



Annual Results 2017

Feike Sijbesma, CEO / Chairman Managing Board Royal DSM

Annual General Meeting, May 9 2018

ROYAL DSM  
HEALTH NUTRITION MATERIALS

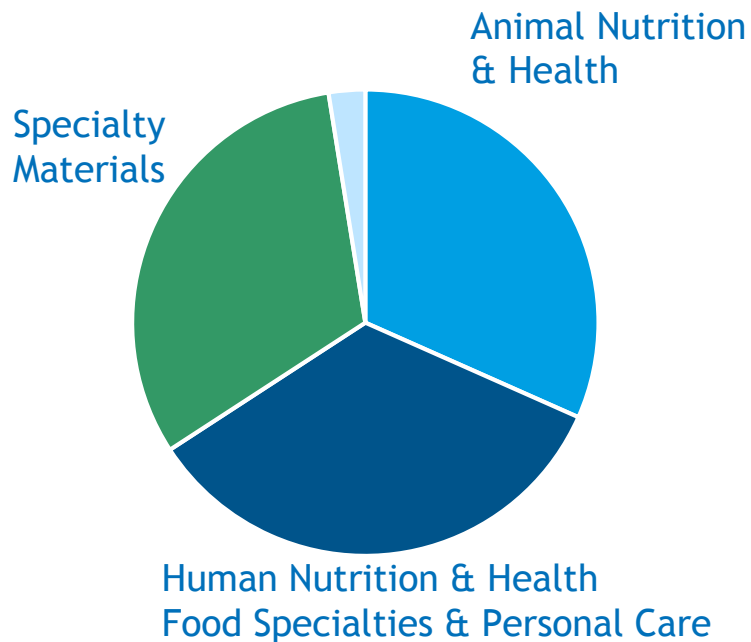


# Agenda

---

- 1 Introduction
- 2 2017 Highlights - Delivering higher value for all Stakeholders
- 3 Future Proofing our Results
- 4 2018 Q1 Results

# Royal DSM @ a glance: a company with a purpose (2017 numbers)



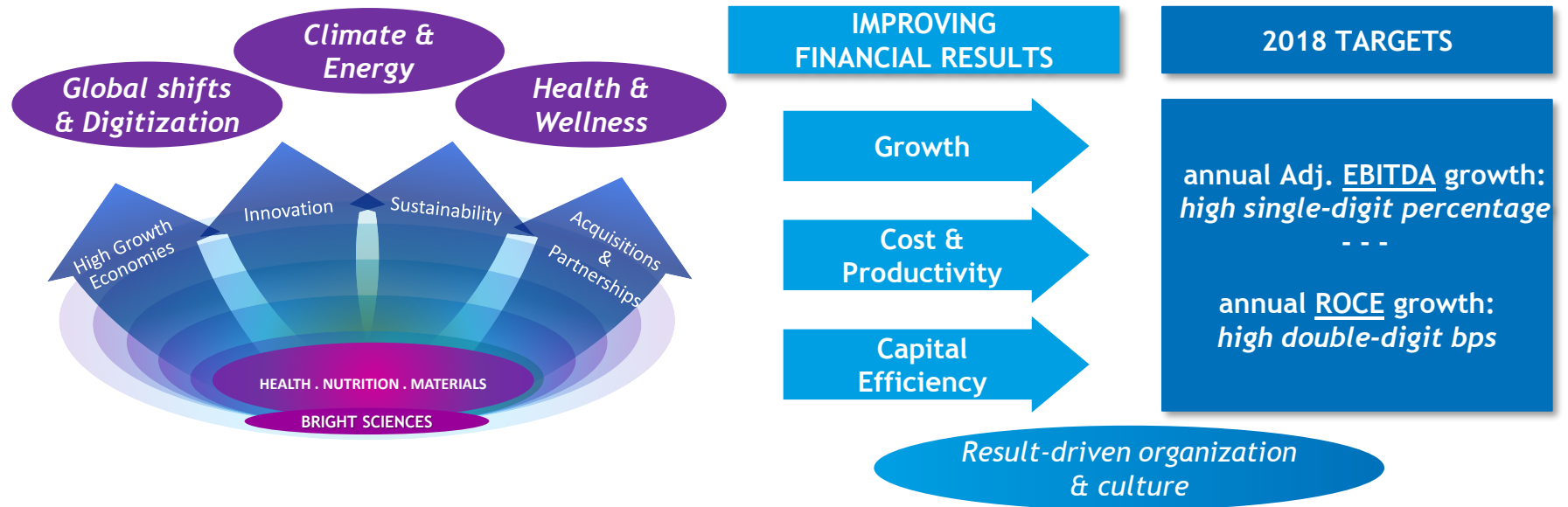
- Sales: ~€8,632m (up 9%)
- EBITDA: ~€1,445m (up 15%)
- ROCE: 12.3% (up 190bps)
- Adj. Net Profit: up 36% (2017; even tripled incl. Patheon)
  
- Dividend: €1.85 (up €0.10/share)
- TSR: 43% in 2017 (share price up 39%)  
(Total Shareholders Return)
  
- Global: 44% sales from emerging economies
- Innovation: 21% of sales
- Workforce: ~ 25,000 (71->75% engagement)
- Strategy: aligned with the UN SDG's & trends
- Sustainability: on track (GHG, energy, etc.)

