

# Press Release

Heerlen (NL), 2 August 2016

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

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## DSM Q2 2016 results

### Highlights

- DSM reports a second consecutive strong quarter in 2016
- Group net sales up at €1,994 million, with 5% organic growth, and EBITDA up 18%
- Nutrition: organic sales growth of 9%, EBITDA up 14%
- Materials: volumes up 5%, EBITDA up 10%
- H1 Group ROCE: improved to 10.5% (H1 2015: 7.4%) driven by higher EBIT
- Interim dividend of €0.55 per ordinary share
- Outlook revised upward

### Key figures and indicators (continuing operations)

in € million	Q2 2016	Q2 2015	% Change	Volume	Price/mix	FX	Other
Sales	1,994	1,965	1%	6%	-1%	-4%	0%
Nutrition	1,295	1,247	4%	7%	2%	-5%	0%
Materials	640	664	-4%	5%	-7%	-2%	
EBITDA	328	279	18%				
Nutrition	237	208	14%				
Materials	117	106	10%				
ROCE (%) <sup>1</sup>	10.5	7.4					

<sup>1</sup> January until June

### CEO statement

Feike Sijbesma, CEO/Chairman of the DSM Managing Board, commented: *“Our positive momentum from Q1 continued and we are pleased to deliver another strong quarter. This was driven by good growth across our businesses and steady progress in our operations. Furthermore, we remain on track with our ambitious group-wide improvement and cost saving programs.*

*Materials performed particularly well, with good volume growth, notably in specialties, and a strong margin performance. This was supported by a favorable product mix, continued low input costs, and proactive margin management. In Nutrition, animal nutrition delivered high growth, benefitting in part from a favorable prior year comparison. We were also pleased with the continued progress in human nutrition, which delivered solid growth in line with our medium-term plans to outgrow the market.*

*During the quarter, uncertainty and volatility within the global macro-economic environment increased. While this remains a concern, we expect that for 2016 we will deliver ahead of our medium-term goals, given the strong performance of our business, underpinned by our continued focus on our improvement programs.”*

### Outlook 2016 revised upward

While global macro-economic developments remain a concern, DSM now expects to deliver full-year 2016 results ahead of the medium term targets set out in its Strategy 2018, with an EBITDA growth for the year moving from high-single digit into the low to mid teens, and an increase in ROCE from high double-digit to over 200 basis points.

## Key figures and indicators (cont'd)

in € million	Q2 2016	Q2 2015	% Change	Volume	Price/mix	FX	Other
Sales - Continuing Operations	1,994	1,965	1%	6%	-1%	-4%	0%
Nutrition	1,295	1,247	4%	7%	2%	-5%	0%
Materials	640	664	-4%	5%	-7%	-2%	
Innovation Center	40	37	8%	9%	0%	-2%	1%
Corporate Activities	19	17					
Discontinued Operations	0	550					

in € million	H1 2016	H1 2015	% Change	Volume	Price/mix	FX	Other
Sales - Continuing Operations	3,907	3,851	1%	6%	-2%	-3%	0%
Nutrition	2,545	2,446	4%	6%	1%	-4%	1%
Materials	1,240	1,296	-4%	3%	-6%	-1%	
Innovation Center	83	73	14%	14%	0%	-1%	1%
Corporate Activities	39	36					
Discontinued Operations	0	1,056					

in € million	Q2 2016	Q2 2015	% Change	H1 2016	H1 2015	% Change
Sales - Continuing Operations	1,994	1,965	1%	3,907	3,851	1%
Nutrition	1,295	1,247	4%	2,545	2,446	4%
Materials	640	664	-4%	1,240	1,296	-4%
Innovation Center	40	37	8%	83	73	14%
Corporate Activities	19	17		39	36	
Discontinued Operations	0	550		0	1,056	
EBITDA - Continuing Operations	328	279	18%	624	527	18%
Nutrition	237	208	14%	462	403	15%
Materials	117	106	10%	212	192	10%
Innovation Center	0	-3		1	-8	
Corporate Activities	-26	-32		-51	-60	
Discontinued Operations	0	53		0	91	
EBITDA margin - Continuing operations	16.4%	14.2%		16.0%	13.7%	
EBIT - Continuing Operations	211	157	34%	396	288	38%
Capital Employed - Continuing Operations <sup>1</sup>				7,616	7,897	
Average Capital Employed <sup>1</sup>				7,542	7,824	
ROCE - Continuing Operations (%) <sup>2</sup>				10.5%	7.4%	
Profit for the period, before exceptional items - Cont. Ops.	135	110	23%	244	179	36%
Profit for the period, after exceptional items - Total DSM	135	101		220	30	
Net EPS before exceptional items - Cont. Ops.	0.76	0.63	21%	1.36	1.02	33%
Net EPS after exceptional items - Total DSM	0.76	0.56		1.22	0.14	
Cash Flow - Continuing Operations	182	103		319	187	
Capital Expenditures - Continuing Operations <sup>3</sup>	78	107		177	208	
Net debt <sup>1</sup>				2,466	2,321 <sup>4</sup>	

