

# Press Release

Heerlen (NL), 1 August 2017

Royal DSM  
[www.dsm.com](http://www.dsm.com)  
 32E

## DSM reports H1 2017 results

### H1 Highlights

- Continued good performance in Q2 concludes very strong H1
- Sales up 11% to €4,320m, with 8% organic growth
- Adjusted EBITDA up 16% to €721m, driven by both Nutrition and Materials
- ROCE up 170 bps to 12.2%
- Net profit up 42% to €312m
- Interim dividend of €0.58 per ordinary share
- Outlook 2017: slightly improved

### Key figures and indicators

in € million	H1 2017	H1 2016	% Change	Volume	Price/mix	FX	Other
<b>Sales</b>	<b>4,320</b>	3,907	11%	6%	2%	3%	0%
Nutrition	<b>2,778</b>	2,545	9%	5%	1%	3%	0%
Materials	<b>1,426</b>	1,240	15%	8%	5%	1%	1%
<b>Adjusted EBITDA</b>	<b>721</b>	624	16%				
Nutrition	<b>528</b>	462	14%				
Materials	<b>241</b>	212	14%				
EBITDA	<b>689</b>	603					
<b>ROCE (%)<sup>1</sup></b>	<b>12.2%</b>	10.5%					

<sup>1</sup> January up until June

### CEO statement

Feike Sijbesma, CEO/Chairman of the DSM Managing Board, commented: “DSM maintained its positive momentum with a very strong first half-year performance. The second quarter was another very good quarter.

*Halfway through Strategy 2018, we are well ahead of our targets. All businesses are delivering on their growth initiatives, helping us outpace the market; we increasingly provide our customers with innovative solutions, resulting in a continued shift toward specialties. Furthermore, we are fully on track with our wide-ranging cost-reduction and efficiency improvement programs, while anchoring the high-performance culture we strive for. We also continued to make good progress with our sustainability agenda, future-proofing our operations and delivering products and solutions which help our customers to make their businesses more sustainable. The expected Patheon transaction demonstrates our commitment to monetize the significant value within our associates and earlier than anticipated.*

*While being mindful of the volatile macro-economic environment and the higher-base results achieved since 2015, we are confident for the remainder of the year and have increased our outlook for the full year.”*

### Outlook 2017 slightly improved

DSM now expects to deliver full-year 2017 results above the targets set out in its Strategy 2018, with an EBITDA growth for the year moving slightly up from high single-digit to double digit, and with a ROCE increase moving from double digit basis points to over 100 basis points.

## Q2 Highlights

- DSM reports a very good Q2
- Sales up 8% to €2,161m, with 6% organic growth
- Adjusted EBITDA up 15% to €376m
- Nutrition: 4% organic sales growth; Adjusted EBITDA up 14%
- Materials: 4% volume growth; Adjusted EBITDA up 9%

## Key figures and indicators

in € million	Q2 2017	Q2 2016	% Change	Volume	Price/mix	FX	Other
<b>Sales</b>	<b>2,161</b>	1,994	8%	4%	2%	2%	0%
Nutrition	<b>1,380</b>	1,295	7%	4%	0%	3%	0%
Materials	<b>725</b>	640	13%	4%	7%	1%	1%
<b>Adjusted EBITDA</b>	<b>376</b>	328	15%				
Nutrition	<b>271</b>	237	14%				
Materials	<b>128</b>	117	9%				
EBITDA	<b>355</b>	332					
<b>ROCE (%)<sup>1</sup></b>	<b>12.2%</b>	10.5%					

<sup>1</sup> January up until June

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Innovation Center	84	83	1%	6%	-6%	1%	0%
Corporate Activities	32	39					

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Innovation Center	41	40	3%	9%	-7%	1%	0%
Corporate Activities	15	19					

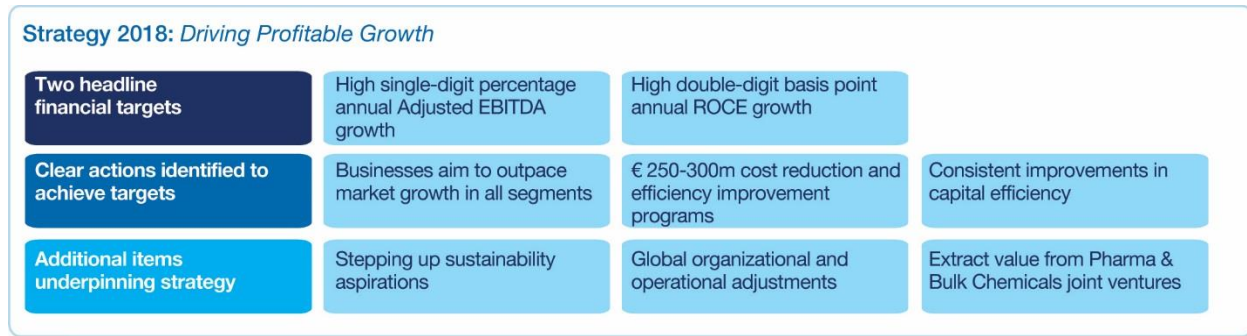
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Materials	241	212	14%	128	117	9%
Innovation Center	1	1		0	0	
Corporate Activities	-49	-51		-23	-26	
<b>Adjusted EBITDA margin</b>	<b>16.7%</b>	16.0%		<b>17.4%</b>	16.4%	
EBITDA	689	603		355	332	
<b>Adjusted EBIT</b>	<b>478</b>	396	21%	<b>256</b>	211	21%
EBIT	441	375		235	215	
Capital Employed	7,692	7,616				
Average Capital Employed	7,831	7,542				
<b>ROCE (%)</b>	<b>12.2%</b>	10.5%				
<b>Effective tax rate</b>	<b>18.0%</b>	18.5%				
<b>Adjusted net profit</b>	<b>338</b>	244	39%	<b>175</b>	135	30%
<b>Net profit - Total DSM</b>	<b>312</b>	220	42%	<b>163</b>	135	21%
<b>Adjusted net EPS</b>	<b>1.90</b>	1.36	40%	<b>0.98</b>	0.76	29%
<b>Net EPS - Total DSM</b>	<b>1.75</b>	1.22		<b>0.91</b>	0.76	
<b>Cash Flow</b>	<b>329</b>	319	3%	<b>133</b>	182	-27%
<b>Capital Expenditures <sup>1</sup></b>	<b>250</b>	177		<b>120</b>	78	
<b>Net debt</b>	<b>2,205</b>	2,466				

<sup>1</sup> Cash, net of customer funding

In this report:

- 'Organic sales growth' is the total impact of volume and price/mix;
- 'Total Working Capital' refers to the total of 'Operating Working Capital' and 'non-Operating Working Capital'

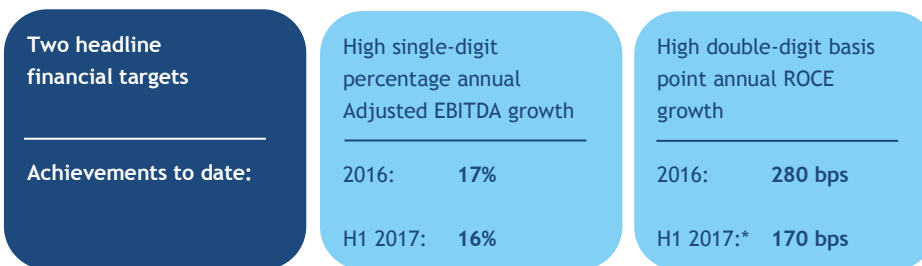
## Strategy 2018: Driving Profitable Growth