# DSM history | Successful transformation building on an impressive history

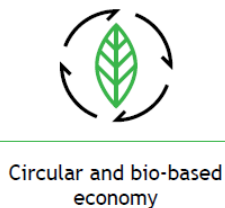
Coal Mining (Petro) Chemicals Life Sciences & Materials Sciences



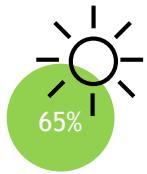
# Strategy 2018 | *Driving profitable growth* through science-based, sustainable solutions



# Strategy 2018 is well aligned with the UN Sustainable Development Goals



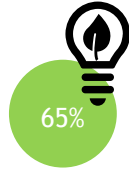
# Stepping-up *sustainability* aspirations on our own operations



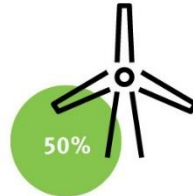
- Brighter living solutions 65% of DSM products by 2020



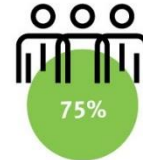
- GHG efficiency improvement 45% by 2025



- Energy efficiency improvement >10% (2016-2025)



- 50% purchased from renewable sources by 2025



- Employee engagement favorable score 75% by 2020



- Safety: Frequency Recordable Index of 0.25 by 2020



- Leading in reporting benchmarks

## 2017

- 62%

- 26%

- 3%

- 21%

- 75%

- 0.36

Diversity step up: 15 to 17% female exec.

- DJSI Gold Class
- Leader in Sustainability
- AA in MSCI

# Agenda

---

- 1 Introduction
- 2 2017 Highlights - Delivering higher value for all Stakeholders
- 3 Future Proofing our Results
- 4 2018 Q1 Results



# Highlights Full Year 2017



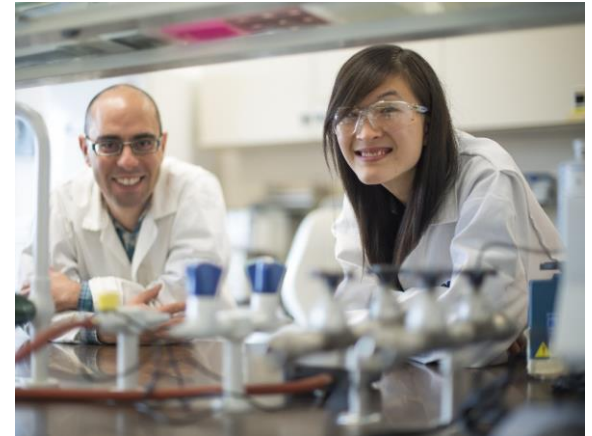
Profit



Planet



People



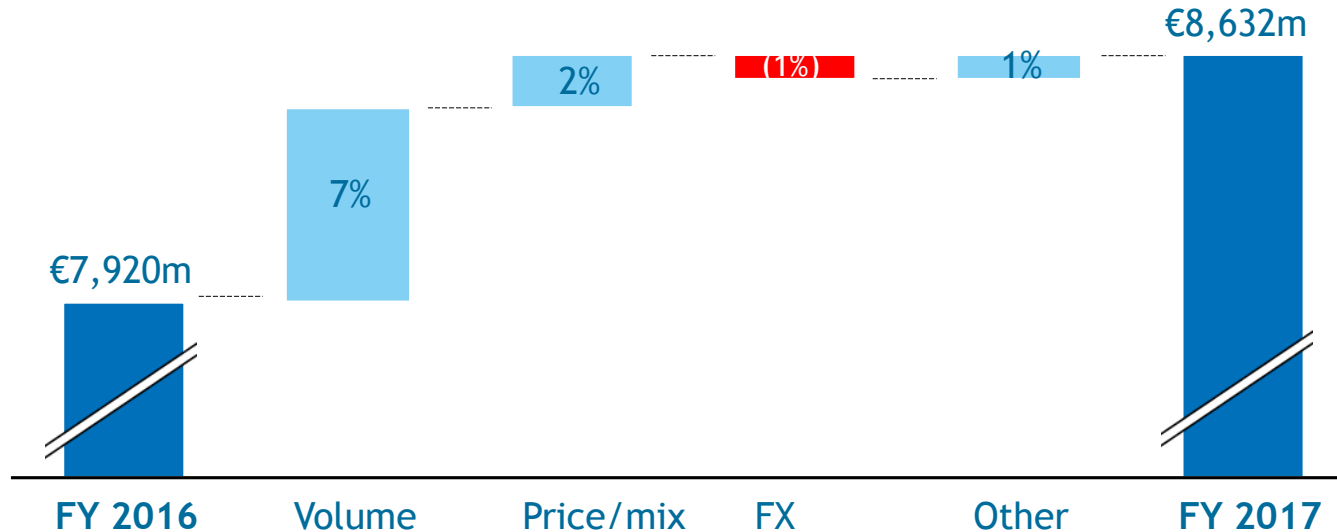
Delivering higher value for all Stakeholders

# DSM group sales: €8,632m with 9% organic growth - clearly above market



DSM group sales up 9%, mainly driven by 7% volume growth.

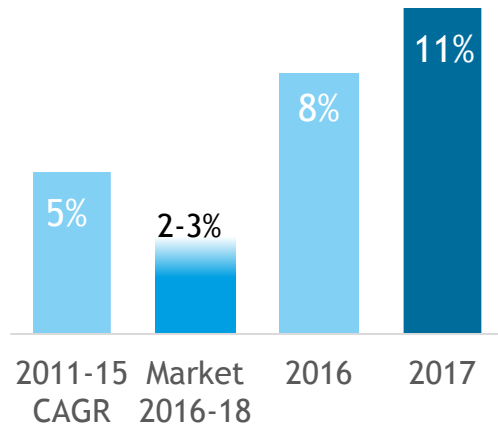
All business contributed well to this growth. Prices slightly up, currencies somewhat weaker



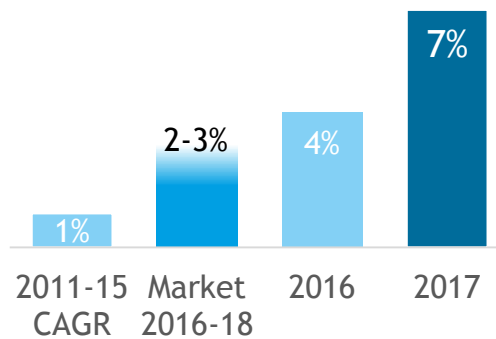
# All businesses delivering on their programs, outpacing market growth