1) Before reclassification to held for sale

2) ROCE calculated based on weighted average capital employed

3) Cash, net of customer funding

4) Year-end 2015

## In this report:

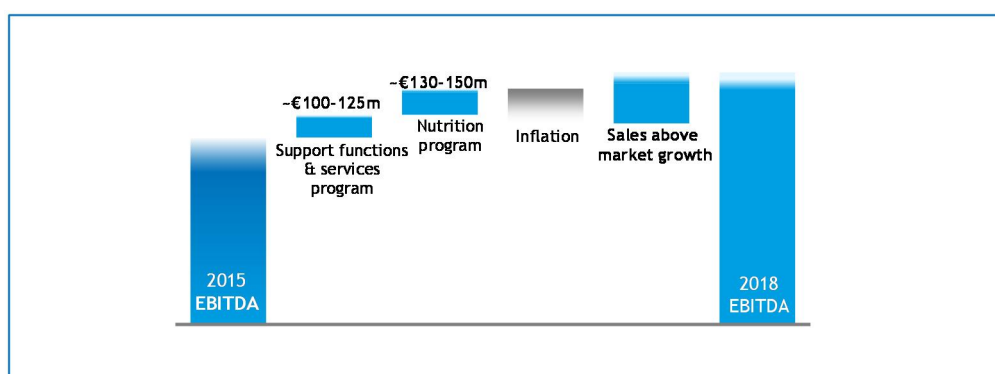
- 'Organic sales growth' is the total impact of volume and price/mix;
- 'Discontinued operations' comprises net sales and operating profit (before depreciation and amortization) of DSM Fibre Intermediates and DSM Composite Resins up to and including 31 July 2015;
- 'Total Working Capital' refers to the total of 'Operating Working Capital' and 'non-Operating Working Capital'.

## Update on strategy 2018: *Driving Profitable Growth*



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

To achieve these targets, DSM has defined clear actions, including outpacing market growth, cost reduction and efficiency improvement programs which will deliver €250-300 million versus the 2014 baseline, and furthermore aims to drive consistent improvements in capital efficiency.



### Outpacing market growth

DSM is confident that it has the right business strategies in place to meet the needs of its customers and succeed in its markets, providing innovative and sustainable solutions. It intends to accelerate growth and outpace market growth in its key segments.

In [Nutrition](#), DSM has a unique business model combining highly competitive, world-scale production capabilities for its key global products with customized local solution capabilities to meet segment and customer-specific needs. It has clear strategies to drive both top and bottom-line growth across its Nutrition business, leveraging its innovation power, improved segmentation capabilities and driving customer intimacy:

- DSM's Nutrition business is expanding in [new segments and regions](#). DSM's investment in a new omega-3 concentration facility in Canada (Mulgrave, Nova Scotia) enables the company to launch a new line of high-concentrate DHA and EPA, containing up to 85% omega-3, to support

cardiovascular and cognitive health for human nutrition applications. DSM is currently also expanding its fast-growing i-health consumer line of products outside of the United States.

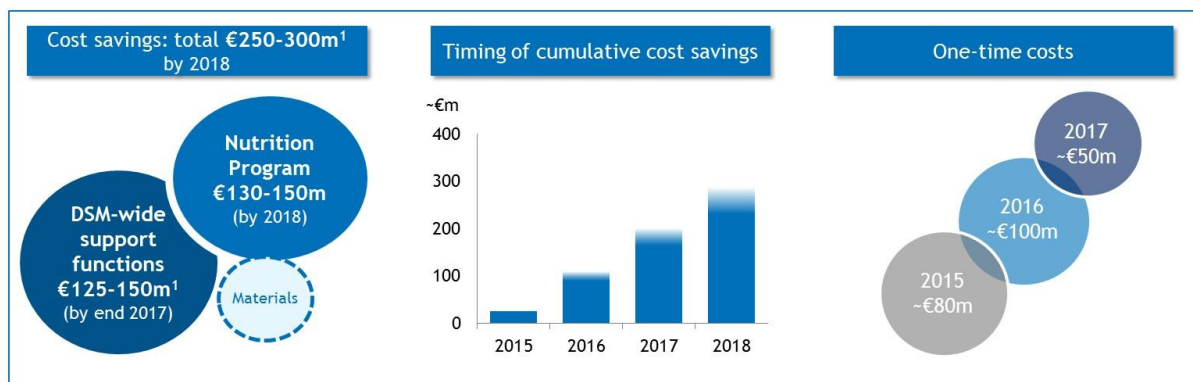
- Furthermore, DSM develops **new business models** to increase market share, such as the implementation of a business to farmer (B2F) approach for swine and poultry in China, which is progressing well.
- DSM is broadening and deepening its nutrition portfolio with **new products and solutions**. In H1 2016, DSM delivered strong growth in eubiotics for antibiotic-free poultry. This trend is gaining traction as consumers are increasingly avoiding protein products produced with growth-promoting antibiotics.
- DSM continues to **strengthen its core** in Nutrition. In H1 2016, DSM opened a new production facility for vitamin B6 in China, utilizing an advanced technology platform, which enables lower production costs as well a reduction in environmental footprint. DSM also announced the expansion of its gellan gum and pectin production facilities in China.