### Stepping up DSM's financial performance

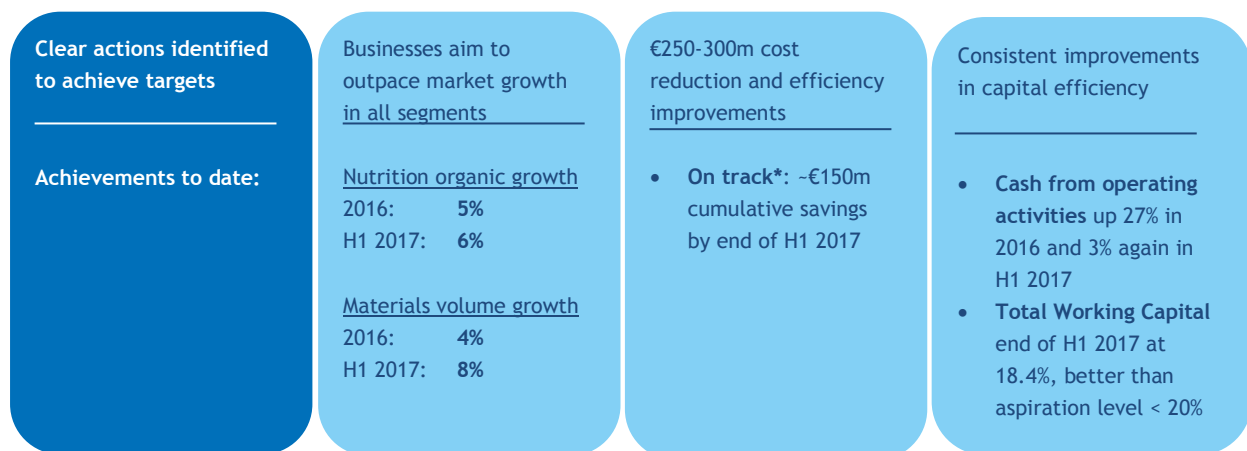
DSM's Strategy 2018: *Driving Profitable Growth* is focused on ensuring that the potential of the business portfolio that has been created over recent years is translated into improved financial results. Reflecting its disciplined focus on performance, DSM implemented a three-year strategic period 2016-2018 with two headline financial targets: **high single-digit percentage annual Adjusted EBITDA growth** and **high double-digit basis point annual ROCE growth**.

DSM is delivering **significantly ahead** of schedule at the halfway point of Strategy 2018, having achieved EBITDA growth rates and improvements in return on capital double the original targets set.



\*Compared to H1 2016

DSM has defined clear actions to achieve its targets, including **outpacing market growth**, **cost reduction and efficiency improvement programs** and making a continuous push for **consistent improvements in capital efficiency**.



\*Versus baseline 2014

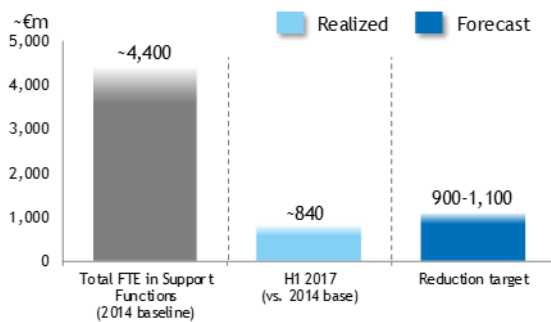
**Outpaced market growth**

DSM has **outpaced market growth** in 2016 and again in H1 2017, growing at rates around double the markets it operates in. DSM continued to leverage its innovation capabilities together with market insights and close customer relationships to accelerate growth for its solutions in its key segments and to develop and open new segments. DSM also took further steps on promising innovation projects for future growth with a wider societal impact, such as Clean Cow, Green Ocean, Stevia and Niaga.

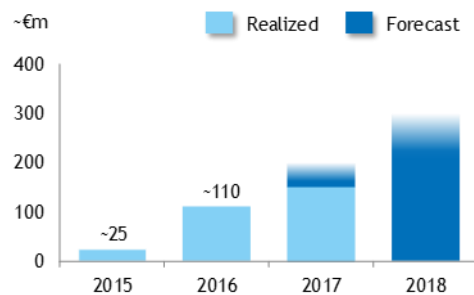
**Cost-reduction and improvement programs**

DSM has instigated extensive **cost-reduction and improvement programs** which will deliver €250-300 million in cost savings versus the 2014 baseline. These well-identified programs continue to progress as planned and are on track to deliver the targeted benefits.

**Cumulative FTE reduction<sup>1</sup>**

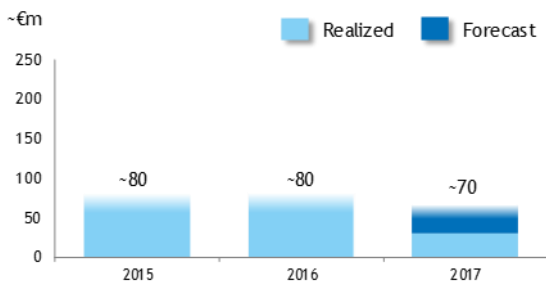


**Timing of cumulative costsavings**



<sup>1</sup> versus 2014 baseline

**One-time costs**



**Additional actions underpinning Strategy 2018**

**Strategy 2018: Driving Profitable Growth**

<b>Two headline financial targets</b>	High single-digit percentage annual Adjusted EBITDA growth	High double-digit basis point annual ROCE growth	
<b>Clear actions identified to achieve targets</b>	Businesses aim to outpace market growth in all segments	€ 250-300m cost reduction and efficiency improvement programs	Consistent improvements in capital efficiency
<b>Additional items underpinning strategy</b>	Stepping up sustainability aspirations	Global organizational and operational adjustments	Extract value from Pharma & Bulk Chemicals joint ventures


Besides stepping up the financial performance of DSM’s businesses, Strategy 2018 comprises additional elements aimed at **future-proofing** the company, providing a strong and sustainable basis for long-term value creation for all its stakeholders.

For DSM, **sustainability is a core value** as well as an **important business driver**. DSM’s competences and business plans have a strong link with the Sustainable Development Goals. While DSM’s activities align with many of the SDGs, there are five SDGs on which the company and its businesses can be most influential. In doing so, DSM is focused on delivering science-based, sustainable and scalable solutions that help address challenges the world faces and positively impact the value chain. Not only do these products and solutions (‘Brighter Living Solutions’) offer higher growth rates and better margins, the sustainability aspirations also provide DSM with a focus area to reduce operating costs by increasing its environmental efficiency.