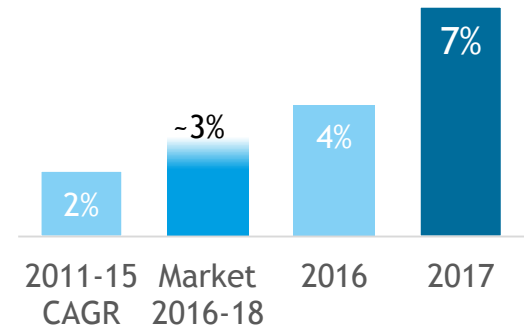
Animal Nutrition  
Organic growth



Human Nutrition  
Organic growth



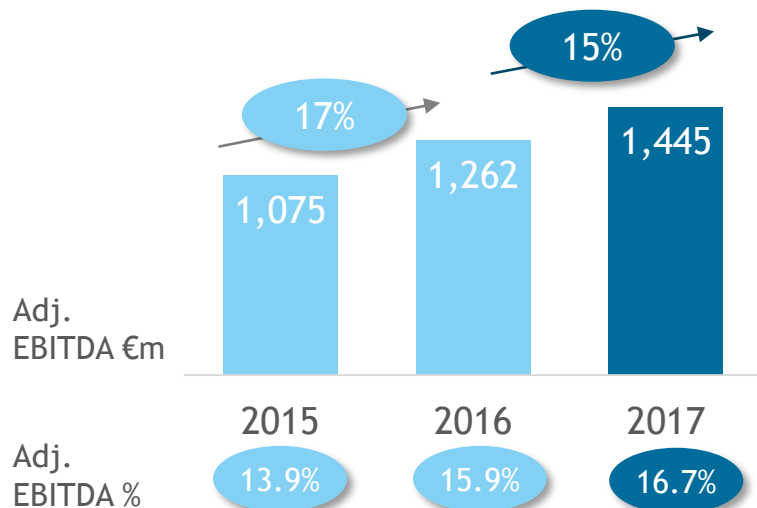
Materials  
Volume growth



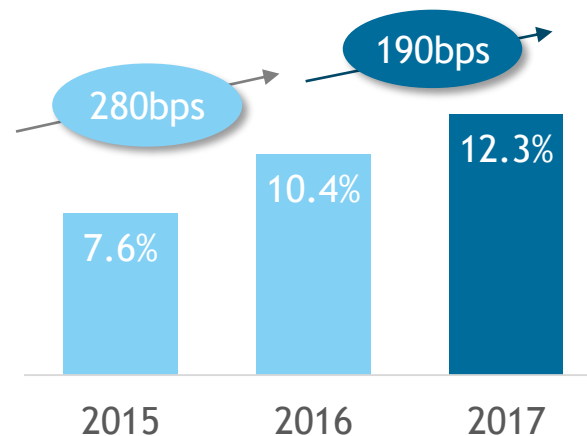
# DSM has been outperforming its 2 headline financial targets *again*



High single-digit % annual Adjusted EBITDA growth



High double-digit basis point annual ROCE growth



Excellent results driven by both Nutrition & Materials

# Nutrition: continued strong momentum & outperforming aspirations



Sales €5,579m, up 8%  
8% Organic growth



Adj. EBITDA €1,053m, up 13%  
EBITDA-margin: 18.9% (2016: 18.0%)

- Successful implementation **growth initiatives**, both in Animal & Human Nutrition, clearly outpacing market growth
- Further **expansion premix network** - incl. China and Africa Improved Foods plant (Rwanda)
- **Acquisitions**: Twilmij premix(NL), BioCare (DK), Inner Mongolia Rainbow Biotech (CN) - hydrocolloids, Amyris' Brotas (BR)
- Strong progress sustainable **innovation**: Green Ocean, Clean Cow, Stevia & new food/biotech innovation center (Delft-NL)
- Strong growth in **B2C i-Health** including Culturelle®, world's top branded probiotic supplement

Nutrition | *Everyone wants to be healthy*

2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



# Materials: Strong growth in specialties driving strong performance



Sales €2,825, up 12%  
13% Organic growth (7% volumes)



Adj. EBITDA €488m, up 12%  
EBITDA-margin: 17.3% (2016: 17.3%)

- All 3 businesses groups delivered a **double-digit % organic growth**
  - **Engineering Plastics** continued shift toward higher-value, sustainable, specialty materials for electrics & electronics and automotive industries; growth supported by new applications, as well as clean energy initiatives
  - **Resins & Functional Materials:** continued benefit from strong demand for non-solvent based environmental friendly specialties (esp. in China); new bio-based wall paint using Decovery® resins; started-up Niaga® line; expanded 3D printing offering; continued strong growth in fiber optics
  - **Dyneema:** strong growth personal protection (Dyneema® Force Multiplier Technology) and commercial marine markets