In **Materials**, DSM is benefitting from the successful **shift in the focus of its portfolio** towards specialties, driven by the substitution of traditional materials for the more innovative, sustainable and higher-value alternatives that the company provides. In H1 2016, this quality shift was reflected in the progress of the EBITDA margin in the cluster. DSM's strategy in Materials is to apply differentiated approaches to its portfolio of businesses, focusing on well-defined higher-growth segments, while **maximizing returns** in polyamide 6 polymer and powder coating resins.

DSM has a **growth** strategy for its specialty resins, engineering plastic compounds as well as solutions for life protection. For DSM's high-performance plastics, functional materials, advanced surfaces, biomedical materials and high performance fiber solutions, DSM has defined an **accelerated growth** strategy.

- One example of a new, sustainable solution contributing to accelerated growth is the application of DSM's high-performance **engineering plastics** Stanyl®, ForTii® and ForTii® Eco in new ultra-thin USB Type-C connectors, the new industry standard.
- DSM further drives accelerated growth by entering promising new segments, for example in **Dyneema's** fiber solutions, which continue to grow in ultra-strong and lightweight high-performance apparel. In this year's Tour de France, Team Giant-Alpecin's riders wore cycling shorts and jerseys incorporating Dyneema® fiber to provide them with increased protection in the event of a fall.
- In **Resins & Functional Materials**, DSM is making good progress with its sustainable waterborne coatings business for marine containers, a segment which is growing fast in China. Another promising example is the new Niaga® technology for fully recyclable carpets.

#### Cost reduction and efficiency improvement programs



<sup>1</sup> Versus 2014 baseline

In addition to its growth initiatives, DSM is rigorously **executing its ambitious cost reduction and efficiency improvement programs across the company**. All of these well-identified programs are on track with the milestones set for 2016. The plans are on track to reach the overall savings of €250 - €300 million by 2018 versus the 2014 baseline.

## Global organizational and operational adjustments

DSM is well on track with the adjustments to its global organizational and operating model to support the company's growth and create a more agile, commercially-focused and cost-efficient business. Programs to globally leverage the company's support functions are well underway, with new operating models, announced changes in staffing and clear milestones to drive the process. Continuous efforts are being made through change and culture initiatives to foster adoption of the right mindset and behaviors and thus embed the new way of working throughout the organization.

## Stepping up sustainability aspirations

For DSM, sustainability is a core value as well as an important business driver. DSM is focused on delivering science-based, sustainable and scalable solutions that help address the challenges our world faces today. Not only do these products and solutions offer higher growth rates and better margins, DSM's continuous endeavor for sustainability also provides the company with a focus area to reduce operating costs by decreasing its environmental footprint.

DSM has successfully embedded sustainability across its business activities and has formulated targets to improve the proportion of Brighter Living Solutions (formerly referred to as ECO+ and People+) to 65% of sales by 2020 and aims to reduce its (relative) emissions by 45% by 2025, compared to the reference year 2008. By 30 June 2016, Brighter Living Solutions amounted to 61% of sales, whilst relative greenhouse gas emissions had been reduced by 23% compared to 2008.

**Sustainability aspirations<sup>1</sup>**

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**Key focus areas**

- Nutrition
- Climate change and renewable energy
- Circular and bio-based economy

**Sustainability as Business Growth Driver**

Eco+

People+

**Brighter Living Solutions: ECO+ and People+**

- Profitable solutions better for people and planet
- Aspiration: 65% of DSM products by 2020
- 2016 YTD: 61%

**Securing Sustainable Operations**

GHG efficiency  
Renewable energy

Health & Safety  
Engagement  
Diversity

**Operational Aspirations**

	2016 YTD
▪ GHG efficiency improvements	45% by 2025 <sup>2</sup> 23%
▪ Employee engagement favorable score	75% by 2020    69% <sup>3</sup>
▪ Safety: Frequency recordable index	0.25 by 2020    0.33
▪ Leading in reporting benchmarks	Gold class DJSI    Gold class

1) See DSM's Integrated Annual Report 2015 for definitions and additional information  
 2) Relative improvement as compared to baseline 2008  
 3) 2015 score, 2016 Employee Engagement Survey will be held in H2

DSM has identified three key focus areas in sustainability, based on identified global societal trends that are affecting people, economies and markets, largely driven by demographic change: Nutrition, Climate Change and Circular Economy.

In Nutrition, DSM has unique expertise to develop products that can positively impact global nutrition, health and development, helping to achieve the UN Sustainable Development Goal's target of ending all forms of malnutrition by 2030. DSM strives to make nutrition aspirational, affordable and available by working in partnership with cross-sector partners including the UN World Food Program. DSM and WFP's partnership reached more than 28 million beneficiaries in 2015.

