



Life Sciences and Materials Sciences

Rolf-Dieter Schwalb, CFO Royal DSM

Capital Markets Day, 5 November 2014

HEALTH • NUTRITION • MATERIALS



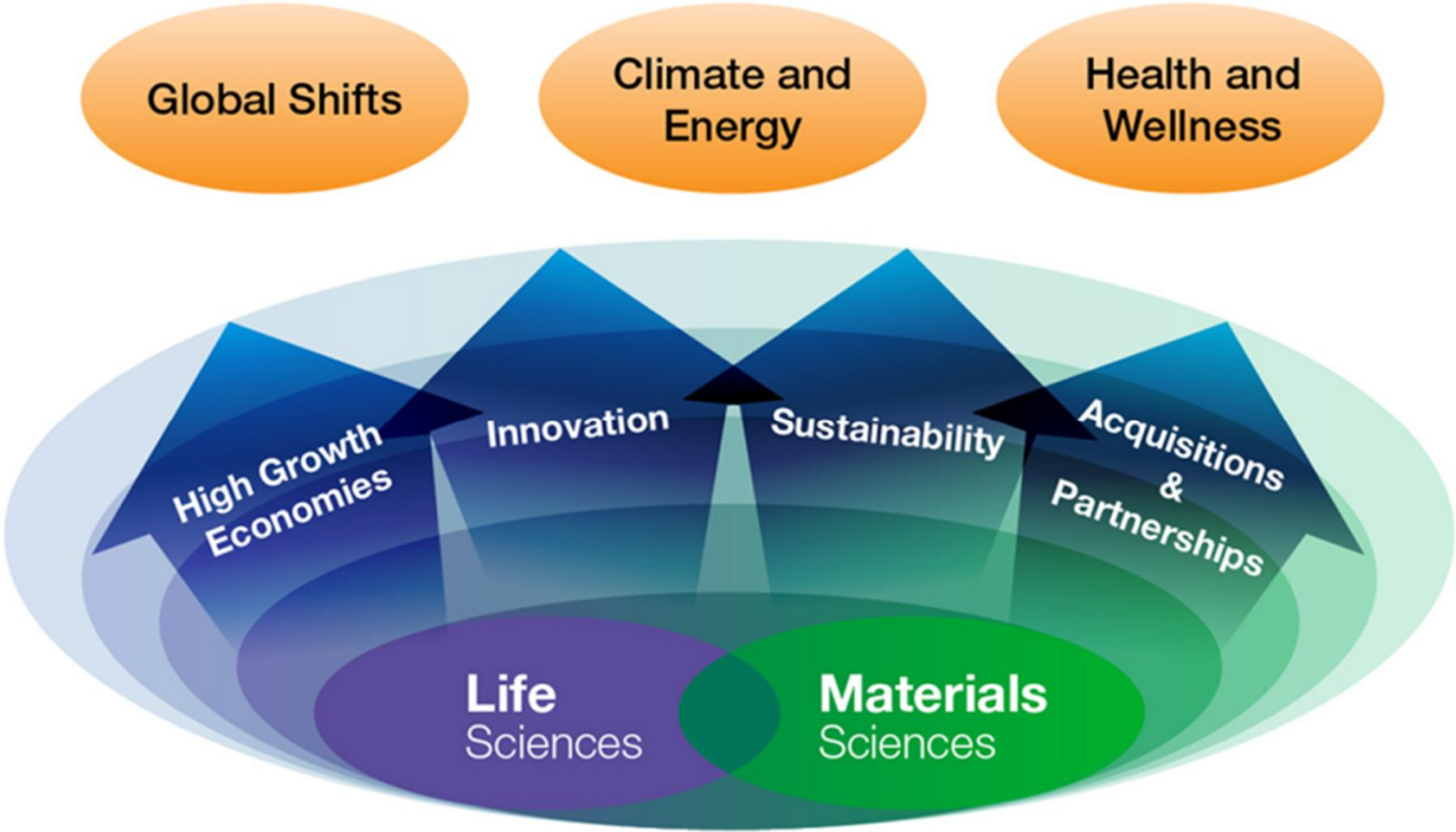
Safe harbor statement

This presentation 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. 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.

