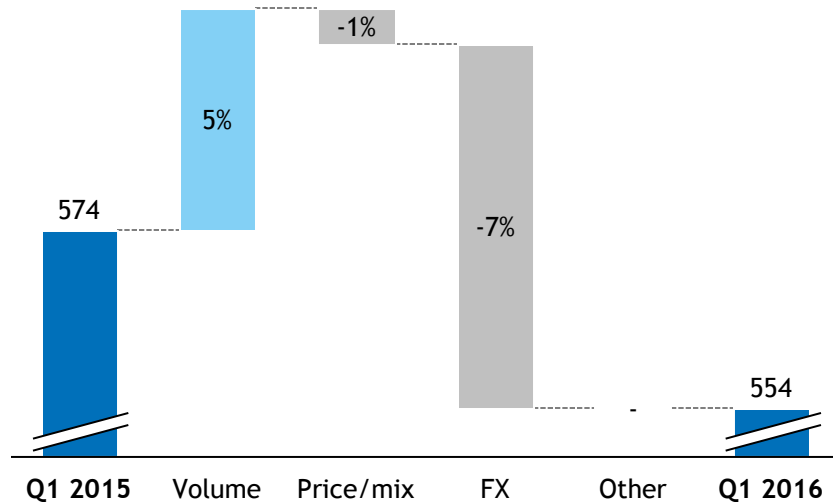
in € million	Q1 2016	Q1 2015	% Change
Sales	1,250	1,199	4%
EBITDA	225	195	15%
EBITDA margin (%)	18.0%	16.3%	
EBIT	161	129	25%
Capital Employed	5,252	5,509	
Average Capital Employed	5,281	5,234	
ROCE (%)	12.1%	9.9%	
Total Working Capital	1,399	1,438	
Total Working Capital as % of Sales <sup>1</sup>	28.0%	30.0%	

1) Annualized last quarter sales

- Q1 2016 EBITDA** up 15% compared to Q1 2015
  - EBITDA benefitted from strong organic growth and the effects of the improvement and savings programs. All businesses contributed to this strong improvement in results, especially Human Nutrition, albeit against relatively weak comparable figures in 2015
- Q1 2016 EBITDA margin** of 18.0%, markedly up compared to the same period last year (16.3%), reflecting a proportionally higher contribution from Human Nutrition relative to Animal Nutrition, as well as a favorable product mix within Human Nutrition

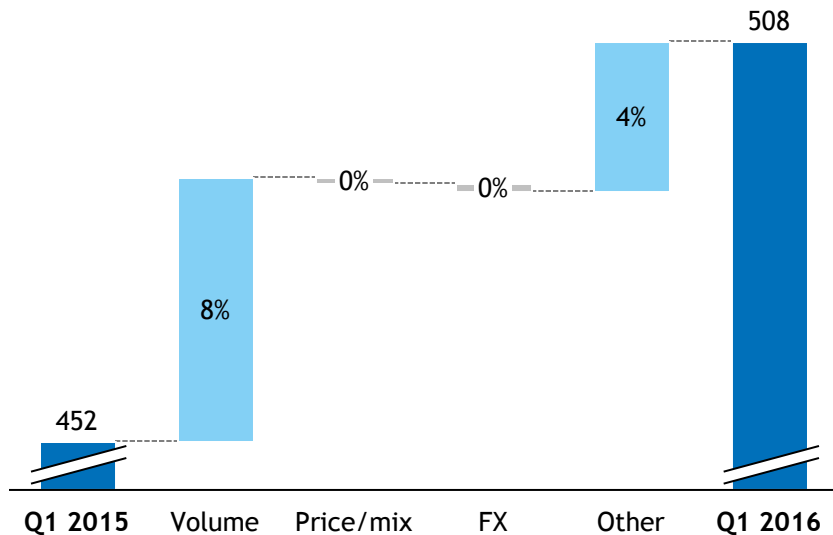
# Animal Nutrition & Health | Sales overview