DSM believes that effectively tackling climate change is both a responsibility and a business opportunity. The company focuses on reducing its own carbon footprint, enabling the low-carbon economy with products and solutions and advocating climate action. During the second quarter DSM CEO Feike Sijbesma was named co-chair of the Carbon Pricing Leadership Coalition, which was launched by the World Bank and International Monetary Fund in 2015. The coalition is a voluntary



partnerships of national and sub-national governments, businesses, and civil society organizations that agree to advance the carbon pricing agenda by working with each other towards the long-term objective of a carbon price applied throughout the global economy.

In the Circular Economy, DSM is dedicated to securing the future availability of natural resources, and unlocking more value from the limited resources that are available, by reducing resource use in its manufacturing processes, replacing scarce and toxic resources, extending the durability of products and materials, and recovering materials after first use, such as through DSM's Niaga recyclable carpet technology.

#### Extracting value from partnerships

DSM has established partnerships for its former Pharma activities (DSM Sinochem Pharmaceuticals and Patheon) and for the remaining Bulk Chemical businesses (ChemicalInvest). These partnerships have been created with a view to ultimately exiting these businesses and DSM expects to extract significant value from them in the coming years.

DSP is developing well and continues to build its leadership position in sustainable antibiotics.

During Q2, ChemicalInvest's caprolactam business undertook further steps to improve its competitive position on the global market, announcing a gradual wind down of its caprolactam plant in the US over the next sixteen months with no material adverse effect expected on DSM's Engineering Plastics business in North America, as caprolactam supply has been secured.

At the end of July, in connection with the Initial Public Offering by Patheon N.V., DSM successfully completed the sale of 4.8 million ordinary shares in Patheon N.V. Following this transaction, DSM now holds approximately 48.7 million ordinary shares, or approximately 34% of Patheon N.V., with approximately 43% held by affiliates of JLL Partners and Patheon N.V.'s management team and 23% free float. Total cash proceeds from this transaction for DSM are expected to amount to approximately \$240 million, consisting of net proceeds of around \$95 million from the secondary offering and an expected \$145 million in dividend distributions and capital repayments related to the IPO. DSM expects to realize a book profit of approximately €220 million, which will be reported as part of DSM's Q3 2016 results, while any potential future gains on disposal of the remaining shares held in Patheon N.V., if any, will be recognized at the time of any such transaction(s). Patheon N.V. did not receive any proceeds from the sale of ordinary shares by DSM.

DSM also holds a 25% share (with a book value of approximately €30 million) in the Banner Life Sciences pharma business, which was spun off to Patheon's investors in 2015. DSM will also look to monetize this shareholding over time. Banner Life Sciences is a specialty pharmaceutical company engaged in research and development for new drug formulations.

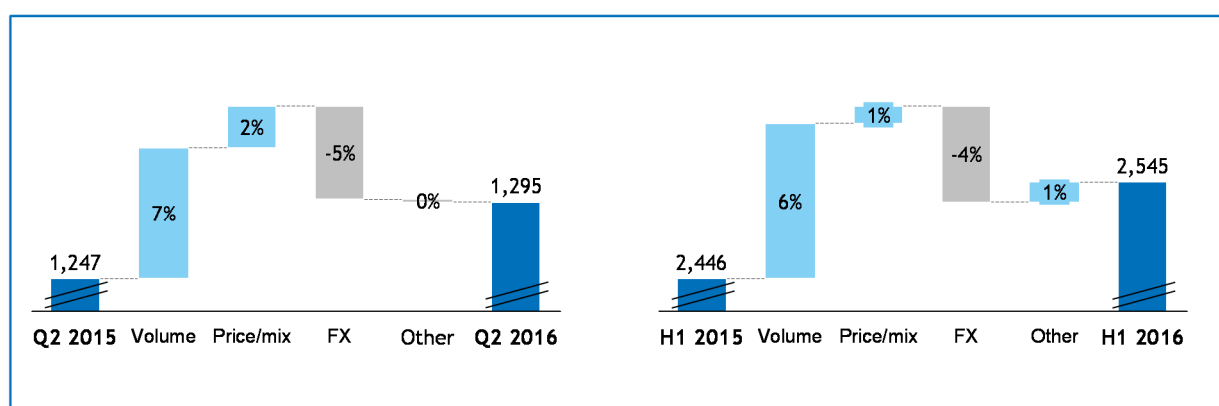
## Review by Cluster

### Nutrition

in € million	Q2 2016	Q2 2015	% Change	H1 2016	H1 2015	% Change
Sales	1,295	1,247	4%	2,545	2,446	4%
EBITDA	237	208	14%	462	403	15%
EBITDA margin (%)	18.3%	16.7%		18.2%	16.5%	
EBIT	165	137	20%	326	266	23%
Capital Employed				5,391	5,474	
Average Capital Employed				5,317	5,339	
ROCE (%)				12.3%	10.0%	
Total Working Capital				1,470	1,426	
Total Working Capital as % of Sales <sup>1</sup>				28.4%	28.6%	

1) Annualized last quarter sales

### Sales development



Q2 2016 sales were up 4% compared to Q2 2015. Organic sales growth at Nutrition was 9%, driven by 7% volume growth and 2% higher prices.

