



Life Sciences and Materials Sciences  
**Presentation to Investors**  
Q3 Results 2014, 4 November 2014

HEALTH • NUTRITION • MATERIALS



# Safe harbor statement

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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)

- Q3 2014 Operational performance
- Business conditions and outlook

# Highlights Q3 2014

## [DSM reports Q3 2014 results](#)

- Q3 2014 EBITDA from continuing operations €315 million
- Q3 2014 organic sales growth 5% compared to Q3 2013
- Nutrition delivered sequential improvement with Q3 EBITDA €225 million
- Performance Materials Q3 EBITDA €91 million, up compared to Q2 2014 and Q3 2013
- Q3 cash flow from operating activities €301 million
- Full year 2014 outlook in line with current market expectations

# Quote from Feike Sijbesma

*"In the third quarter DSM delivered improved financial results compared to the previous quarters with good cash flow generation.*

*In Nutrition our resilient business model and strong position in the value chain have enabled us to deliver an increase in result compared to the previous three quarters, although challenges in some human nutrition end-markets remain and pricing pressure, particularly in vitamin E, intensified in the latter part of the third quarter.*

*In Performance Materials, our continued focus on efficiencies and ongoing cost control served us well, and are pleased by the overall performance with all businesses contributing to increased EBITDA.*

*Increasing macro-economic uncertainty and continued low consumer confidence are impacting market dynamics. Some currency rates have developed favorably towards the end of the third quarter but currencies remain volatile.*

*We remain committed to our strategy for growth across our Nutrition and Performance Materials businesses and will continue to pursue strategic actions for Polymer Intermediates and Composite Resins. We are strongly focused on operational excellence and delivering efficiencies to protect and enhance our profitability and cash flow. For the remainder of the year, we anticipate performance in line with current market expectations."*



*Feike Sijbesma CEO /  
Chairman of the Managing Board*

# Results Q3 2014 - Key figures

Q3 -2014	Q3-2013	Δ%	(€ million)	YTD-2014	YTD-2013	Δ%
Continuing operations before exceptional items:						
2,323	2,213	5%	Net Sales	6,807	6,683	2%
315	331	-5%	EBITDA	880	964	-9%
0.69	0.76	-9%	EPS (€)	1.90	2.27	-16%
0.81	0.84	-4%	Core EPS (€)*	2.20	2.51	-12%
Total DSM before exceptional items:						
2,323	2,354	-1%	Net Sales	6,909	7,095	-3%
315	343	-8%	EBITDA	878	996	-12%
Total DSM after exceptional items:						
93	117	-21%	Net profit	252	348	-28%
0.51	0.65	-22%	EPS (€)	1.41	1.98	-29%

\* Core net EPS is the EPS from continuing operations before exceptional items and before acquisition related (intangible) asset amortization

# Net sales growth Q3-2014 versus Q3-2013

(€ million)	Q3 2014	Q3 2013	Diff.	Volume	Price/ Mix	FX	Other
Nutrition	1,091	1,065	2%	2%	0%	0%	0%
Performance Materials	721	696	4%	4%	0%	-1%	1%
Polymer Intermediates	428	374	14%	13%	1%	0%	
Innovation Center	40	35	14%	14%	0%	0%	
Corporate Activities	43	43					
<b>Continuing Operations</b>	<b>2,323</b>	<b>2,213</b>	<b>5%</b>	<b>5%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

# Net sales growth YTD-2014 versus YTD-2013

(€ million)	YTD-2014	YTD-2013	Diff.	Volume	Price/ Mix	FX	Other
Nutrition	3,211	3,166	1%	2%	-1%	-3%	3%
Performance Materials	2,093	2,074	1%	4%	-2%	-2%	1%
Polymer Intermediates	1,262	1,186	6%	13%	-5%	-2%	
Innovation Center	112	111	1%	4%	0%	-3%	
Corporate Activities	129	146					
<b>Continuing Operations*</b>	<b>6,807</b>	<b>6,683</b>	<b>2%</b>	<b>5%</b>	<b>-2%</b>	<b>-2%</b>	<b>1%</b>