DSM continued to make good progress toward its sustainable operations aspirations in H1 2017:

- DSM was recently assessed as an ESG (environmental, social and governance) leader within the chemicals industry by Sustainalytics, **ranking number 1 out of 130** companies (Assessment as of July 2017, based on 2016 reporting from DSM). This builds further on DSM’s leadership position in reporting benchmarks, having also been named the global leader in the Materials industry group in the Dow Jones Sustainability World Index again in 2016, the seventh time the company has held the number one position.
- DSM’s drive to improve its environmental efficiency is fully on track, with further improvements in both greenhouse-gas efficiency and energy efficiency in H1 2017.
- The company now sources about a fifth of its purchased electricity from renewable sources.
- DSM is also looking to further build on the progress made in 2016 on a number of important social parameters, including employee engagement, which in 2016 was up versus prior year.
- A safe working environment remains of paramount importance; a relative increase in the number of incidents in the first months of 2017 was a cause for concern and led to remedial actions to boost awareness of and –even more importantly– behavioral adherence to, a ‘safety-above-all-else’ mindset throughout the organization, which will continue into the second half of the year.


**Key sustainability focus areas**



Nutrition




Climate & energy




Circular & bio-based economy


2 NO HUNGER




3 GOOD HEALTH




7 RENEWABLE ENERGY



13 CLIMATE ACTION



12 RESPONSIBLE CONSUMPTION



**Sustainability as business growth driver**

ECO+	People+	<p><b>Brighter Living Solutions: ECO+ and People+<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>▪ Profitable solutions better for people and planet</li> <li>▪ Aspiration: 65% of DSM products by 2020</li> </ul>	<p><b>H1 2017</b></p> <p>63%</p>
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**Securing sustainable operations**

GHG and Energy Efficiency Renewable energy	Health & Safety Engagement Diversity	<p><b>Operational Aspirations<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>▪ Leading in reporting benchmarks</li> <li>▪ GHG efficiency improvements</li> <li>▪ Energy efficiency improvements</li> <li>▪ Purchased electricity from renewables</li> <li>▪ Employee engagement favorable score</li> <li>▪ Safety: Frequency recordable index</li> </ul>	<p><b>Long-term goals</b></p> <ul style="list-style-type: none"> <li>Gold class DJSI</li> <li>40-45% (2008-2025)</li> <li>&gt;10% (2016-2025)</li> <li>50% by 2025</li> <li>75% by 2020</li> <li>0.25 by 2020</li> </ul>	<p><b>H1 2017</b></p> <p>Gold class</p> <p>27%</p> <p>5%</p> <p>19%</p> <p>71%<sup>2</sup></p> <p>0.35</p>
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<sup>1</sup> Please see DSM’s Integrated Annual Report for definitions and additional information

<sup>2</sup> 2016 score; employee engagement will be measured again in Q3 2017

DSM is **adjusting its global organization and operating model** to support the company’s growth and to create a more agile, commercially-focused and cost-efficient business. Actions such as the implementation of new target operating models in ICT, Finance, HR, Indirect Sourcing, Communication and Legal are almost all complete; the emphasis at this stage is above all on ensuring that the new way of working is truly anchored in the organization and in supporting mindset and behaviors.

**Talent management and development** is a further strategic cornerstone. DSM continued to invest in its talent pipeline to ensure it can sustainably address future challenges and demands, and rolled out a new learning and development module called Lead & Grow, which in the meantime has been followed by almost all executives at the company.

**Inclusion & Diversity** is an important enabler for a high-performing organization and DSM continues to strive to achieve a balanced and representative workforce. The appointment of Judith Wiese as Executive Vice President People & Organization and member of the Executive Committee is a further step in diversifying DSM's most senior leadership. DSM's Executive committee will consist of seven members of whom two are female, with in total five nationalities represented.

DSM ultimately intends to **monetize the partnerships** that have been established for its former pharma activities (DSM Sinochem Pharmaceuticals and Patheon) and for the former bulk chemical businesses (ChemicalInvest). A first step was taken in July 2016 with the sale of 4.8m shares in Patheon N.V. in connection with its successful IPO. This resulted in a first gain for DSM of €232 million in Q3 2016. In May 2017, the Board of Directors of Patheon unanimously approved the acquisition of Patheon by Thermo Fisher Scientific Inc. for USD 35.00 per ordinary share. DSM has entered into a tender and support agreement with Thermo Fisher pursuant to which DSM will tender its remaining approximately 48.7 million shares in Patheon in the transaction, expected to result in cash proceeds of about USD 1.7 billion.

DSM is building for **further growth beyond 2018**. DSM continued to make good progress with a number of promising programs in the company's innovation pipeline. For Nutrition, these include among others the Clean Cow project for reduced methane emissions in cattle, the Green Ocean partnership for more sustainable, nutrient-rich fish-feed, the fermentative stevia sweetener platform, and plant-based proteins for new nutrition applications. Initiatives in Materials include Niaga® Technology for fully-recyclable carpets, ForTii® high-performance plastics and Dyneema® Carbon Composites. DSM expects these and other initiatives to contribute to the company's Adjusted EBITDA growth in the years beyond 2018.

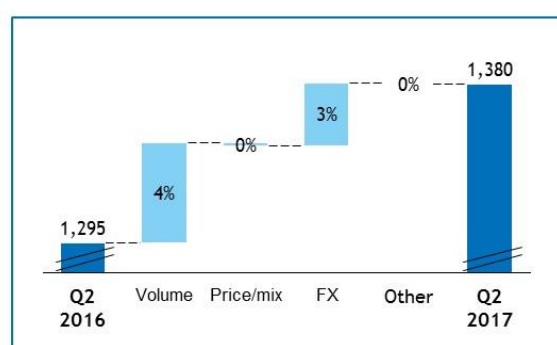
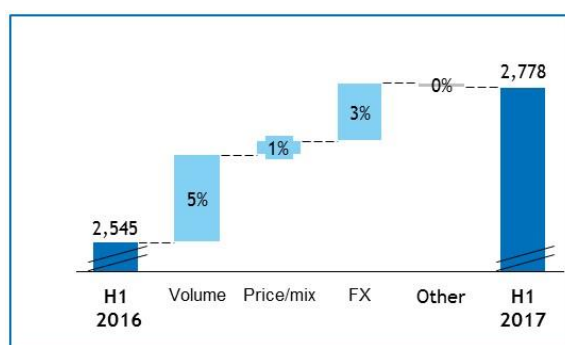


## Review by Cluster

### Nutrition

in € million	H1 2017	H1 2016	% Change	Q2 2017	Q2 2016	% Change
Sales	2,778	2,545	9%	1,380	1,295	7%
Adjusted EBITDA	528	462	14%	271	237	14%
Adjusted EBITDA margin (%)	19.0%	18.2%		19.6%	18.3%	
Adjusted EBIT	383	326	17%	198	165	20%
Capital Employed	5,431	5,391				
Average Capital Employed	5,508	5,317				
ROCE (%)	13.9%	12.3%				
Total Working Capital	1,548	1,470				
Average Total Working Capital as % of Sales	27.6%	27.8%				

### Sales development



**Nutrition** is well on track toward its aspirations as outlined in Strategy 2018. The businesses continued their strong momentum, delivering above-market growth with an increasingly higher-value portfolio of feed and food solutions. At the same time, productivity, market clout and profitability are being supported by improvement programs, covering cost reduction, operational excellence, and sales. Over the strategy period to date, these growth and profitability initiatives have enabled Animal Nutrition to continue to grow well despite the economic malaise in Latin America, while bringing Human Nutrition back to a solid growth footing.

**H1 2017 sales** increased by 9% of which 6% organic growth, mainly coming from 5% volume growth at relatively stable prices, up 1%.