## Sales bridge - Q1 2015 to Q1 2016



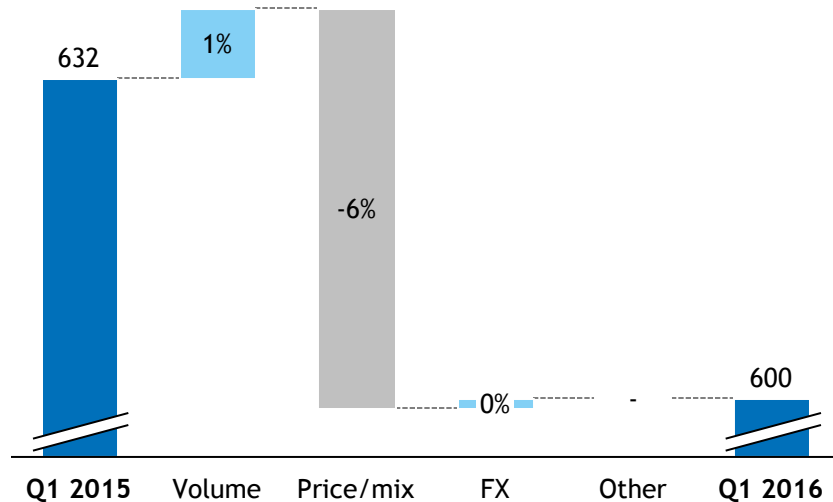
- Q1 2016 sales showed a 4% organic growth, incl. 5% volume growth, compared to Q1 2015
  - This was a good result in particular considering the positive year-end effects on the timing of orders reported in Q4 2015
  - Business conditions in all major regions remained robust, with the exception of Latin America, where export conditions in Brazil were good but domestic demand was soft
- Overall, prices showed a 1% decline versus the same period last year while currencies had a 7% negative impact on sales owing to the exposure of the business to the Brazilian real

## Sales bridge - Q1 2015 to Q1 2016



- Q1 2016 sales developed strongly, with 8% organic growth, albeit against a relatively weak comparable quarter in 2015
  - Prices as well as currency effects stable compared with Q1 2015
  - Margins supported by favorable product mix with good contribution from higher-margin businesses
  - Aland vitamin C business (renamed DSM Jiangshan) included in the results of Human Nutrition and reported under ‘Other’
- By segment:
  - Food & beverage performed well overall, despite continued weak market conditions in the US and esp. Latin America;
  - Dietary Supplements showed improved sales of both fish oil- and (multi) vitamin-based supplements, as customers’ branded products performed better even though conditions in North American markets were soft overall. i-Health, DSM’s consumer business, again delivered double-digit sales growth in Q1 2016;
  - Infant Nutrition performed well in a healthy market

## Sales bridge - Q1 2015 to Q1 2016



- **Q1 2016 sales** 5% below Q1 2015
  - While volumes were slightly up (+1%), prices were down 6% vs. prior year on the back of lower input costs
  - Key markets remained soft in Q1 2016
- **DSM Engineering Plastics:** Volumes were down slightly in Q1 versus the previous year as overall market conditions remained weak. Prices were lower reflecting lower input costs, notably in polyamide 6 polymers
- **DSM Resins and Functional Materials:** Volumes were up slightly compared to Q1 2015, in a continued soft volume environment in key markets. Prices reflected lower input costs
- **DSM Dyneema** showed good organic sales growth in the quarter

# Materials | Key financials

in € million	Q1 2016	Q1 2015	% Change
Sales	600	632	-5%
EBITDA	95	86	10%
EBITDA margin (%)	15.8%	13.6%	
EBIT	62	53	17%
Capital Employed	1,755	1,930	
Average Capital Employed	1,739	1,837	
ROCE (%)	14.4%	11.6%	
Total Working Capital	293	418	
Total Working Capital as % of Sales <sup>1</sup>	12.2%	16.5%	

1) Annualized last quarter sales

- **Q1 2016 EBITDA** increased by 10% compared with Q1 2015
  - Result of the efficiency and cost saving programs carried out over recent years, good margin management with support from low input costs and the focus on improving the quality of the portfolio
- **Q1 2016 EBITDA margin** of 15.8%, up from 13.6% in Q1 2015 supported by the significant effects of lower input costs although this effect faded somewhat towards the end of the quarter