\* Continuing operations (excluding discontinued activities)



# EBITDA - development Q3

EBITDA (€ million)	Q3-2014	Q3-2013	Δ%
Nutrition	225	241	-7%
Performance Materials	91	83	10%
Polymer Intermediates	23	28	-18%
Innovation Center	-4	-2	
Corporate Activities	-20	-19	
<b>Continuing Operations*</b>	<b>315</b>	<b>331</b>	<b>-5%</b>

\* Continuing operations (excluding discontinued activities)

# EBITDA - development YTD

EBITDA (€ million)	YTD-2014	YTD-2013	Δ%
Nutrition	650	706	-8%
Performance Materials	256	242	6%
Polymer Intermediates	60	83	-28%
Innovation Center	-15	-6	
Corporate Activities	-71	-61	
<b>Continuing Operations*</b>	<b>880</b>	<b>964</b>	<b>-9%</b>

\* Continuing operations (excluding discontinued activities)

# Nutrition

Q3-2014	Q3-2013	Δ%	(€ million)	YTD-2014	YTD-2013	Δ%
1,091	1,065	2%	Net sales	3,211	3,166	1%
		2%	Volume			2%
		0%	Price/Mix			-1%
		0%	FX			-3%
		0%	Other			3%
225	241	-7%	EBITDA	650	706	-8%
20.6%	22.6%		EBITDA margin	20.2%	22.3%	
163	185	-12%	EBIT	471	538	-12%
			Capital employed	4,958	4,496*	

- Organic sales growth in Q3 was 2% compared to Q3 2013. Volumes were up 2%, price/mix was flat year-on-year.
- EBITDA for Q3 was €225 million, down 7% compared to Q3 2013, as a result of currencies (mainly the stronger Swiss franc) and lower volumes in Human Nutrition & Health. Compared to Q2 2014 EBITDA increased by 1%. The EBITDA margin of 20.6% was within DSM's target range of 20-23%.
- DSM Food Specialties delivered strong organic growth and continued to gain market share in both enzymes and cultures.

\* year-end 2013

# Human Nutrition & Health

Q3-2014	Q3-2013	Δ%	(€ million)	YTD-2014	YTD-2013	Δ%
406	415	-2%	Net sales	1,232	1,303	-5%
		-2%	<i>Organic growth</i>			-3%

- Human Nutrition & Health net sales were €406 million in Q3 2014 in line with Q2 2014. Organic sales development was negative at -2% compared to Q3 2013 owing to lower volumes.
- Volumes were impacted by lower vitamins and fish-oil based Omega-3 sales for dietary supplements in the US. -Sales in infant nutrition continued to be affected by destocking.
- Although Western food & beverage markets remained sluggish, markets in high growth economies continued to develop well. Demand for premixes stayed healthy. The momentum for dietary supplements outside the US was positive and demand for DSM's consumer business i-Health remained robust.

Source: IRI (July 13, 2014)

# Animal Nutrition & Health

Q3-2014	Q2-2013	Δ%	(€ million)	YTD-2014	YTD-2013	Δ%
527	508	4%	Net sales	1,512	1,424	6%
		4%	<i>Organic growth</i>			5%

- Animal Nutrition & Health net sales were €527 million in Q3 2014 up 2% compared to Q2 2014. Organic sales growth was 4% driven by global volume growth with strong performance from the premix businesses. The impact of the significantly lower spot prices for Vitamin E was still limited in Q3.

# Performance Materials

Q3-2014	Q3-2013	Δ%	(€ million)	YTD-2014	YTD-2013	Δ%
721	696	4%	Net sales	2,093	2,074	1%
		4%	Volume			4%
		0%	Price/Mix			-2%
		-1%	FX			-2%
		1%	Other			1%
91	83	10%	EBITDA	256	242	6%
12.6%	11.9%		EBITDA margin	12.2%	11.7%	
55	49	12%	EBIT	153	141	9%
			Capital employed	2,001	1,902*	

- Organic sales growth in Q3 2014 was 4% compared to Q3 2013. Overall sales were fully driven by volume growth as prices were flat. Adverse currency effects amounted to 1%. Volumes in DSM Resins and Functional Materials were flat. DSM Engineering Plastics continued to show healthy volume growth in compounds and specialty materials. In DSM Dyneema, sales benefited from higher volumes.
- EBITDA in Performance Materials for the quarter was up by 10% compared to Q3 2013, largely driven by good volume growth, cost control and better efficiencies, resulting in improved margins. All three businesses contributed to this growth, with a particularly strong performance in DSM Engineering Plastics.