**H1 2017 Adjusted EBITDA** increased by 14% compared to the same period in 2016. Although Nutrition benefited from an easier year-on-year comparison in prices and currencies in the first half-year, the main drivers behind this strong performance were healthy volume growth and the contribution of the improvement programs. The EBITDA margin of Nutrition increased in this first half year to 19.0%, 80 basis points higher than H1 2016, well within the targeted range of 18-20% by the end of 2018.

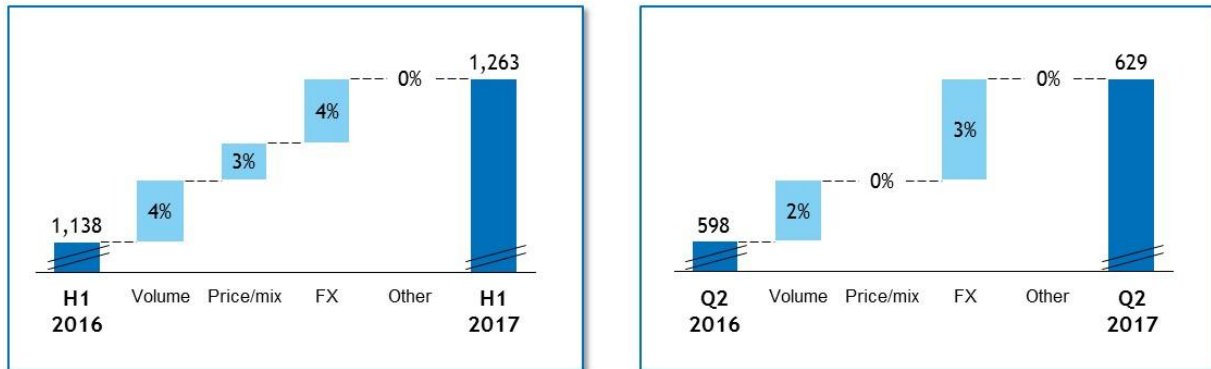
**Q2 2017 sales** were 7% up on prior year with 4% organic growth, fully driven by higher volumes.

**Q2 2017 Adjusted EBITDA** was €271 million, up 14% compared to Q2 2016, driven by solid organic growth, favorable currencies and the execution of the improvement programs. In addition, both Adjusted EBITDA and Adjusted EBITDA margin benefited in Q2 from highly favorable mix effects in Human Nutrition with a relatively high share of high-margin businesses.



## Animal Nutrition & Health

### Sales development



**Animal Nutrition** continued to make good progress with its growth programs, outperforming underlying global growth in animal protein markets. In the first half of 2017, the premix businesses continued to demonstrate healthy growth, as DSM further increased the share of tailored solutions. The emerging need for alternative solutions to enable the ultimate elimination of antibiotics as growth promoters supports growth in higher added-value solutions in for example eubiotics and enzymes.

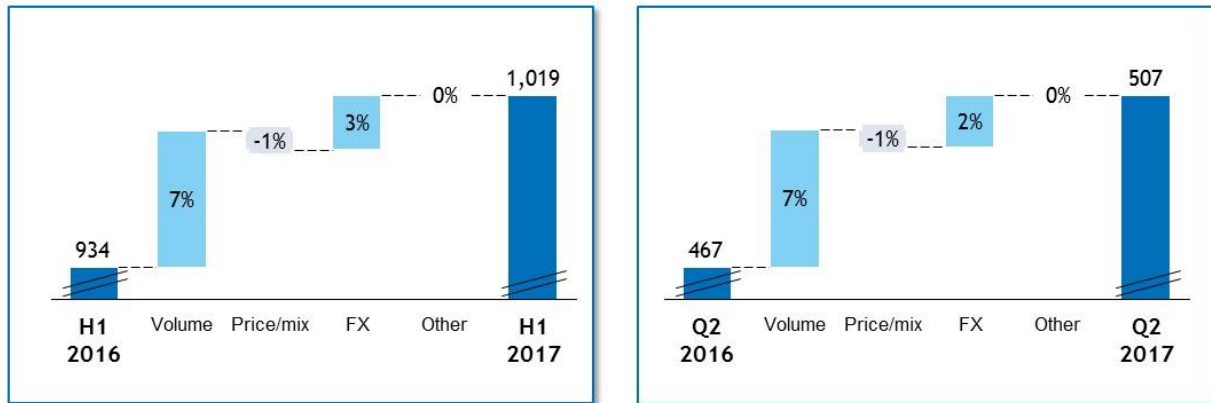
DSM continues to benefit from its ability to address a wide range of species, as well as from its diversified geographic presence, covering all the major growth areas in the world. Business conditions for animal nutrition remained good across most regions in H1 2017, with the exception of Latin America. The ongoing meat scandal in Brazil further dampened conditions in that region, where business was already pressured by the weak economic backdrop.

DSM continued to make good progress with its sustainable innovations to improve the ecological footprint of animal protein production systems. Among others, the Green Ocean joint operation with Evonik for sustainable omega-3 fatty acids for aquaculture announced in H1 its plan to invest around USD 200 million in a production facility to be located in Blair (Nebraska, USA), expected to come on-stream in 2019.

**Q2 2017** volumes were up 2%. Excluding the effect of the ongoing meat scandal in Brazil of around €20 million on Q2 sales, volumes would have been up 5%, in line with DSM's growth trend in recent years. Prices in Q2 were overall stable when compared to the same period last year. The positive 3% exchange rate effect was driven by the US dollar and Brazilian real, partly offset by the weaker Chinese renminbi.

## Human Nutrition & Health

### Sales development



The initiatives undertaken for **Human Nutrition** over the last couple of years, including reorganizing and refocusing the commercial organization, have given these businesses clear growth momentum, with seven consecutive quarters of good growth including a strong first half 2017 across all regions and market segments.

DSM has been successful in bringing its premix business, which includes the former Fortitech, back to high growth; these tailored solutions allow DSM to diversify its market presence and capture additional value. In H1 2017, Africa Improved Foods Rwanda Ltd, a joint venture between the Government of Rwanda and a consortium including DSM, began production of fortified porridge flour to address malnutrition and stunting.

DSM's sales initiatives resulted in outgrowing the North American dietary supplements market in both multivitamins as well as in fish-oil based omega-3, including application innovations such as the 3C technology for higher concentrations. The i-Health business continued its double-digit growth, with good initial traction made in the expansion into markets outside the US, as well as in the B2C e-channel business. DSM's Culturelle® brand is the number one premium probiotics brand globally. The recently acquired UP4® brand will extend DSM's offering in probiotics.

Early Life Nutrition continued to perform well, with good growth.

In **Q2 2017**, Human Nutrition reported a strong 7% volume growth with a highly favorable mix due to strong sales in its premix, i-Health and fish oil-based omega-3.

Prices were slightly down in Q2 with the anticipated lower contractual prices in Early Life Nutrition.

### Food Specialties

**Food Specialties** showed solid organic growth in food enzymes and savory ingredients in H1 2017. Demand for DSM's market-leading lactase enzyme Maxilact remained buoyant, fueled by the drive to reduce sugar in dairy products.