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

- Portfolio changes achieved
- Update on DPx
- Capital allocation and operating efficiencies
- Financial policies

DSM in motion: *driving focused growth*



Strong track record in portfolio transformation

DIVESTMENTS in 2009-2011

~ €1.5bn

- Energy
- Urea Licensing
- Agro
- Melamine
- Citric Acid
- Special Products
- Elastomers
- Polycarbonate
- Anti-Infectives

ACQUISITIONS since 2011

~ €2.4bn

- Nutrition
 - Martek
 - Vitatene
 - Premix plants
 - Food enzymes business and technology (Verenium)
 - Ocean Nutrition Canada
 - Tortuga
 - Cargill Bio-products
 - Fortitech
 - Unitech
 - Announced: Aland (Vitamin C)

~ 0.3bn

- Innovation center
 - Kensey Nash
 - C5 Yeast Company

~ €0.1bn

- Performance Materials
 - ICD China
 - AGI Taiwan
 - Novamid

PARTNERSHIPS since 2010

Nutrition

- Partnerships Russia (Tatarstan)
- Andre Pectin (textures, China)

Pharma

- DSM Sinochem Pharmaceuticals
- DPx Holdings

Innovation center

- POET-DSM Advanced Biofuels
- Reverdia
- DuPont: Actamax
- Polymer Technology Group

Performance Materials

- KuibyshevAzot Russia: PA6
- Rostec Russia

Strict acquisition criteria for focused growth

Strategic

- Business fit
- Leadership position and Innovation potential
- Geographic ambitions
- Sustainability drive

Financial

- Value creation
- Sustain single A rating
- Cash and EPS accretion
- Other financial targets

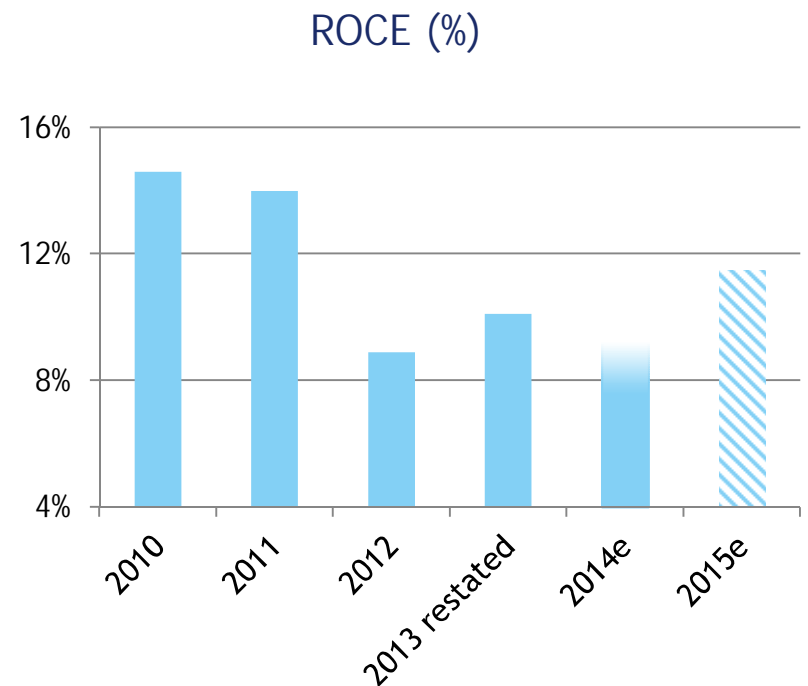
Unchanged discipline in target identification

Value accretive acquisitions

- Key acquisitions (Martek, ONC, Fortitech, Tortuga and Kensey Nash):
 - ✓ Earnings accretive in year 2
 - ✓ Aggregated, sales CAGR of 7% post acquisition
- Value creation confirmed
 - ✓ Martek/Fortitech/Tortuga: ~2.0x EV paid
 - ✓ Ocean Nutrition Canada: ~1.5x EV paid
- For now, focus on integration. No large M&A projects contemplated
 - ✓ Integrations progressing according to plan and without issues
 - ✓ In 2014, additional optimization actions are taken at Nutrition (mainly reducing R&D asset footprint)
 - Targeting €50m in savings by 2015 of which €10-15m to be reinvested into external (open) innovation and local, front-line support

Mid-term ROCE ambition remains to be 15%

- Exceptional returns at Polymer Intermediates combined with low capital employed inflated ROCE in 2010/2011
- 2011-2014 ROCE impacted by M&A related intangibles and goodwill
- Mid term ROCE ambition remains at 15%
 - ✓ EBIT growth driven by operational efficiencies and attractive portfolio
 - ✓ Strict CAPEX allocation
 - ✓ Control Operating Working Capital