\* year-end 2013

# Polymer Intermediates

Q3-2014	Q3-2013	Δ%	(€ million)	YTD-2014	YTD-2013	Δ%
428	374	14%	Net sales	1,262	1,186	6%
		13%	Volume			13%
		1%	Price/Mix			-5%
		0%	FX			-2%
		0%	Other			0%
23	28	-18%	EBITDA	60	83	-28%
5.4%	7.5%		EBITDA margin	4.8%	7.0%	
9	18	-50%	EBIT	18	55	-67%
			Capital employed*	746	570*	

- Organic sales growth in Q3 2014 was 14% compared to the same quarter last year, with higher volumes (13%) and relatively flat price/mix effects (+1%). Sales benefited from the increased caprolactam production from the second line in China.
- EBITDA for the quarter declined compared to Q3 2013 due to lower caprolactam margins and the maintenance stops in US and China.

\* year-end 2013

# Innovation Center

Q3-2014	Q3-2013	Δ%	(€ million)	YTD-2014	YTD-2013	Δ%
40	35	14%	Net sales	112	111	1%
		14%	<i>Volume</i>			4%
		0%	<i>Price/Mix</i>			0%
		0%	<i>FX</i>			-3%
		0%	<i>Other</i>			0%
-4	-2		EBITDA	-15	-6	
-10	-11		EBIT	-36	-32	
			Capital employed*	506	469*	

- Organic sales growth in Q3 2014 was 14% compared to Q3 2013 due to solid growth in DSM Biomedical and DSM Advanced Surfaces. On 3 September, POET-DSM Advanced Biofuels officially opened its first commercial cellulosic ethanol plant in Emmetsburg, Iowa. The plant is in the start-up phase and expects to realize first commercial sales in Q4.
- EBITDA declined due to intensified innovation programs. DSM Biomedical performed well.

\* year-end 2013



# Corporate Activities

Q3-2014	Q3-2013	(€ million)	YTD-2014	YTD-2013
43	43	Net sales	129	146
-20	-19	EBITDA	-71	-61
-34	-33	EBIT	-112	-98

- EBITDA in Q3 2014 was in line with Q3 2013

## Pharma Activities and other Associates

- Total Q3 2014 sales of joint control entities amounted to €108 million on a 100% base (Q3 2013: €95 million) of which €99 million from DSM Sinochem Pharmaceuticals (Q3 2013: €86 million).
- DPx Holdings (49% DSM) realized total sales (100%) of €384 million from May up to and including July with good margins. The DSM share in the net result of DPx was impacted by €25 million exceptional items (before tax) related to integration, restructuring and realization of synergies of the new company.