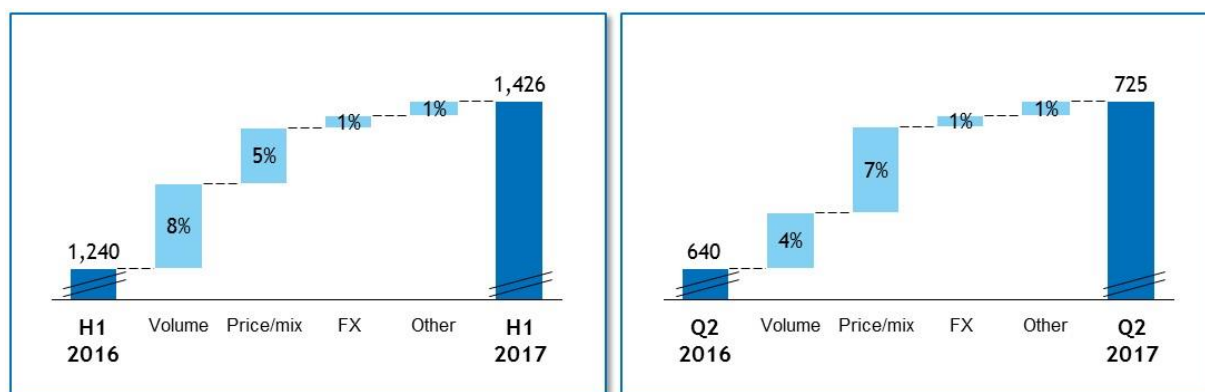
The Rosalind Franklin Biotechnology Center was officially opened in Delft (NL) in H1. This state-of-the-art facility will accelerate DSM's biotechnology R&D capabilities for applications in food, feed, fuel and bio-based materials, helping enable the transition from a fossil- to a bio-renewable based economy.

Hydrocolloids started the year soft, but showed a healthy improvement in the second quarter. Currently DSM has a dispute with one of its partners in Andre Pectin (Hydrocolloids) regarding the execution of its called-upon option to purchase the remainder of the shares held by these parties.

## Materials

in € million	H1 2017	H1 2016	% Change	Q2 2017	Q2 2016	% Change
Sales	1,426	1,240	15%	725	640	13%
Adjusted EBITDA	241	212	14%	128	117	9%
Adjusted EBITDA margin (%)	16.9%	17.1%		17.7%	18.3%	
Adjusted EBIT	177	148	20%	96	86	12%
Capital Employed	1,807	1,775				
Average Capital Employed	1,815	1,751				
ROCE (%)	19.5%	16.9%				
Total Working Capital	353	312				
Average Total Working Capital as % of Sales	12.2%	12.2%				

### Sales development



**Materials** continued to make solid progress in executing its strategy in H1 2017. The differentiated approach focusing on specialties has provided a clear strategic framework to outpace market growth. Growth is driven by demand for innovative lightweight, environmentally friendlier, safer, and high-performing solutions.

Strong growth in specialties was the main driver behind the 13% organic growth in H1, with all businesses delivering a double-digit increase. H1 2017 volume growth of 8% was clearly above market, benefiting in part from some stocking effects in Q1. The 5% price effect in H1 2017 reflects the increased input costs.

- **DSM Engineering Plastics** showed strong sales growth in its high-performance specialty plastics. The business saw good demand in automotive in Europe and Asia, while automotive in the US showed some signs of weakening in the second quarter. Demand in electrical & electronics was good. In this segment, DSM has been particularly successful with the new ForTii® Ace high performance plastic. This product is uniquely suited to address future needs in connected car and mobility applications as well personal smart devices.
- **DSM Resins & Functional Materials** continued to benefit from above-average market growth driven by its increasingly specialty, sustainable product portfolio. Coating resins also benefited from improved demand for powder and waterborne coating solutions in the European building and construction markets. Demand in China for waterborne solutions for maritime container coatings continued to develop strongly. There was also strong demand for fiber-optic materials, where DSM further improved its position. DSM's unique technological position and

global reach in the fiber optic material market is one of the drivers behind its above-market growth.

- [DSM Dyneema](#) saw an increased demand in H1 2017 from the markets for materials for personal protection, both for law enforcement and civilian use. DSM's protective ballistic, anti-stab or multi-threat materials provide the highest personal protection. The commercial marine markets, which have been soft in recent years, showed a promising recovery in H1 2017, with increased demand for ultra-strong fishing nets for sustainable aquaculture.

[H1 2017 sales](#) increased by 15%, with 8% volume growth.

[H1 2017 Adjusted EBITDA](#) increased by 14% compared with H1 2016, on the back of higher volumes as well as a continued drive for cost savings and efficiency improvements. Currencies had a small positive impact. The [Adjusted EBITDA margin in H1 2017](#) was 16.9%, versus 17.1% in H1 2016, when DSM still fully benefited from lower input costs.

Regarding [Q2 2017](#), sales were 13% higher than Q2 2016, with 11% organic growth including 4% higher volumes.

[Q2 2017 Adjusted EBITDA](#) was €128 million, up 9% compared to Q2 2016. The [Adjusted EBITDA margin in Q2 2017](#) was 17.7%, reflecting price increases implemented to offset the higher input costs. This robust performance underlines the structural improvements achieved in the quality of returns in the Materials businesses over recent years.

## Innovation Center

in € million	H1 2017	H1 2016	% Change	Q2 2017	Q2 2016	% Change
Sales	84	83	1%	41	40	3%
Adjusted EBITDA	1	1		0	0	
Adjusted EBIT	-12	-10		-7	-5	
Capital Employed	592	559				

The **Innovation Center** ensures that DSM always has a robust innovation and growth pipeline. It also serves as a center of excellence to accelerate the innovation power of DSM's core businesses. Furthermore, it is responsible for developing DSM's Emerging Business Areas, bringing long-term sustainable growth platforms in promising end-markets. DSM is progressing with its innovation activities, forming the basis for growth the coming years.

DSM Biomedical reported stable H1 sales when compared to the same period last year. The comparison is however impacted by the discontinuation of a large contract. Excluding this impact, business developed well in the first half of the year.

DSM Advanced Solar continued to show good growth. In H1 2017, DSM acquired Suzhou Sunshine New Materials Technology, active in high performance solar photovoltaic back sheets. This technology acquisition supports DSM in its commercialization of a portfolio of innovations focused on lowering the cost of solar energy by providing solid, durable and sustainable materials solutions.

In Q2 2017, higher sales volumes in Biomedical and Advanced Solar were offset by a less favorable price/mix, related to the above-mentioned discontinuation of a contract in Biomedical.

## Corporate Activities

in € million	H1 2017	H1 2016	Q2 2017	Q2 2016
Sales	32	39	15	19
Adjusted EBITDA	-49	-51	-23	-26
Adjusted EBIT	-70	-68	-31	-35

H1 Adjusted EBITDA slightly improved compared to H1 2016, as a result of the progress in cost savings being implemented.

## Joint Ventures and Associates

### Financial overview of DSM's key joint ventures and associates

in € million, based on 100%		H1 2017	H1 2016	% Change	Q2 2017	Q2 2016	% Change
DSM Sinochem	Sales	217	226	-4%	107	114	-6%
	Adjusted EBITDA%	15%	15%		14%	14%	
ChemicalInvest	Sales	996	892	12%	461	437	5%
	Adjusted EBITDA%	8%	2%		7%	0%	

- **DSM Sinochem Pharmaceuticals (50% DSM)** showed slightly lower sales with stable margins.
- **ChemicalInvest (35% DSM)** showed improved results with top-line growth and higher margins driven by better market conditions and a lower cost base.