# Innovation Center | Key financials

in € million	Q1 2016	Q1 2015	% Change
Sales	43	36	19%
EBITDA	1	-5	
EBIT	-5	-12	
Capital Employed	549	572	

- **Q1 2016 sales** 19% above Q1 2015 sales
  - Increase fully driven by higher volumes; good volume development at DSM Biomedical, which saw sales volumes normalize following de-stocking in 2015. DSM Advanced Surfaces also showed a healthy development in volumes
- **Q1 2016 EBITDA** was slightly positive, demonstrating significant progress when compared with Q1 2015 and previous years
  - Improvement was driven by higher sales, more focused innovation activities and cost savings

# Corporate Activities | Key financials

in € million	Q1 2016	Q1 2015
Sales	20	19
EBITDA	-25	-28
EBIT	-33	-39

- **Q1 2016 EBITDA** was €3 million better than Q1 2015, supported in part by the effects of the savings implemented in the DSM-wide support functions

## Key Joint Ventures and Associates | Key financials

in € million, based on 100%		Q1 2016	Q1 2015	% Change
DSM Sinochem:	Sales	112	117	-4%
	EBITDA%	16%	13%	
Patheon <sup>1</sup> :	Sales	376	377	0%
	EBITDA%	15%	18%	
ChemicalInvest:	Sales	455	n.a.	n.a.
	EBITDA%	4%	n.a.	

- **DSM Sinochem Pharmaceuticals (50% DSM)** - EBITDA improved, supported by favorable exchange rates and growth in new products
- **Patheon (49% DSM)** - Q1 EBITDA was lower versus prior year due to required, non-recurring quality improvement activities at the Ferentino (Italy) site
- **ChemicalInvest (35% DSM)** - EBITDA was low due to caprolactam results

<sup>1</sup> Patheon (formerly reported as DPx Holding) respective periods are from 1 November - 31 January



# Cash Flow and Working Capital development

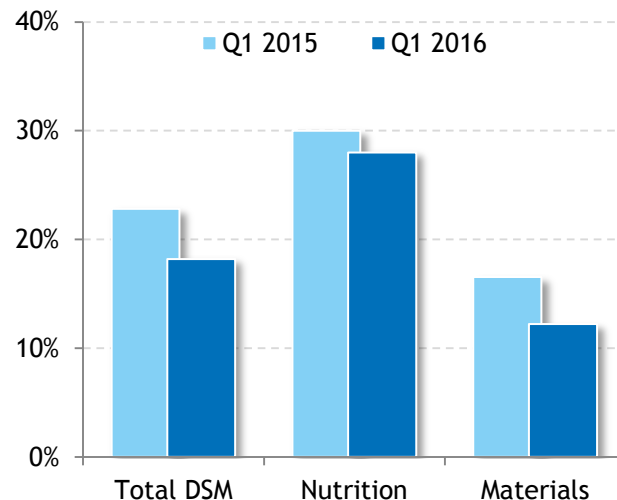
## Cash flow

in € million	Q1 2016	Q1 2015
EBITDA - Total	296	286
Change in Working Capital	-112	-102
Income Tax	-22	-21
Other	-25	-141
<b>Cash from Operating Activities</b>	<b>137</b>	<b>22</b>
<i>of which provided by Continuing Operations</i>	<i>137</i>	<i>84</i>
Cash from Investing Activities <sup>1</sup>	-79	-210
<b>Free Cash Flow from Operations</b>	<b>58</b>	<b>-188</b>

1) Excl. changes in fixed-term deposits, incl. acquisitions

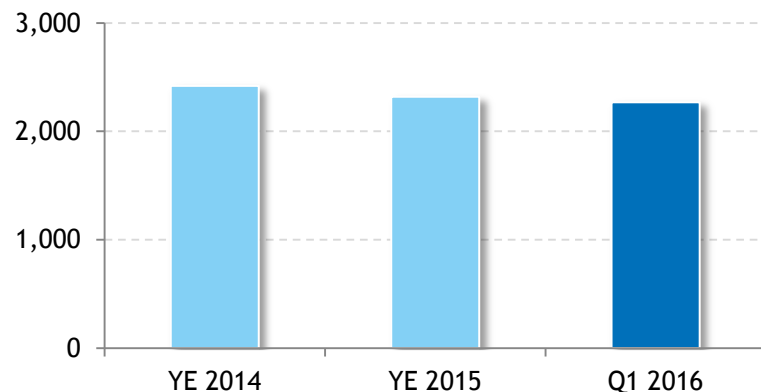
- Q1 Operating Cash Flow of €137 million (Q1 2015: €84 million)
- Total Working Capital amounted to €1,394 million end of Q1 2016 compared to €1,722 million at the end of Q1 2015
  - Represents 18.2% as a percentage of annualized Q1 sales