# Cash flow

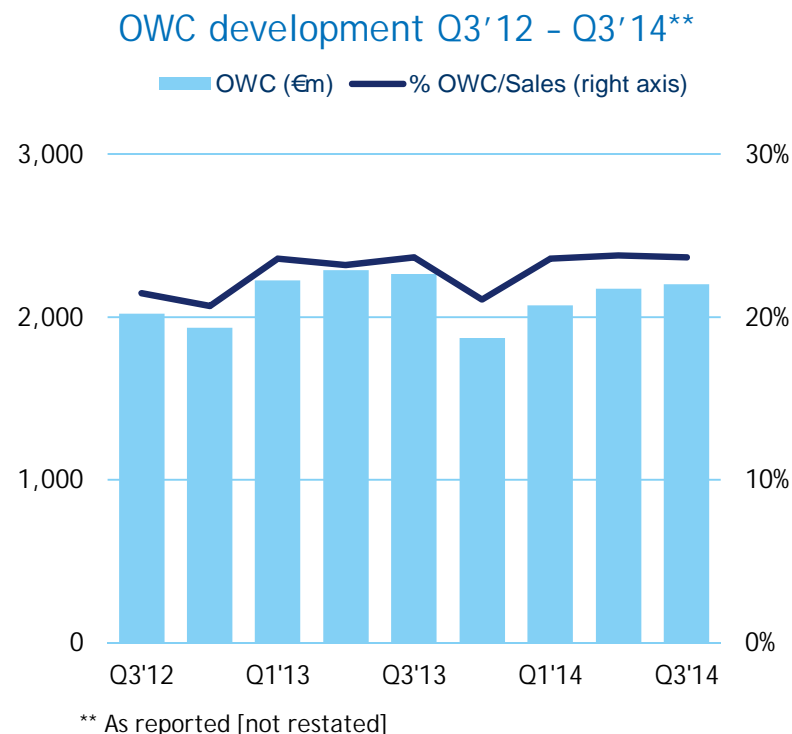
Cash Flow (€ million)	9M'14	9M'13
Cash from operating activities	390	522
Cash from investing activities*	-364	-877
Free cash flow from operations	26	-355

Balance sheet (€ million)	Sept 30 2014	YE 2013
Net debt	2,479	1,841

\* Excl. changes in fixed-term deposits, incl. acquisitions

- *Cash provided by operating activities* in Q3 2014 was at a good level of €301 million (Q3 2013: €320 million).
- *Operating working capital* increased from €1,843 million at year-end of 2013 to €2,203 million at the end of Q3 2014 due to higher inventories, receivables and currency effects. Expressed as a percentage of annualized sales this represents 23.7%, equal to end of Q3 2013.

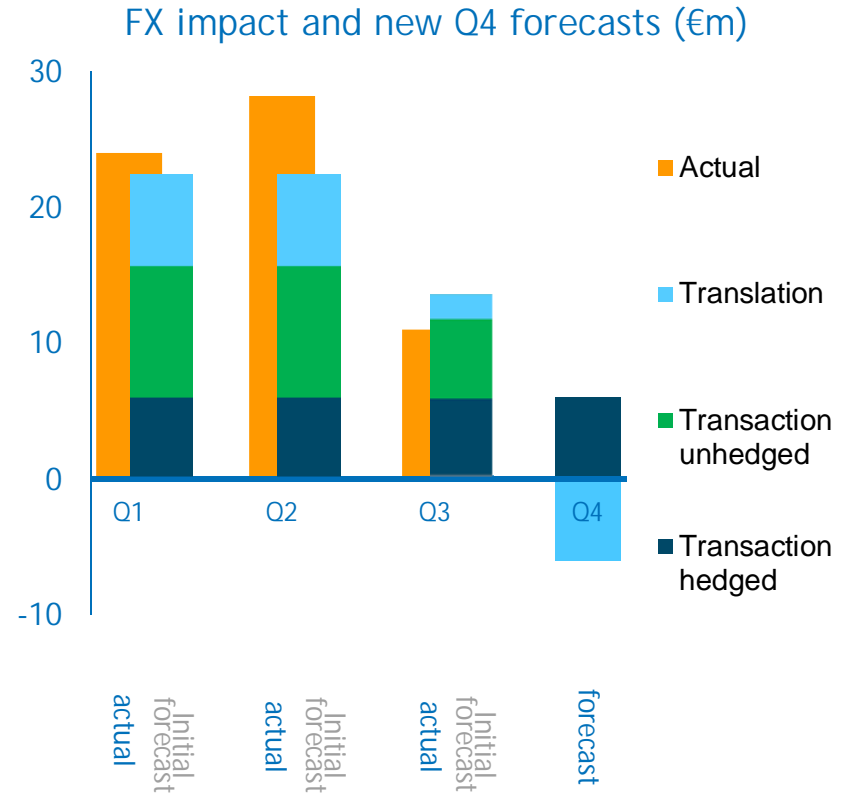


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# Negative currency effects in 2014