### Net result contribution of joint ventures / associates

in € million	H1 2017	H1 2016	Q2 2017	Q2 2016
DSM Sinochem (50%)	4	4	1	1
Patheon (33.5%) <sup>1</sup>	9	-21	2	-9
ChemicalInvest (35%)	0	-10	0	-7
Other associates / joint ventures	-14	-9	-10	-4
Share of the profit of associates/joint	-1	-36	-7	-19

<sup>1</sup> In H1 2016 DSM's share in Patheon was 49%.

As of 15 May, DSM announced that it entered into an agreement regarding the sale of its 48.7 million ordinary shares in Patheon N.V. to Thermo Fisher Scientific Inc. for USD 35.00 per share. This will result in proceeds of USD 1.7 billion for DSM. The transaction is expected to be completed by the end of 2017 and is subject to the satisfaction of customary closing conditions. Patheon's net result contribution in Q2 includes the period 1 February 2017 until 15 May 2017, which is the date of the tender offer. Per the same date, Patheon was classified as an asset held for sale. This expected monetization is earlier than anticipated in our Strategy 2018.

The H1 2017 result of 'Other associates / joint ventures' included -€12 million (-€11 million in H1 2016) net result of POET-DSM Advanced Biofuels. The Q2 2017 net result of POET-DSM amounted to -€6 million, which was the same as in Q2 2016. POET-DSM successfully implemented a number of process improvements in H1 2017, addressing the pre-treatment issues and focusing on bringing the plant to continuous production of advanced bio-ethanol and improvement in monthly yields. Based on breakthroughs achieved by DSM in the performance of its enzymes, POET-DSM decided to manufacture the enzymes used in the process on-site.

## Cash Flow, Capital Expenditures and Financing

in € million	YTD	YTD	Q2 2017	Q2 2016
	H1 2017	H1 2016		
Cash from Operating Activities	329	319	133	182
Total Working Capital	1,591	1,481		
Total Working Capital as % of Sales	18.4%	18.6%		
Capital Expenditure (cash, net of customer funding)	250	177	120	78
Net Debt	2,205	2,466		

**Cash flow from operating activities** amounted to €329 million in H1 2017, which was slightly higher than H1 2016.

**Total Working Capital** amounted to €1,591 million at the end of Q2 2017 compared to €1,481 million at the end of Q2 2016. The higher working capital reflected the higher level of sales (18.4% as a percentage of annualized Q2 sales, which was somewhat below Q2 2016).

**Net debt** amounted to €2,205 million compared to €2,466m end of June 2016. The decrease of €261 million was mainly due to the proceeds from the secondary offering of Patheon in total of €219 million in Q3 2016.

### Interim dividend

DSM will pay an interim dividend of €0.58 per ordinary share for 2017. As usual, this represents one third of the total dividend paid for the previous year. The interim dividend should not be taken as an indication of the total dividend for the year 2017. The interim dividend will be payable in cash or in the form of ordinary shares at the option of the shareholder, with a maximum of 40% of the total dividend amount available for stock dividend. If more than 40% of the total dividend is requested by the shareholders to be paid out in shares, those shareholders who have chosen to receive their dividend in shares will receive their stock dividend on a pro rata basis, the remainder being paid out in cash. Dividend in cash will be paid after deduction of 15% Dutch dividend withholding tax. The ex-dividend date is 3 August 2017. The interim dividend will be payable as from 24 August 2017.



## Overview of Alternative Performance Measures (APM) adjustments to EBIT(DA)

The following overview gives a summary of APM adjustments (for reconciliation see page 18 & 20).

### APMs H1 2017:

Nutrition: EBITDA adjustments amounted to -€9 million relating to the profit improvement programs. EBIT adjustments amounted to -€13 million including -€4 million asset impairment.

Materials: EBITDA adjustments amounted to +€1 million (EBIT+€1 million) relating to the release of a litigation provision.

Innovation: EBITDA adjustments amounted to +€1 million (EBIT+€1 million) relating to the release of a restructuring provision.

Corporate Activities: EBITDA adjustments amounted to -€25 million of which -€18m related to restructuring programs and -€7 million related to the spin-off of some research activities. EBIT adjustments amounted to -€26 million including -€1 million asset impairment.

### APMs Q2 2017:

Nutrition: EBITDA adjustments amounted to -€4 million (EBIT -€4 million) relating to the profit improvement programs.

Corporate Activities: EBITDA adjustments amounted to -€17 million (EBIT -€17 million) of which -€10 million related to restructuring programs and -€7 million related to the spin-off of some research activities.

Condensed consolidated statement of income for the first half

	H1 2017	H1 2016
in € million		
<b>Sales</b>	<b>4,320</b>	<b>3,907</b>
<b>EBITDA</b>	<b>689</b>	<b>603</b>
Operating profit (EBIT)	441	375
Financial income and expense	-62	-66
<b>Profit before income tax expense</b>	<b>379</b>	<b>309</b>
Income tax expense	-66	-53
Share of the profit of associates/joint control entities	-1	-36
<b>Net profit</b>	<b>312</b>	<b>220</b>
Of which:		
Profit attributable to non-controlling interests	-2	-2
<b>Net profit attributable to equity holders of DSM</b>	<b>310</b>	<b>218</b>
Dividend on cumulative preference shares	-4	-5
<b>Net profit available to holders of ordinary shares</b>	<b>306</b>	<b>213</b>
Average number of ordinary shares (million)	<b>175.0</b>	174.4
Net earnings per share (EPS) (in €)	<b>1.75</b>	1.22
Depreciation and amortization	<b>248</b>	228
Capital expenditures	<b>197</b>	160
Acquisitions	<b>54</b>	0
Workforce	<b>20,897</b>	20,786 <sup>1</sup>
of which in the Netherlands	<b>3,861</b>	4,026 <sup>1</sup>

<sup>1</sup> Year-end 2016

Reconciliation to Alternative Performance Measures for the first half

	2017 H1	2016 H1
in € million	Total	Total
<b>EBITDA</b>	<b>689</b>	<b>603</b>
Acquisitions/divestments	7	-15
Restructuring	26	36
Other	-1	0
Sub-total APM adjustments to EBITDA	32	21
<b>Adjusted EBITDA</b>	<b>721</b>	<b>624</b>
<b>Operating profit (EBIT)</b>	<b>441</b>	<b>375</b>
APM adjustments to EBITDA	32	21
Impairments of PPE and Intangible assets	5	0
Sub-total APM adjustments to operating profit (EBIT)	37	21
<b>Adjusted operating profit (EBIT)</b>	<b>478</b>	<b>396</b>
<b>Net profit</b>	<b>312</b>	<b>220</b>
APM adjustments to operating profit (EBIT)	37	21
APM adjustments to financial income and expense	0	0
Income tax related to APM adjustments	-9	-8
APM adjustments to share of the profit of associates/joint control entities	-2	11
Sub-total APM adjustments to net profit	26	24
<b>Adjusted net profit</b>	<b>338</b>	<b>244</b>
<b>Net profit available to holders of ordinary shares</b>	<b>306</b>	<b>213</b>
APM adjustments to net profit	26	24
<b>Adjusted net profit available to holders of ordinary shares</b>	<b>332</b>	<b>237</b>
Average number of ordinary shares (million)	175.0	174.4
Earnings per share (EPS) (in €):		
Net earnings per share	1.75	1.22
Adjusted net earnings per share	1.90	1.36