Volume growth was healthy in human nutrition and strong in animal nutrition, which partly benefitted from the comparison with Q2 last year.

Price/mix was up 2%. This was a result of price increases being implemented in all product categories, mainly in Latin America, together with slightly higher prices on average for premixes and vitamins when compared with Q2 2015.

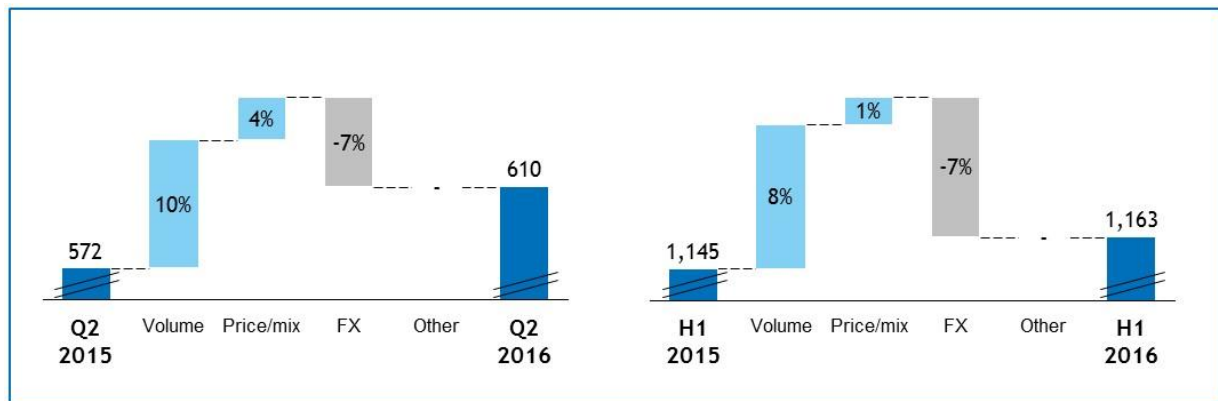
Exchange rates had a 5% negative impact on sales, mainly due to the effect of the Brazilian real and a weaker US dollar.

Q2 2016 EBITDA was €237 million, up 14% compared to Q2 2015, driven by strong organic growth and the effects of the improvement and savings programs. All businesses contributed to this improvement in results. Although currencies had a clear negative impact on sales, the impact on EBITDA was limited as the Swiss franc weakened somewhat against the euro in comparison with the same period last year.

Q2 2016 EBITDA margin was 18.3% compared to 16.7% in the same period last year and 18.0% in Q1 2016, reflecting the good organic growth, supported by the progress made on the improvement programs.

## Animal Nutrition &amp; Health

## Sales development



Q2 2016 sales in animal nutrition showed 14% organic growth including 10% volume growth and 4% improvement in price/mix compared to Q2 2015.

This growth in the year-on-year comparison was helped by a one-off effect in the comparative quarter of 2015, when animal nutrition was impacted by a key raw material supply interruption at Tortuga due to a fire in the port of Santos (Brazil). This led to lost sales of €15-20 million in Q2 2015. Adjusting for this effect, volume growth would have been 6-7%. Volumes were strong in vitamins, premixes and eubiotics.

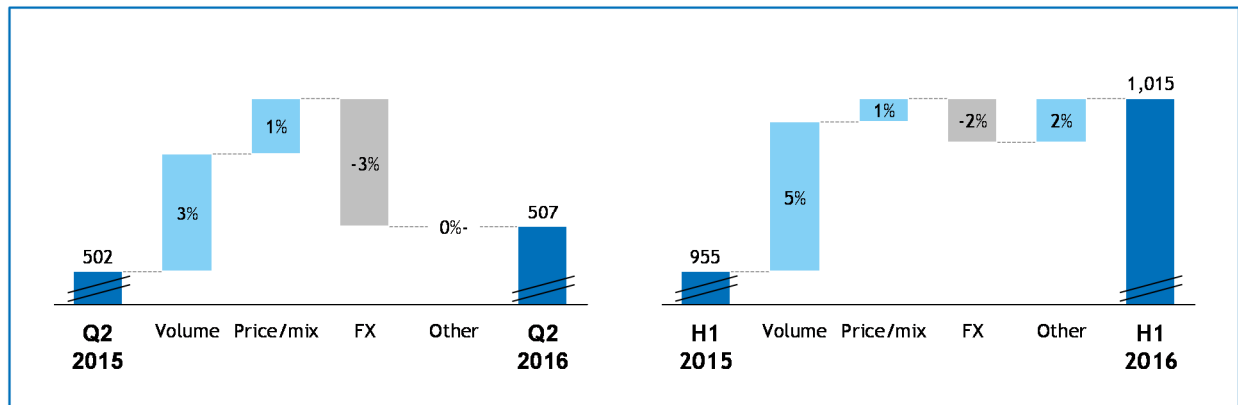
Markets in North America, Asia and Europe were strong, while Latin America remained weak.