Where we are versus 2015 targets

<u>Profit targets 2015</u>		YTD 2014
• EBITDA margin (%)	14% - 15%	13%
• ROCE	11% - 12%	8-9% (FY14E)
<u>Sales target 2015</u>		
• Organic sales growth	5% - 7% annually	3%
• China sales	towards USD 3bn	>USD 2.0bn (FY14E)
• High Growth Economies sales	about 45% of total sales	43%
• Innovation sales	20% of total sales	18%
• ECO+ sales	towards 50% of total sales	45%
<u>Cluster targets 2015</u>		
• Nutrition	EBITDA margin 20% - 23%	20.2%
	Sales growth GDP+2%	1%
• Performance Materials	EBITDA margin 13% - 15%	12.2%
	Sales growth at double GDP	2%

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- [Update on DPx](#)
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DPx Holdings off to an excellent start

Combination DPP/Patheon is leading pharma services company in CMO market (DSM 49%)

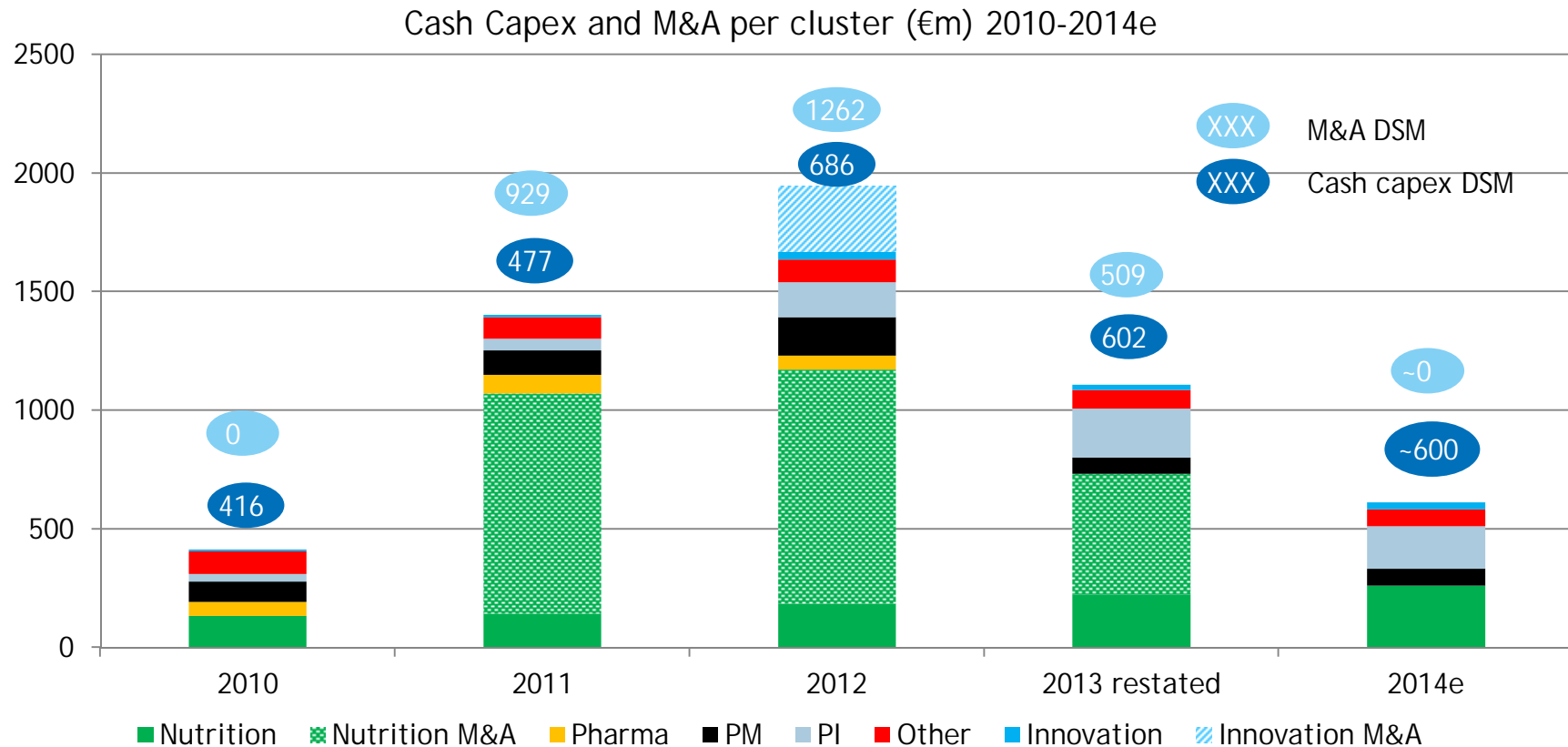
- Post closing March 2014, the initial integration was executed at high speed and completed end October
- First acquisition (Gallus Biologics) closed in September
- Full year pro-forma revenues of about USD 2bn. 2014 sales growth of ~9%, growing ahead of market
- Net debt is currently around USD 2bn