Condensed consolidated statement of income for the second quarter

	Q2 2017	Q2 2016
in € million		
<b>Sales</b>	<b>2,161</b>	<b>1,994</b>
<b>EBITDA</b>	<b>355</b>	<b>332</b>
Operating profit (EBIT)	235	215
Financial income and expense	-29	-29
<b>Profit before income tax expense</b>	<b>206</b>	<b>186</b>
Income tax expense	-36	-32
Share of the profit of associates/joint control entities	-7	-19
<b>Net profit</b>	<b>163</b>	<b>135</b>
Of which:		
Profit attributable to non-controlling interests	-1	-1
<b>Net profit attributable to equity holders of DSM</b>	<b>162</b>	<b>134</b>
Dividend on cumulative preference shares	-3	-2
<b>Net profit available to holders of ordinary shares</b>	<b>159</b>	<b>132</b>
Average number of ordinary shares (million)	174.9	174.2
Net earnings per share (EPS) (in €)	0.91	0.76
Depreciation and amortization	120	117
Capital expenditures	112	97
Acquisitions	-1	0
Workforce	20,897	20,786 <sup>1</sup>
of which in the Netherlands	3,861	4,026 <sup>1</sup>

<sup>1</sup> Year-end 2016

Reconciliation to Alternative Performance Measures for the second quarter

	Q2 2017	Q2 2016
in € million		
<b>EBITDA</b>	<b>355</b>	<b>332</b>
Acquisitions/divestments	7	-16
Restructuring	14	12
Other	0	0
Sub-total APM adjustments to EBITDA	21	-4
<b>Adjusted EBITDA</b>	<b>376</b>	<b>328</b>
<b>Operating profit (EBIT)</b>	<b>235</b>	<b>215</b>
APM adjustments to EBITDA	21	-4
Impairments of PPE and Intangible assets	0	0
Sub-total APM adjustments to operating profit (EBIT)	21	-4
<b>Adjusted operating profit (EBIT)</b>	<b>256</b>	<b>211</b>
<b>Net profit</b>	<b>163</b>	<b>135</b>
APM adjustments to operating profit (EBIT)	21	-4
APM adjustments to financial income and expense	0	0
Income tax related to APM adjustments	-5	-2
APM adjustments to share of the profit of associates/joint control entities	-4	6
Sub-total APM adjustments to net profit	12	0
<b>Adjusted net profit</b>	<b>175</b>	<b>135</b>
<b>Net profit available to holders of ordinary shares</b>	<b>159</b>	<b>132</b>
APM adjustments to net profit	12	0
<b>Adjusted net profit available to holders of ordinary shares</b>	<b>171</b>	<b>132</b>
Average number of ordinary shares (million)	174.9	174.2
Earnings per share (EPS) (in €):		
Net earnings per share	0.91	0.76
Adjusted net earnings per share	0.98	0.76

Condensed Consolidated Statement of Comprehensive Income

	H1	H1
in € million	2017	2016
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of Defined Benefit Pension Plans	56	0
FX on Translation of Foreign Operations Related to Non-Controlling Interest	-6	0
Equity accounted investees - share of Other comprehensive income	0	0
<b>Items that may subsequently be reclassified to profit or loss</b>		
FX on Translation of Foreign Operations	-358	5
Change in Fair Value Reserve	-3	2
Change in Hedging Reserve	60	1
Equity accounted investees - share of Other comprehensive income	6	0
<b>Other Comprehensive Income (before tax)</b>	<b>-245</b>	<b>8</b>
Income Tax Expense	-23	5
<b>Other Comprehensive Income (net of tax)</b>	<b>-268</b>	<b>13</b>
Profit for the Period	312	220
<b>Total Comprehensive Income</b>	<b>44</b>	<b>233</b>

Condensed Consolidated Statement of Changes in Equity

	H1	H1
in € million	2017	2016
<b>Total Equity (at beginning of the period)</b>	<b>6,180</b>	<b>5,631</b>
Changes:		
Total Comprehensive Income	44	233
Dividend	-322	-297
Repurchase of Shares	-160	-161
Proceeds from Re-issue of Ordinary Shares	143	132
Other Changes	8	5
<b>Total Equity (end of period)</b>	<b>5,893</b>	<b>5,543</b>

Condensed Consolidated Balance Sheet - Assets

in € million	30 June 2017	YE 2016
Intangible Assets	3,021	3,188
Property, Plant & Equipment	3,184	3,325
Deferred Tax Assets	310	355
Share in Associates & Joint Ventures	301	586
Financial derivatives	10	0
Other Financial Assets	448	463
<b>Non-Current Assets</b>	<b>7,274</b>	<b>7,917</b>
Inventories	1,852	1,800
Trade Receivables	1,559	1,504
Income tax receivables	72	62
Other Current Receivables	91	87
Financial Derivatives	54	40
Current Investments	869	944
Cash & Cash Equivalents	369	604
<b>Sub-total</b>	<b>4,866</b>	<b>5,041</b>
Assets Held for Sale	297	0
<b>Current Assets</b>	<b>5,163</b>	<b>5,041</b>
<b>Total Assets</b>	<b>12,437</b>	<b>12,958</b>



**Condensed Consolidated Balance Sheet - Equity and Liabilities**

in € million	30 June 2017	YE 2016
Shareholders' Equity	5,793	6,072
Non-controlling interest	100	108
<b>Equity</b>	<b>5,893</b>	<b>6,180</b>
Deferred Tax Liabilities	268	278
Employee Benefits Liabilities	422	490
Provisions	135	128
Borrowings	2,584	2,552
Financial derivatives	8	14
Other Non-current Liabilities	157	158
<b>Non-current liabilities</b>	<b>3,574</b>	<b>3,620</b>
Employee Benefits	39	40
Provisions	30	54
Borrowings	806	853
Financial Derivatives	109	239
Trade Payables	1,349	1,376
Income tax payable	69	56
Other Current Liabilities	565	540
<b>Sub-total</b>	<b>2,967</b>	<b>3,158</b>
Liabilities Held for Sale	3	0
<b>Current Liabilities</b>	<b>2,970</b>	<b>3,158</b>
<b>Total Equity and Liabilities</b>	<b>12,437</b>	<b>12,958</b>

in € million	30 June 2017	YE 2016
Capital Employed, continuing operations	7,692	7,889
Equity/Total Assets	47%	48%
Net Debt	2,205	2,070
Operating Working Capital - Continuing Operations	2,062	1,928
OWC/Net Sales - Continuing Operations	23.9%	23.9%
Total Working Capital - Continuing Operations	1,591	1,481
Total WC/Net Sales - Continuing Operations	18.4%	18.4%