Overall, prices showed a 4% increase versus the same period last year. Part of this increase related to the implementation of price increases in local currencies in Latin America while list-prices are in US dollars. As a result, margin levels as reported in euros were protected during the quarter. Besides this, prices for vitamins were slightly up overall versus the same quarter a year ago, with some of the B-vitamins showing an increase. Contract prices for vitamin E were however still slightly below the average of Q2 2015, despite clear increases in spot prices during Q2 2016.



## Human Nutrition &amp; Health

## Sales development



Q2 2016 organic sales in human nutrition grew by 4% compared to Q2 2015, predominantly driven by higher volumes (+3%). Prices were slightly up across the board when compared to Q2 2015, while currencies had a negative impact, mainly due to a somewhat weaker US dollar.

- **Food & beverage** performed well overall, with sales in the US improving.
- **Dietary Supplements** markets outside North America performed well. Markets for multi-vitamins in North America remained weak, however higher retail-ready solutions sales in Q2 2016 enabled DSM to maintain stable sales versus the previous year. Fish oil-based omega-3 sales were down in line with the market. DSM's consumer business **i-Health** continued its strong double digit growth trajectory and made preparations during the quarter for further marketing efforts in the second half of the year.
- **Infant Nutrition** performed well, with stable growth in a healthy market.

## Food Specialties

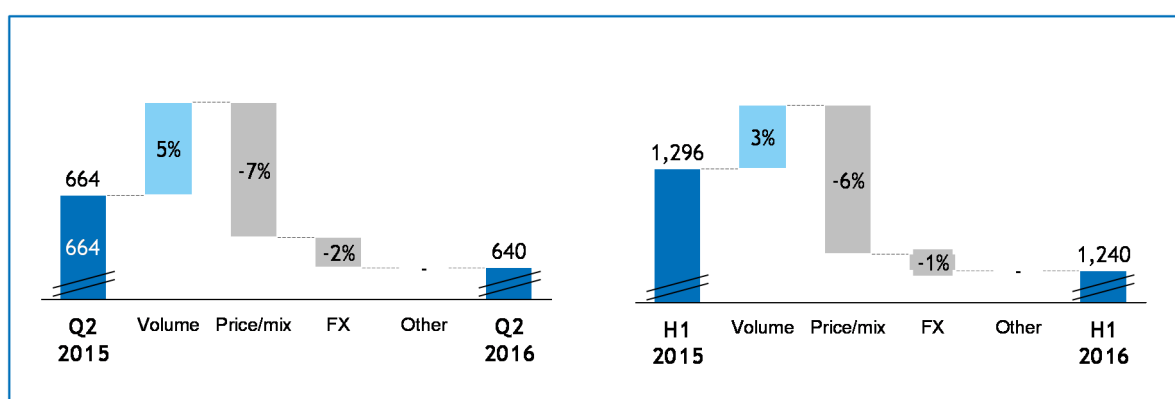
The Food Specialties businesses delivered 3% organic growth in the second quarter of 2016, driven by growth in food enzymes and hydrocolloids.

## Materials

in € million	Q2 2016	Q2 2015	% Change	H1 2016	H1 2015	% Change
Sales	640	664	-4%	1,240	1,296	-4%
EBITDA	117	106	10%	212	192	10%
EBITDA margin (%)	18.3%	16.0%		17.1%	14.8%	
EBIT	86	74	16%	148	127	17%
Capital Employed				1,775	1,897	
Average Capital Employed				1,751	1,857	
ROCE (%)				16.9%	13.6%	
Total Working Capital				312	418	
Total Working Capital as % of Sales <sup>1</sup>				12.2%	15.7%	

1) Annualized last quarter sales

### Sales development



Q2 2016 sales were 4% below Q2 2015 mainly as a result of 7% lower prices, fully reflecting lower input costs. Overall, volumes were up by 5%, outperforming market growth. Strong growth in the specialty segments more than compensated for lower volumes in polyamide 6 polymers.

- DSM Engineering Plastics:**  
**Volumes** were down slightly in Q2 versus the previous year due to lower polyamide 6 polymer volumes, mainly as a result of a maintenance stop in the Netherlands. Volume developments in the higher-value specialties portfolio were favorable. Automotive was strong in Europe. On a regional basis, the US and Asia performed well and Europe was strong.  
**Prices** were lower reflecting lower input costs, notably in polyamide 6.
- DSM Resins and Functional Materials:**  
**Volumes** were up significantly in all product segments compared to Q2 2015. Europe benefitted from improving conditions in the building & construction markets. Specialty resins showed strong growth driven by healthy demand for waterborne resins in China - evidence of the increasing environmental awareness in China - as well as by strong sales in the US. Functional Materials delivered favorable growth, both in fiber-optic materials as well as in materials for 3D printing. Overall, the business clearly outperformed market growth in Q2 2016.  
**Prices** were lower reflecting lower input costs.
- DSM Dyneema:**  
**Sales** development was flat, with good growth in life protection, mainly for personal protection applications, offset by commercial marine, where conditions in the oil-related off-shore market remained weak.