Materials| *for more  
connection, convenience & sustainable living*



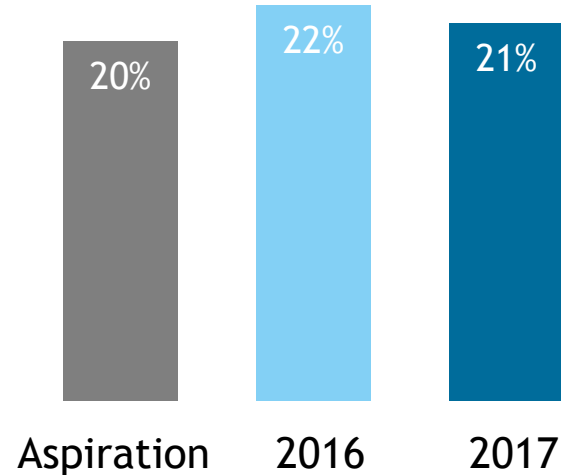
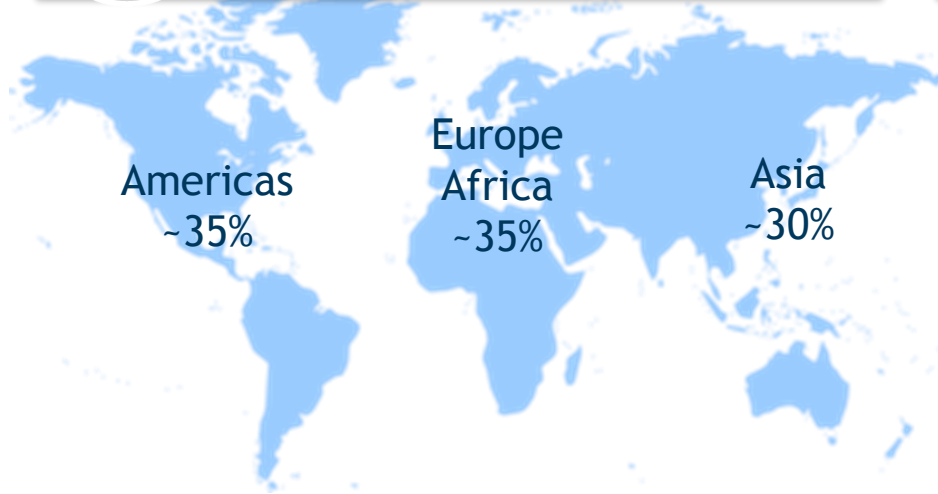
# Well balanced global footprint & focused innovation as key drivers



44% sales to  
High Growth Economies



21% Sales from  
Innovation



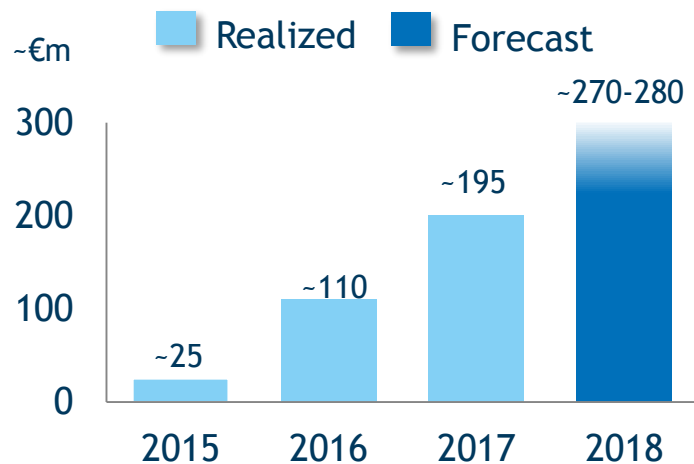
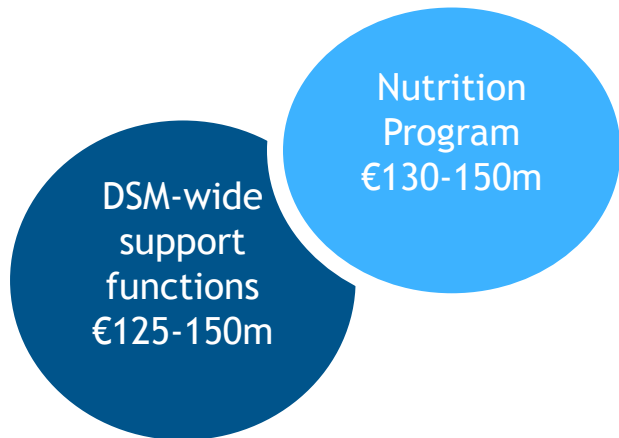
# Ambitious cost reduction & efficiency improvement programs



Cost savings of  
€270-280m (2018)



Timing cumulative cost savings



rigorously executed & fully on track



# Patheon transaction: realized cash proceeds of ~€2bn (~€1.5bn in 2017)



Extracting value from partnerships ahead of schedule

**Patheon**

Exit



SINOCHEM



DSM

DSM Sinochem Pharmaceuticals

50%

ChemicalInvest

35%



€m, 100%

2015 2016 2017

**Total cash proceeds ~€2bn**

Adj. EBITDA % 23% 20%

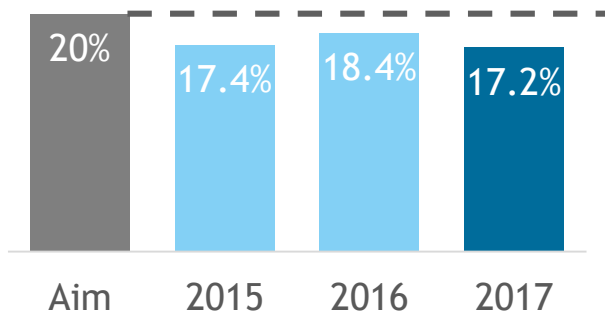
€m, 100%	2015	2016	2017
Sales	418	431	440
Adj. EBITDA %	14%	14%	17%

€m, 100%	2015	2016	2017
Sales	756	1,802	1,933
Adj. EBITDA %	0%	6%	11%

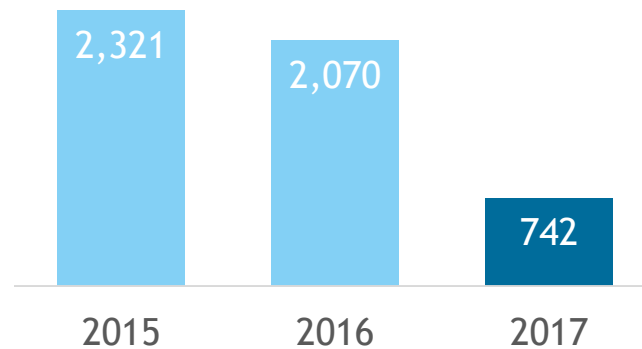
# Working Capital improved & Net Debt further reduced



Total Working Capital  
Aim: <20% by 2018



Net debt significantly reduced  
(€ million)