## Working Capital% - At year-end

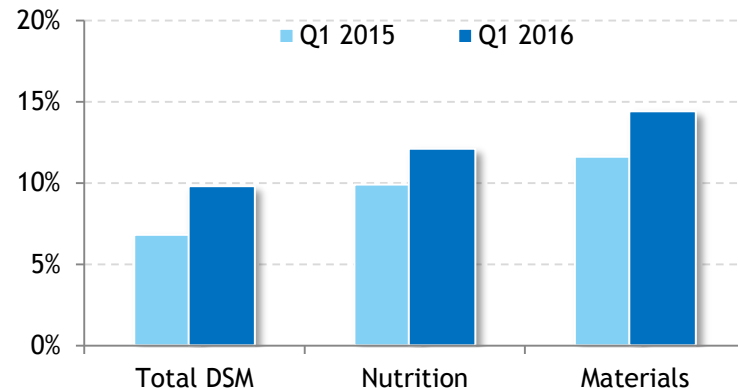


# Net debt and ROCE development

## Net debt<sup>1</sup>



## ROCE

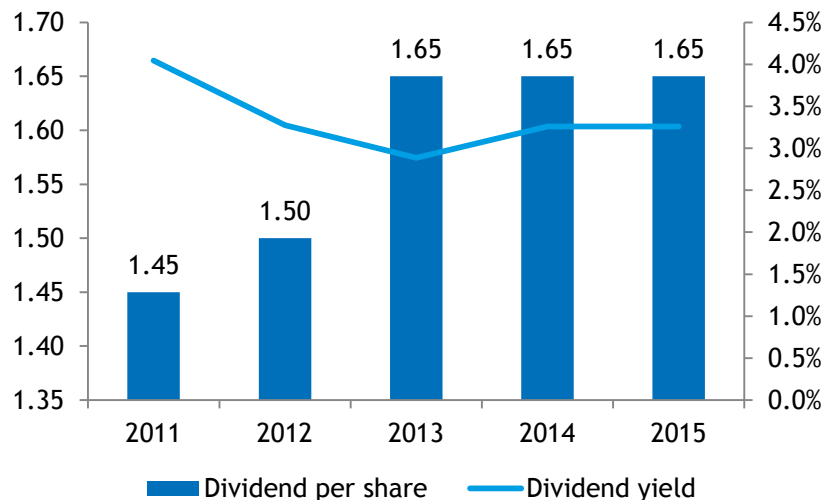


- **Net debt** decreased by €52 million compared to the end of 2015. The decrease was mainly due to the cash flow from operations and value changes of derivatives
- **ROCE** increased from 6.8% in Q1 2015 to 9.8% in Q1 2016

<sup>1</sup> Before reclassification to held for sale

# Dividend proposal to AGM: stable at € 1.65

## Dividend per ordinary DSM share - €



- Dividend policy “stable and preferably rising”
- Proposal to AGM on 29 April 2016: Maintain the dividend of €1.65 per ordinary share:
  - €0.55 interim dividend (paid in August 2015)
  - €1.10 final dividend (payable in May 2016)
- Payable in cash or ordinary shares at the option of the shareholder at the condition to be specified in the notes of the AGM
- Dividend in cash will be paid after deduction of 15% Dutch dividend withholding tax
- The ex-dividend date: 3 May 2016

# Business conditions

## Animal Nutrition

- Robust market conditions with the exception of Latin America. No significant pressure from animal diseases

## Human Nutrition

- Continued slow market conditions in the Americas, but own growth initiatives gradually kicking in

## Materials

- Macro economic conditions have not changed: continued soft volume environment overall
- Normalized margins: benefit from low input costs has faded



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