Q2 2016 EBITDA increased by 10% compared with Q2 2015 as a result of strong growth in the specialty segments, lower input costs, the benefits of the efficiency and cost saving programs carried out over recent years, and good margin management.

Q2 2016 EBITDA margin was high at 18.3%, up from 16.0% in Q2 2015, reflecting a higher proportion of specialties in the product mix, current low input costs, and the benefits from cost savings and efficiency improvements.

## Innovation Center

in € million	Q2 2016	Q2 2015	% Change	H1 2016	H1 2015	% Change
Sales	40	37	8%	83	73	14%
EBITDA	0	-3		1	-8	
EBIT	-5	-10		-10	-22	
Capital Employed				559	564	

Q2 2016 sales were 8% above Q2 2015, with the increase fully driven by higher volumes. DSM Biomedical delivered a good performance. DSM Advanced Surfaces achieved strong growth in its innovative anti-reflective coatings for solar panels.

Q2 2016 EBITDA was €3 million higher when compared to the same period last year, reaching break-even. This improvement was driven by higher sales, more focused innovation activities and cost savings.

## Corporate Activities

in € million	Q2 2016	Q2 2015	H1 2016	H1 2015
Sales	19	17	39	36
EBITDA	-26	-32	-51	-60
EBIT	-35	-44	-68	-83

Q2 2016 EBITDA was €6 million better than in Q2 2015, when EBITDA was impacted by the insurance costs related to the Tortuga supply interruption.

## Key Joint Ventures and Associates

in € million, based on 100%		Q2 2016	Q2 2015	% Change	H1 2016	H1 2015	% Change
DSM Sinochem:	Sales	114	112	2%	226	229	-1%
	EBITDA%	14%	16%		15%	14%	
Patheon <sup>1</sup> :	Sales	415	397	5%	791	774	2%
	EBITDA%	19%	20%		17%	19%	
ChemicalInvest:	Sales	437	n.a.	n.a.	892	n.a.	n.a.
	EBITDA%	0%			2%		

1) Patheon (formerly reported as DPx Holding) respective periods are for the 2<sup>nd</sup> quarter from 1 February - 30 April and for YTD from 1 November - 30 April

- **DSM Sinochem Pharmaceuticals (50% DSM)** delivered solid results driven by a favorable product and geographical mix.
- **Patheon (49% DSM)** delivered solid results. Patheon completed its Initial Public Offering of ordinary shares on 27 July (see page 6 of this press release for more information). DSM's shareholding in Patheon will be approximately 34% as of Q3.
- **ChemicalInvest (35% DSM)** posted lower Q2 results due to weakness in caprolactam.

## Financial Overview

### Exceptional Items

Exceptional items in the second quarter amounted to +€4 million (+€6 million after tax). A profit of €17 million was included with regard to the release of an acquisition-related liability, partly offset by -€13 million related to restructuring costs.

### Net profit (continuing operations)

in € million	Q2 2016	Q2 2015	H1 2016	H1 2015
EBIT	211	157	396	288
Financial Income & Expense	-29	-35	-66	-87
Income Tax	-34	-23	-61	-37
<i>Effective Tax Rate (%)</i>			18.5%	18.0%
Share of profit of associates/Joint control entities	-13	11	-25	15
Non-controlling interest	-1	1	-2	3
Net Profit from Cont. Operations (before exceptional items) <sup>1</sup>	134	111	242	182
Net Earnings per ordinary share				
- Cont. Operations, before exceptional items (€)	0.76	0.63	1.36	1.02

<sup>1</sup> Net profit of continuing operations attributable to equity holders of Koninklijke DSM N.V.

Financial income and expense amounted to -€29 million in Q2 2016 compared to -€35 million in Q2 2015, mainly as a result of lower interest expenses and more favorable hedge results.

DSM's share of profit of associates/joint control entities before exceptional items decreased in Q2 2016 to a loss of €13 million versus a profit of €11 million in Q2 2015. The net result of Patheon (49%) decreased by €16 million following the leveraged dividend pay-out, the divestment of the ESIM business and the spin-off of Banner Life Sciences. The net result of ChemicalInvest (35%) amounted to a loss of €7 million following adverse market conditions in caprolactam.

### Cash Flow, Capital Expenditures and Financing

in € million	Q2 2016	Q2 2015	H1 2016	H1 2015
Cash from Operating Activities - Continuing Operations	182	103	319	187
Total Working Capital - Continuing Operations			1,481	1,571
Total Working Capital as % of Sales - Continuing Ops.			18.6%	20.0%
Capital Expenditure (cash, net of customer funding)			177	208
- Continuing Operations	78	107		
Net Debt (before reclassification to held for sale)			2,466	2,321 <sup>1</sup>

<sup>1</sup> Year-end 2015

Cash flow from operating activities amounted to €182 million showing an improvement of €79 million compared to Q2 2015.

Total Working Capital amounted to €1,481 million at the end of Q2 2016 compared to €1,571 million at the end of Q2 2015, which represents 18.6% as a percentage of annualized Q2 sales (Q2 2015: 20.0%).