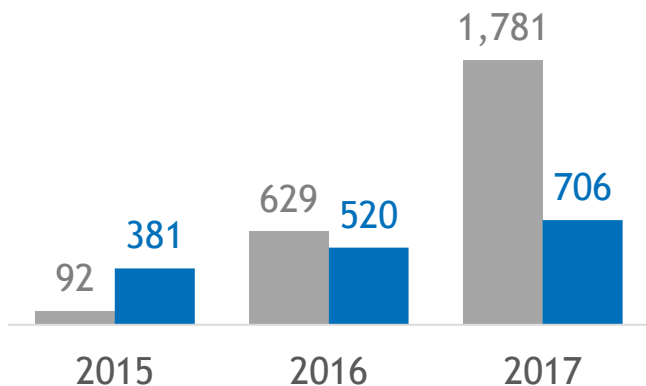
# Making a significant step-up in adj. Net profit & adj. Earnings per share



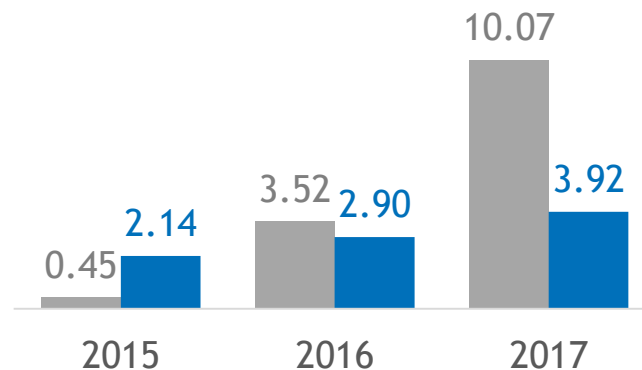
Adj. Net profit up 36%  
(Total Net profit up 183%)



Adj. Earnings per Share up 35%



Net profit (€m) Adjusted net profit (€m)



EPS (€m) Adjusted EPS (€)

# Highlights Full Year 2017



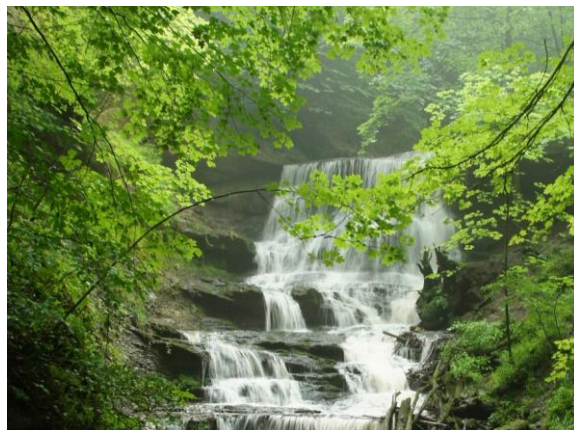
Profit ✓



Planet



People



Delivering higher value for all Stakeholders

# Planet highlights Full Year 2017



**6** CLEAN WATER AND SANITATION



**7** AFFORDABLE AND CLEAN ENERGY



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**13** CLIMATE ACTION



**15** LIFE ON LAND



**21%**

Purchased electricity from renewable sources, up from 8% in 2016.

**26%**

Greenhouse-gas efficiency improvement cumulative versus 2008. Compared to 23% in 2016. Target 40-45% by 2025.

**3%**

Energy efficiency improvement cumulative versus 2015. Ambition of more than 10% in 2025.

**A-rating**

CDP Climate and Water. Ranks no.1 Sustainalytics and Gold Class DJSI.

# There's only **ONE** Planet Earth



## Climate Change & Alternative Energies?

Whose responsibility?

**62%**

Sales of Brighter Living Solutions  
(ECO+ / People+), working toward 65% by 2020

DSM *reduces* its our own environmental impact, *enables* our customers to do the same, and *advocates* for climate action



# Whose responsibility? - Advocating 'Climate Action'

DSM CEO Feike Sijbesma (on behalf WBG):  
One Planet Summit - Paris, organized by  
President Macron - December 2017:

*“The world is not yet on track to deliver on the Paris Agreement. But we should, since it is our moral, societal, and economic obligation to take care of the planet we borrow from our children.”*



# Thriving in a low (fossil) carbon economy

- Securing a cleaner future energy supply
- Enhancing efficiency
- Offering climate-relevant Brighter Living Solutions
- Shaping partnerships and policies that accelerate the shift
- Ensuring climate readiness (internal CO<sub>2</sub> price €50/ton)

**THE CLIMATE GROUP**



THE PRINCE OF WALES'S  
CORPORATE LEADERS GROUP

THE PRINCE'S ACCOUNTING  
FOR SUSTAINABILITY PROJECT



**United Nations**  
Global Compact





# Highlights Full Year 2017



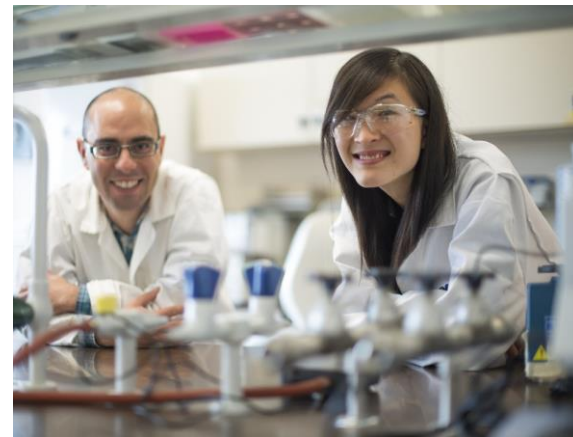
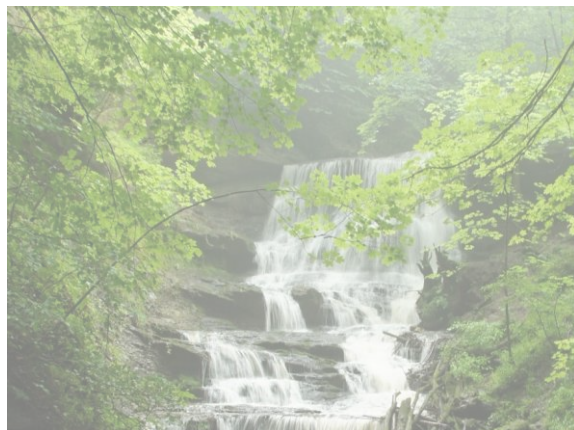
Profit ✓