DPx: strong value generation potential for DSM

- Synergy harvesting and strong growth expected in 2015
- DPx to reach 2015 EBITDA margins close to industry leaders' margins of 20%.
EPS accretive in 2015
- Strong value generation momentum to continue beyond 2015
 - ✓ Solid market growth
 - ✓ Industry leader with unique offering
 - ✓ Ample growth potential in current asset base
- 2015 value of DSM share estimated at ~€1bn
- Catalent good benchmark for valuation:
 - ✓ Comparable leading CMO player
 - ✓ Similar sales and profitability
 - ✓ Successful IPO August 2014
 - More than 10x EBITDA and comparable leverage

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Significant capital allocated to Nutrition



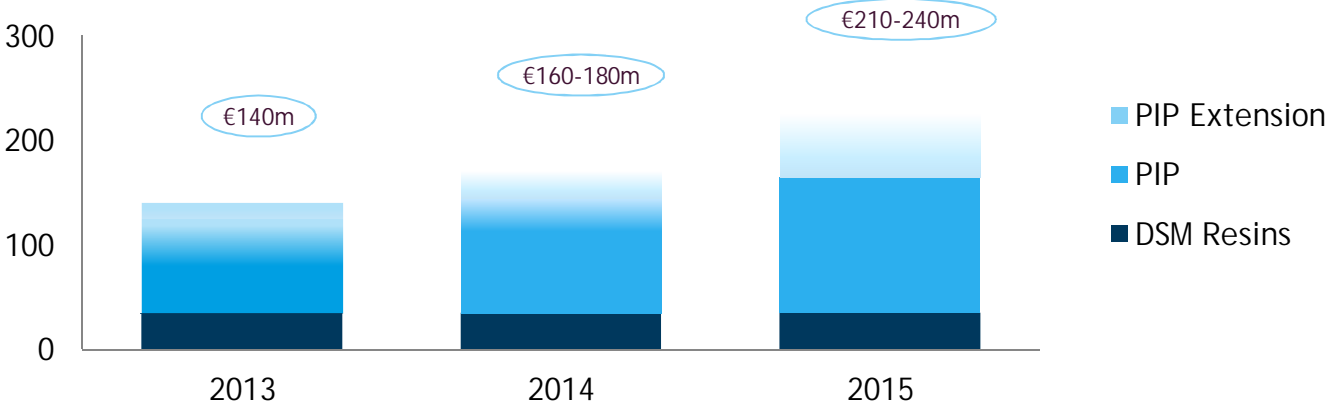
- Capital allocation criteria linked to strategic objectives
- After significant M&A capital allocated to Nutrition, Capex allocation is following



Extract efficiencies and reduce costs

- Standardization of processes (HR, sales & marketing, supply chain, sourcing, etc.)
- Maximizing use of shared service platforms
- Optimizing margins through pricing and margin management
- Operational efficiencies and growth acceleration through innovation
- Additional optimization actions in Nutrition announced in 2014
- Cost reductions original Profit Improvement Program announced in 2011/12 on track