Condensed Consolidated Cash Flow Statement

	H1	H1
in € million	2017	2016
Cash, Cash Equivalents and Current Investments (at beginning of period)	1,548	674
Current Investments (at beginning of period)	944	9
<b>Cash &amp; Cash Equivalents (at beginning of period)</b>	<b>604</b>	<b>665</b>
<b>Operating Activities</b>		
EBITDA	689	603
Change in Working Capital	-293	-227
Income Tax	-37	-40
Other	-30	-17
<b>Cash provided by Operating Activities</b>	<b>329</b>	<b>319</b>
<b>Investing Activities</b>		
Capital Expenditures	-250	-177
Payments regarding drawing rights	-3	-13
Acquisitions	-47	-2
Disposal of Subsidiaries, Businesses & Associates	-12	-14
Disposal of Other Non-current Assets	9	4
Change in Fixed-term Deposits	65	-2
Interest Received	7	12
Dividend and capital (re)payments	-45	-2
Other	8	-6
<b>Cash used in Investing Activities</b>	<b>-268</b>	<b>-200</b>
Dividend	-135	-121
Interest Paid	-39	-39
Repurchase of shares	-146	-159
Proceeds from re-issued treasury shares	57	54
Change in Commercial Paper	0	-50
Proceeds from / repayments of corporate bonds	0	0
Other Cash from/ used in Financing Activities	-10	7
<b>Cash from / used in Financing Activities</b>	<b>-273</b>	<b>-308</b>
Exchange Differences	-23	-2
<b>Cash and Cash Equivalents (end of period)</b>	<b>369</b>	<b>474</b>
Current Investment (end of period)	869	10
<b>Cash and Cash Equivalents &amp; Current Investments (end of period)</b>	<b>1,238</b>	<b>484</b>

Geographical Information

YTD Q2 2017	The Netherlands	Rest of Western Europe	Eastern Europe	North America	Latin America	China	India	Japan	Rest of Asia	Rest of the World	Total
<b>Net Sales by Origin</b>											
in € million	1,112	1,260	88	787	327	483	42	58	128	35	4,320
in %	26	29	2	18	8	11	1	1	3	1	100
<b>Net Sales by Destination</b>											
in € million	123	1,087	273	991	515	519	106	150	424	132	4,320
in %	3	25	6	23	12	12	2	4	10	3	100
Total Assets (total DSM) in € million	4,361	2,460	125	2,957	798	1,012	89	148	384	103	12,437
Workforce (headcount, end of period)	3,861	4,815	480	3,247	2,061	4,627	485	199	851	271	20,897
<b>YTD Q2 2016</b>											
<b>Net Sales by Origin</b>											
in € million	1,005	1,228	80	709	249	394	37	37	139	29	3,907
in %	26	31	2	18	6	10	1	1	4	1	100
<b>Net Sales by Destination</b>											
in € million	164	956	249	908	472	452	87	115	388	116	3,907
in %	4	25	6	23	12	12	2	3	10	3	100
year-end 2016:											
Total Assets in € million	4,560	2,495	126	3,110	885	1,077	87	144	367	107	12,958
Workforce (headcount)	4,026	4,715	439	3,187	2,069	4,594	475	193	828	260	20,786

## Notes to the condensed financial statements

### Accounting policies and presentation

The consolidated financial statements of DSM for the year ended 31 December 2016 were prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union and valid as of the balance sheet date. These accounting policies are applied in the current interim financial statements that are in compliance with IAS 34 'Interim Financial Reporting' and need to be read in conjunction with the Integrated Annual Report 2016 and the discussion by the Managing Board earlier in this interim report.

### Audit

These interim financial statements have not been audited.

### Risks and uncertainties

DSM has a risk management system in place. A description of the system and an overview of potentially important risks for DSM is provided in the Integrated Annual Report 2016 and in the governance section on [www.dsm.com](http://www.dsm.com). DSM has reviewed the developments and incidents in the first half of 2017 and assessed the risks for the year. On the basis of these assessments DSM has concluded that the most important risks and responses reported in the Integrated Annual Report 2016 are still applicable.

### Seasonality

In cases where businesses are significantly affected by seasonal or cyclical fluctuations in sales, this is discussed in the 'Review by Cluster' earlier in this report.

### Scope of the consolidation

There were no material changes in the scope of consolidation in the first half-year of 2017 other than the transaction mentioned below.

In Q1 2017, DSM acquired 'Sunshine' (Suzhou Sunshine New Materials Technology Co., Ltd), active in high performance solar photovoltaic back sheets. Effective date of acquisition was 3 January 2017. In accordance with IFRS 3, in Q2 2017, the purchase price of Sunshine was provisionally allocated to identifiable assets and liabilities acquired. Preliminary goodwill amounted to €17 million and relates to expected synergies from integrating Sunshine into the DSM Advanced Solar operations.

The acquisition contributed €3 million to net sales and a loss of €1 million (EBIT) to the result in the first half of 2017.

<b>Acquisition of Suzhou Sunshine</b>	
<i>in € million</i>	fair value
Intangible assets	23
Property, plant and equipment	1
Inventories	1
Receivables and Other current assets	1
Cash and cash equivalents	1
<b>Total Assets</b>	<b>27</b>
Non-current liabilities	5
Current liabilities	2
<b>Total liabilities</b>	<b>7</b>
<b>Net assets at fair value</b>	<b>20</b>
Total consideration	37
<b>Preliminary goodwill</b>	<b>17</b>

### Dividends and equity

On 26 May 2017, the final dividend of €1.20 per share for the year 2016 was paid to holders of ordinary shares and a dividend of €0.14 per share was paid to holders of cumulative preference shares A. The total distribution to shareholders amounting to €216 million was recorded against retained earnings. An interim dividend for 2017 of €0.58 per ordinary share and €0.06 for cumulative preference shares A was recognized as a liability in the second quarter of 2017. This distribution to shareholders amounting to €104 million will take place in Q3 2017.

In the first half of 2017, 2.5 million shares were released into circulation in connection with stock dividend, the exercise of options and delivery of performance shares. 2.5 million shares were repurchased in the same period.

### Statement of the Managing Board

The half-yearly financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of DSM and its consolidated companies; and the half-yearly report gives a true and fair view of DSM's position as at the balance sheet date, the development during the period of DSM and its group companies included in the half-yearly financial statements, together with the expected developments.

Heerlen, 1 August 2017  
The Managing Board

Feike Sijbesma, CEO/Chairman  
Geraldine Matchett, CFO  
Dimitri de Vreeze, member

## Financial calendar

2 November 2017	Publication of the results of the first nine months of 2017
14 February 2018	Publication of full year results of 2017
8 May 2018	Publication of the results of the first three months of 2018
9 May 2018	Annual General Meeting of Shareholders
1 August 2018	Publication of the half year results of 2018
31 October 2018	Publication of the results of the first nine months of 2018

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## Additional Information

Today DSM will hold a conference call for media at 08:00 and a conference call for **investors and analysts** at 09:00. Details on how to access these calls can be found on the DSM website, [www.dsm.com](http://www.dsm.com).

## **DSM - Bright Science. Brighter Living.™**

Royal DSM is a global science-based company active in health, nutrition and materials. By connecting its unique competences in life sciences and materials sciences DSM is driving economic prosperity, environmental progress and social advances to create sustainable value for all stakeholders simultaneously. DSM delivers innovative solutions that nourish, protect and improve performance in global markets such as food and dietary supplements, personal care, feed, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials. DSM and its associated companies deliver annual net sales of about €10 billion with approximately 25,000 employees. The company is listed on Euronext Amsterdam. More information can be found at [www.dsm.com](http://www.dsm.com).

Find us on:    

## Forward Looking Statement

This press release 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 press release, unless required by law.