Planet ✓



People

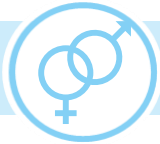


Delivering higher value for all Stakeholders

# People highlights Full Year 2017



75% employee engagement index, up 4% from 2016 (71%)



27/73 Female/male ratio index, stable versus 2016



17% Female executives, up 2% from 2016 (15%)\*



0.36 frequency index of recordable injuries (0.33 in 2016)

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



10 REDUCED INEQUALITIES



\*) clearly over 30% women in DSM Boards; over 20% in leadership team

# People: Strengthened DSM organization drives performance



## Global organizational and operational adjustments implemented



New strengthened top structure



New operating model:  
leveraged support functions



People:  
building strong leaderships teams



Culture focused on :  
accountability agility and collaboration

### ONE DSM Culture Agenda



External  
Orientation



Accountability for  
Performance

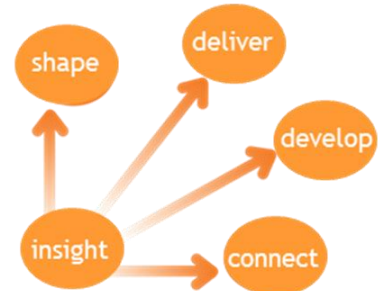


Inclusion &  
Diversity



Collaboration  
with Speed

### Leadership Model



# People, Planet, profit go hand-in-hand together

## Opening Africa Improved Foods plant in Kigali (Rwanda) in 2017



World Food Programme



# Full Year **2017** : delivered on **ALL** targets & aspirations



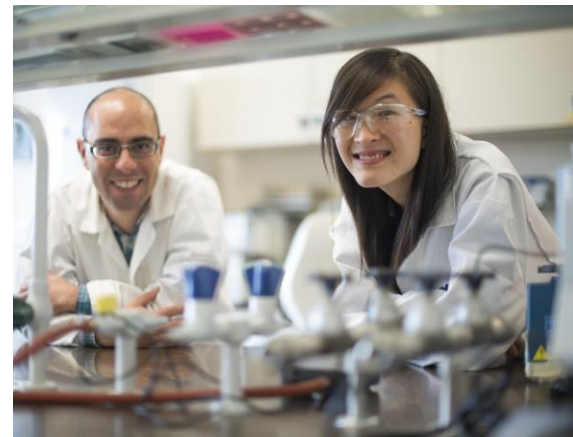
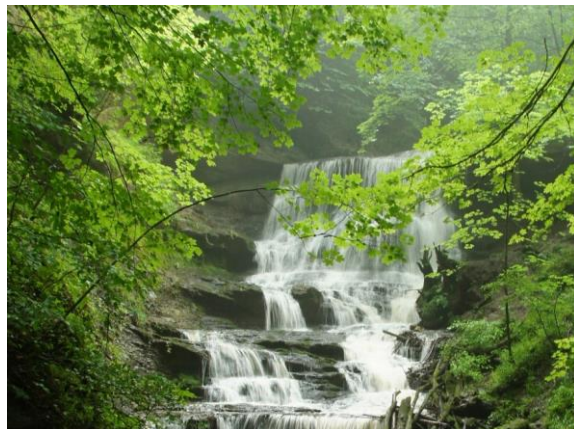
Profit ✓



Planet ✓



People ✓



Delivered higher value for all Stakeholders




... Strong performance reflected in higher dividend...