EBITDA in 2014 is expected to be negatively impacted by about €60 million, due to:

1. Hedges for 2014, taken out in 2013, were less favorable than the hedges taken in 2012 for 2013.
2. Negative transaction impact in 2014 vs 2013 for the non-hedged transaction exposure
3. Negative translation impact which increased due to the €2.8bn acquisitions in recent years mainly outside Europe



# Business Conditions

## Animal Nutrition

- Continued good demand for animal feed markets with limited local disturbances from animal diseases
- Severe price pressure in Vitamin E

## Human Nutrition

- Food & Beverage operating in low growth macro environment, with consumer spending still under pressure
- Continued favorable market conditions in premix
- Recovery of Vitamins- and fish-oil based Omega-3 dietary supplements in US, is slower than expected
- Asian Infant Nutrition offtake is stabilizing albeit at lower than historical growth rates
- Food Specialties markets remain strong

## Performance Materials

- Increasing uncertainty about macro-economic outlook in Europe could negatively impact the positive momentum we have experienced in H1 in various end-markets
- Ongoing -high- volatility in Polyamide-6 value chain (DSM Engineering Plastics)

## Polymer Intermediates

- High volatility in benzene prices continues to impact caprolactam markets
- License incomes will be at lower level vs 2013
- Continued strong market positions for acrylonitrile

# 2014 Outlook

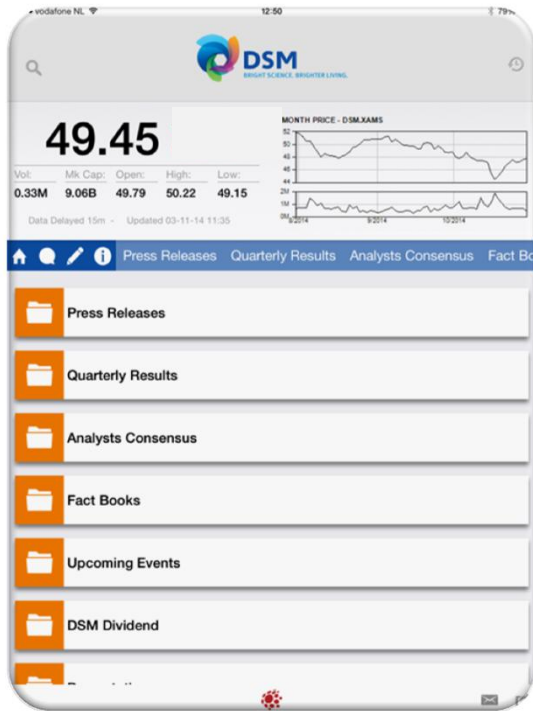
- Increasing macro-economic uncertainty and continued low consumer confidence are impacting market dynamics. Some currency rates have developed favorably towards the end of the third quarter but currencies remain volatile. Barring unforeseen circumstances, DSM is on track to meet current market expectations.

# DSM's IR App @your service

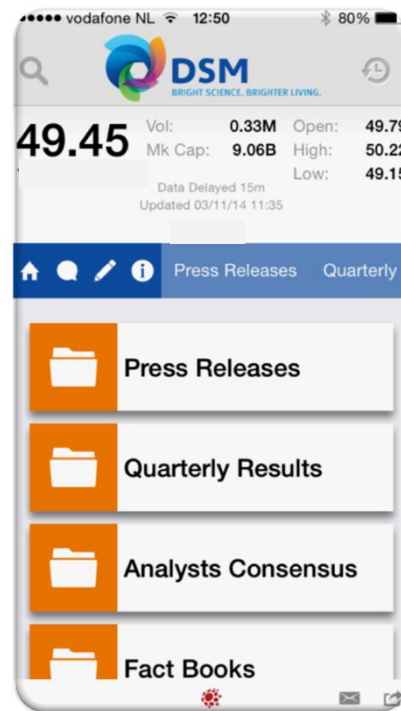
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