Cumulative Benefits of the original PIP (€ million)*

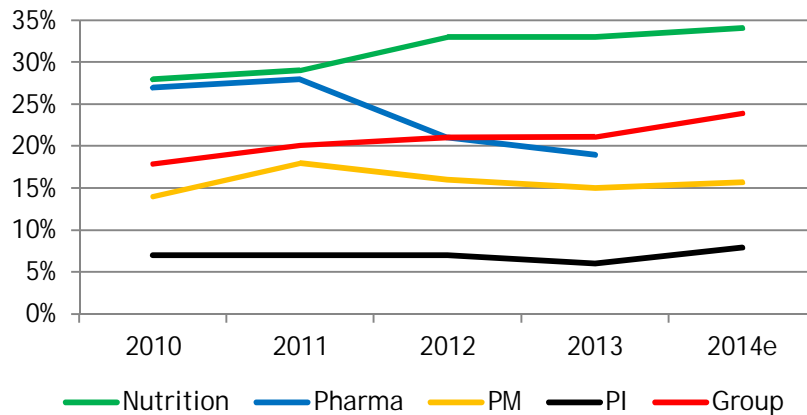


* Restated after Pharma deconsolidation

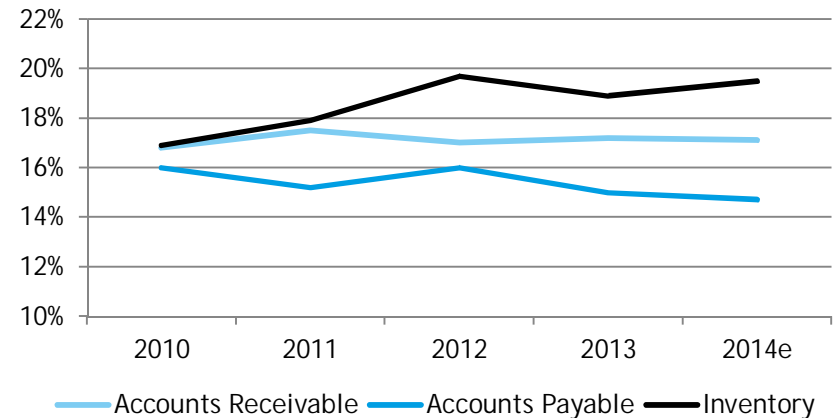


Strong focus on OWC improvement

OWC/sales per cluster 2010-2014e



OWC in AR%, AP%, Inventory% 2010-2014e



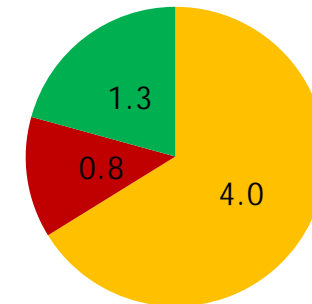
- Inventory management:
 - ✓ Hands-on, aggressive approach
 - ✓ Improve the integrated global sales & operations planning
 - ✓ Pursue structural network optimization
- Receivables and Payables management
 - ✓ Continue overdue management

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Financial policies clearly defined

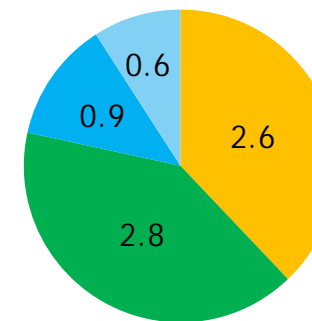
- Priorities for cash allocation unchanged:
 1. Capex for organic growth
 2. Dividend
 3. Acquisitions
 4. Cash return to shareholders
- Dividend policy
“stable and preferably rising dividend”
- Commitment to Single A rating
- Systematic, risk-management-oriented hedging strategy

Cash sources 2010 - H1 2014 (in €bn)



■ Cash from operations ■ Debt ■ Divestment

Cash use 2010 - H1 2014 (in €bn)

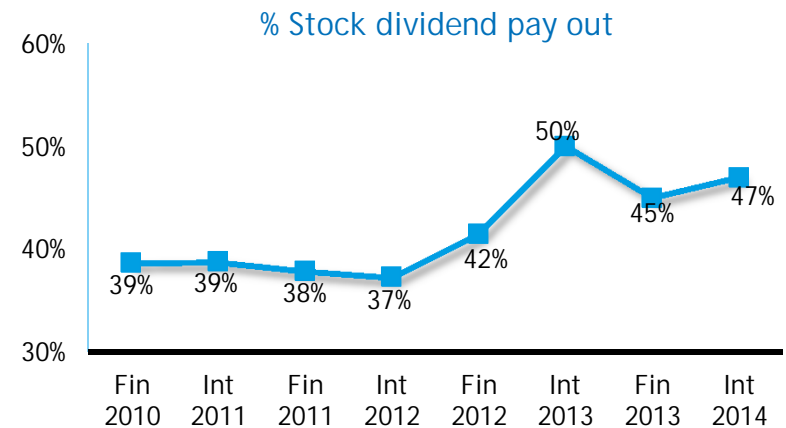


■ capex ■ M&A ■ Dividend ■ SBB

Significant cash return for shareholders

Dividend policy: “*DSM aims to provide a stable and preferably rising dividend*”

Dividend per share increased 37.5% since 2010 (CAGR 8.3%)



Wrap up

- **Attractive portfolio** with high quality, Nutrition and Performance Materials businesses with a good growth and return profile
- **Focused strategy** to improve financial performance and consolidate portfolio further:
 - ✓ Drive improved performance of the Nutrition and Performance Materials businesses
 - ✓ Active portfolio management: strategic actions to be pursued for Polymer Intermediates and Composite Resins
 - ✓ Unlock hidden pockets of value in Pharma and Innovation assets
 - ✓ Focus on cash generation
 - ✓ Strict capital allocation
 - ✓ No large M&A contemplated for now;
current focus is on integration of Nutrition acquisitions of recent years
 - ✓ Committed to policy of stable, preferably rising, dividend

DSM actively generating shareholder value



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