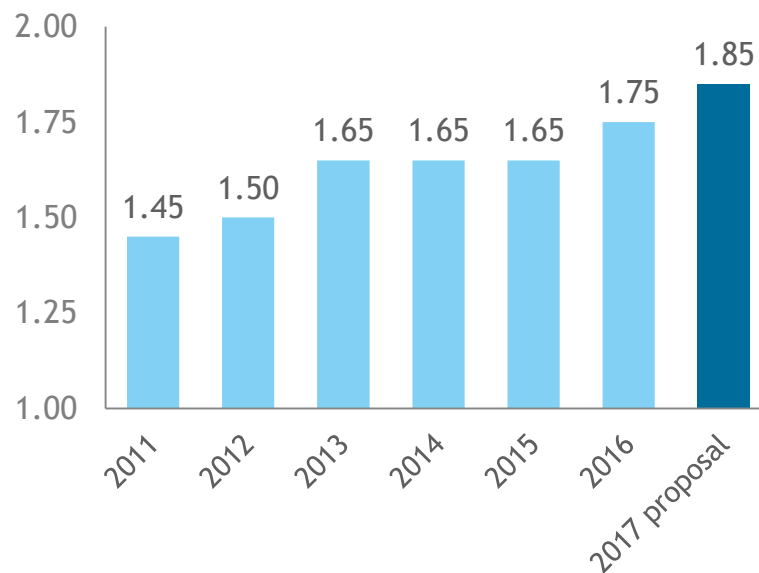


↑ +85%



**+85%!**  
in 10 years

 Dividend proposal for 2017 per ordinary DSM share - €1.85



... and significantly higher share price

Now  
DSM  
Share-price  
~€86

↑ +150%

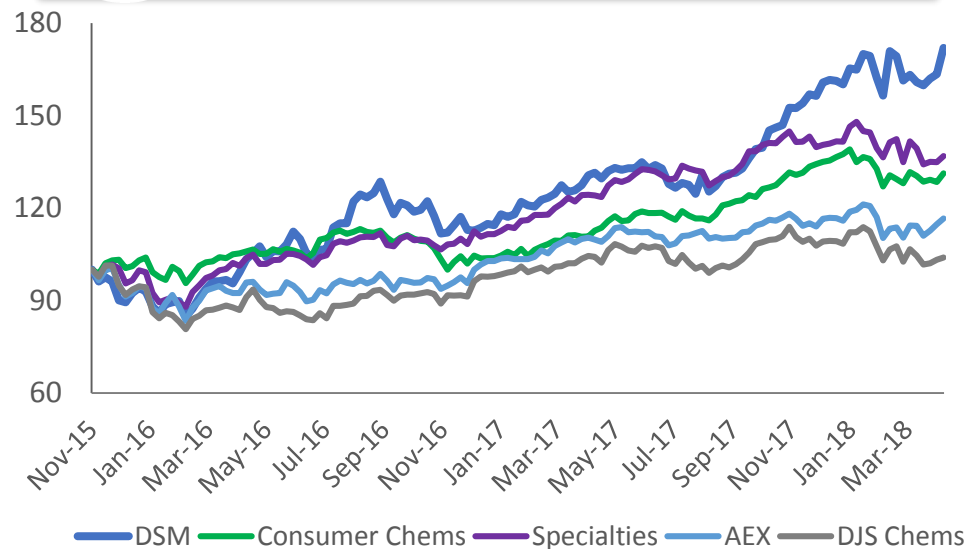
2007  
DSM  
Share price  
~€35

DSM  
up ~150%  
in 10 years

(compared to  
AEX +20%)



Share price up ~40% in 2017  
outperforming peers/AEX again



DSM's value ~75% (~€7bn) higher, since start **Strategy 2018**; outperforming markets

... reflected in external *recognition* for our responsible leadership

---





# Fortune's recognition: change the world - greatest leaders

## 2<sup>nd</sup> in Fortune's Change the World list



## The World's 50 Greatest Leaders

Our annual list of the thinkers, speakers, and doers who are stepping up to meet today's challenges.



# Agenda

---






- 1 Introduction
- 2 2017 Highlights - Delivering higher value for all Stakeholders
- 3 Future Proofing our Results
- 4 2018 Q1 Results

# Innovation-driven growth will continue to support DSM growth

## Nutrition

-  Fermentative Stevia
-  Algae-based omega-3 (aquaculture)
-  Clean cow
-  Hydrocolloids
-  Eubiotics
-  i-Health (B2C nutrients)
-  New bio colorants (blue/red)

## Materials

-  ForTii® (HPPO polymer)
-  Niaga® (recycle carpets)
-  Decovery® (bio-based resins)
-  Apparel (Dyneema® textile apps)
-  Force multiplier tech (light personal protection)

## Emerging Business Areas

-  3D options (combine Somos, Resins, Biomedical & Engineering Plastics)
-  Advanced solar materials
-  Bio-based products & services
-  New bio-medical products

# Innovation-driven growth will continue to support DSM growth

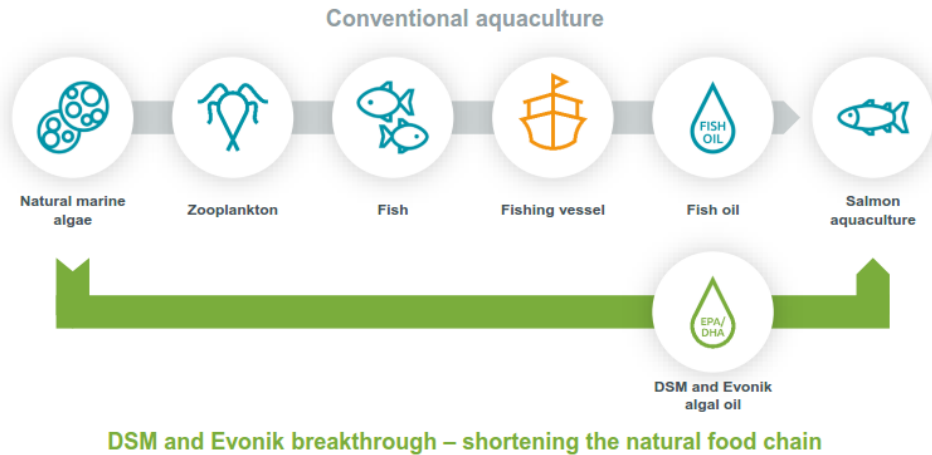
## Nutrition

- Fermentative Stevia
- **Green Ocean/Veramaris**  
(algae-based omega-3 (aquaculture))
- Clean cow
- Hydrocolloids
- Eubiotics
- i-Health (B2C nutrients)
- New bio colorants (blue/red)

## Materials



## Emerging Business Areas



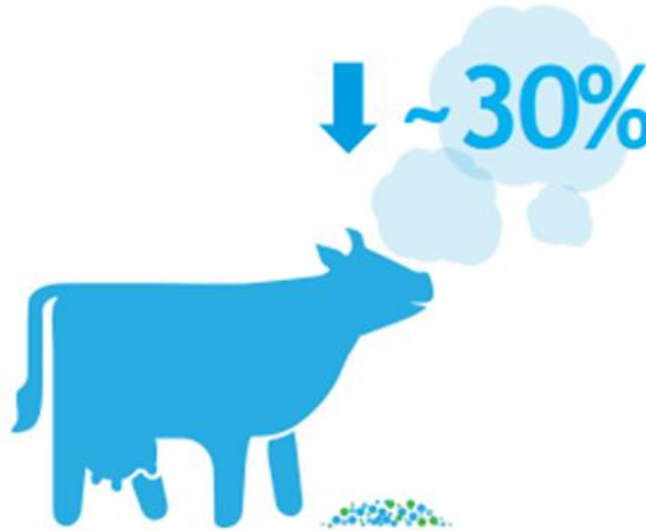
- New bio-medical products

# Innovation-driven growth will continue to support DSM growth

## Nutrition

- Fermentative Stevia
- Algae-based omega-3 (aquaculture)
- **Clean<sup>cc</sup>cow** →
- Hydrocolloids
- Eubiotics
- i-Health (B2C nutrients)
- New bio colorants (blue/red)

## Materials



## Emerging Business Areas



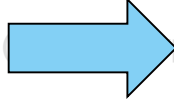


- 3D options (combine Somos, Resins, Biomedical & Engineering Plastics)
- Advanced solar materials
- Bio-based products & services
- New bio-medical products

# Innovation-driven growth will continue to support DSM growth

## Nutrition

-  Fermentative Stevia
-  Algae-based omega-3 (aquaculture)
-  Clean cow
-  Hydrocolloids
-  Eubiotics
-  i-Health (B2C nutrients)
-  New bio colorants (blue/red)

## Materials

-  ForTii® (HPPO polymer)
  -  **Niaga** 
  -  Decovery® (high performance)
- 

## Emerging Business Areas



# DSM will continue to drive profitable growth!

---

- ➔ Continued delivery in 2018, outlook 2018 increased
- ➔ Confident DSM will continue to outgrow its markets through organic and innovation driven growth
- ➔ Optionality of enhanced growth through M&A
- ➔ Regular strategic review process brought forward:  
CMD June 20 2018

# Agenda

---

- 1 Introduction
- 2 2017 Highlights - Delivering higher value for all Stakeholders
- 3 Future Proofing our Results
- 4 2018 Q1 Results



# Highlights Q1 2018



Continued strong organic sales growth in underlying business estimated at 11%



Adj. EBITDA growth underlying business estimated at 8%, despite significant FX headwind



ROCE of underlying business estimated at 13.3%, up 200 bps compared to Q1 2017



Additional temporary vitamin price benefit estimated at €165m on Adjusted EBITDA



Cash from operating activities up 58%, amounting to €310m



Increased full year outlook confirmed



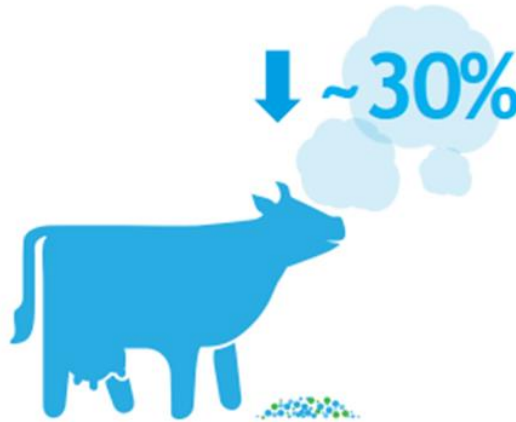
**BRIGHT SCIENCE. BRIGHTER LIVING.™**

# Appendix - Big Innovation Projects

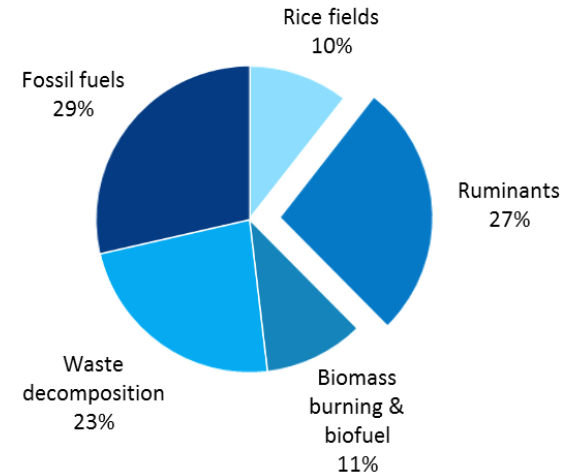
---

# Example of an Innovation driving growth: Clean cow reducing methane emission

- Cows produce significant amount of methane, a potent greenhouse gas that causes climate change
- Trials with Clean Cow show >30% reduction in emissions
- Focused on markets with highly developed dairy and beef production
- Launch after 2019



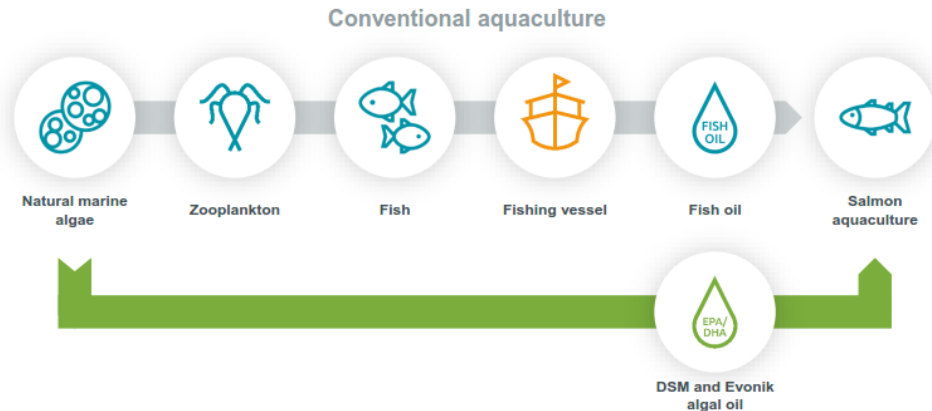
Methane sources (%)



Attractive market potential of €1-2bn

# Example of an innovation driving growth: Sustainable Omega-3 solution for aquaculture

- Veramaris, a JV with Evonik
- Omega-3 fatty acids (EPA and DHA) from natural algae for animal nutrition without using fish oil from wild-caught fish
- Investing US\$200m for a new facility in the US; scheduled to open in 2019 (investment of ~US\$100m for each party, over 2 years)
- Initial annual production capacity: ~15% of current annual demand for EPA and DHA in salmon aquaculture



DSM and Evonik breakthrough – shortening the natural food chain

1 kg of our EPA and DHA algal oil can replace 60 kg of wild catch fish



Attractive market potential of €1-2bn

# Example of an Innovation driving growth: Circularity by design: Specialty Resins Niaga - 100% recyclable carpet

- In the US, ~2 billion kg of carpet ends in landfill every year (~85% of all discarded carpet), making it one of the highest contributors to landfill
- Niaga® Technology is based on using a simple set of clean materials (without additives) enabling 100% recycling
- Manufacturing line operational
- Lead customers:
  - Mohawk Industries (carpets, flooring)
  - Auping (mattress)