Net debt increased by €145 million compared to the end of 2015 and stood at €2,466 million. The increase was mainly due to the payment of dividend and the repurchase of shares, covering existing option plans and stock dividends.

## Interim dividend

DSM will pay an interim dividend of €0.55 per ordinary share for 2016. 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 2016. 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 4 August 2016. The interim dividend will be payable as from 25 August 2016.



## Condensed consolidated statement of income for the second quarter

in € million	Q2 2016			Q2 2015		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Sales - Continuing Operations	1,994		1,994	1,965		1,965
Sales - Discontinued Operations	0		0	550		550
Net sales - Total	1,994		1,994	2,515		2,515
EBITDA - Continuing Operations	328	4	332	279	-25	254
EBITDA - Discontinued Operations	0	0	0	53	0	53
EBITDA - Total	328	4	332	332	-25	307
Operating Profit (EBIT) - Continuing Operations	211	4	215	157	-44	113
Operating Profit (EBIT) - Discontinued Operations	0	0	0	53	0	53
Operating Profit (EBIT) - Total	211	4	215	210	-44	166
Operating Profit - Continuing Operations	211	4	215	157	-44	113
Net finance costs	-29	0	-29	-35	0	-35
Profit before income tax	182	4	186	122	-44	78
Income tax	-34	2	-32	-23	13	-10
Share of profit of associates/ Joint Control entities	-13	-6	-19	11	-6	5
Profit for the period - Continuing Operations	135	0	135	110	-37	73
Profit for the period - Discontinued Operations	0	0	0	28	0	28
Profit for the period - total DSM	135	0	135	138	-37	101
Non-controlling interests - Continuing Operations	-1	0	-1	1	0	1
Non-controlling interests - Discontinued Operations	0	0	0	-3	0	-3
Net profit attributable to equity holders of DSM	134	0	134	136	-37	99
Dividend on cumulative preference shares	-2	0	-2	-2	0	-2
Net profit used for calculating earnings per share	132	0	132	134	-37	97
Avg. no. of ordinary shares (million)			174.2			174.4
Number of ordinary shares, end of period (million)			174.5			174.7
Net profit used for calculating earnings per share	132	0	132	134	-37	97
Net earnings per ordinary share - Total DSM (€)	0.76	0.00	0.76	0.77	-0.21	0.56
Net profit used for EPS - Continuing Operations	132	0	132	109	-37	72
Net earnings per ordinary share - Cont. operations (€)	0.76	0.00	0.76	0.63	-0.21	0.42
Depreciation & Amortization	117	0	117	122	19	141
Capital Expenditure			97			145
Acquisitions			0			15
Workforce (headcount) continuing operations			20,779			20,750
of which in the Netherlands			4,101			4,190

\* End of 2015

## Condensed consolidated statement of income for the first half

in € million	H1 2016			H1 2015		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
<b>Sales - Continuing Operations</b>	3,907		3,907	3,851		3,851
Sales - Discontinued Operations	0		0	1,056		1,056
<b>Net sales - Total</b>	<b>3,907</b>		<b>3,907</b>	<b>4,907</b>		<b>4,907</b>
<b>EBITDA - Continuing Operations</b>	<b>624</b>	-21	<b>603</b>	<b>527</b>	-47	<b>480</b>
EBITDA - Discontinued Operations	0	0	0	91	-4	87
<b>EBITDA - Total</b>	<b>624</b>	-21	<b>603</b>	<b>618</b>	-51	<b>567</b>
<b>Operating Profit (EBIT) - Continuing Operations</b>	<b>396</b>	-21	<b>375</b>	<b>288</b>	-66	<b>222</b>
Operating Profit (EBIT) - Discontinued Operations	0	0	0	73	-141	-68
<b>Operating Profit (EBIT) - Total</b>	<b>396</b>	-21	<b>375</b>	<b>361</b>	-207	<b>154</b>
Operating Profit - Continuing Operations	396	-21	375	288	-66	222
Net finance costs	-66	0	-66	-87	0	-87
<b>Profit before income tax</b>	<b>330</b>	-21	<b>309</b>	<b>201</b>	-66	<b>135</b>
Income tax	-61	8	-53	-37	18	-19
Share of profit of associates/ Joint Control entities	-25	-11	-36	15	-16	-1
<b>Profit for the year - Continuing Operations</b>	<b>244</b>	-24	<b>220</b>	<b>179</b>	-64	<b>115</b>
Profit for the year - Discontinued Operations	0	0	0	43	-128	-85
<b>Profit for the year - total DSM</b>	<b>244</b>	-24	<b>220</b>	<b>222</b>	-192	<b>30</b>
Non-controlling interests - Continuing Operations	-2	0	-2	3	0	3
Non-controlling interests - Discontinued Operations	0	0	0	-4	0	-4
<b>Net profit attributable to equity holders of DSM</b>	<b>242</b>	-24	<b>218</b>	<b>221</b>	-192	<b>29</b>
Dividend on cumulative preference shares	-5	0	-5	-5	0	-5
<b>Net profit used for calculating earnings per share</b>	<b>237</b>	-24	<b>213</b>	<b>216</b>	-192	<b>24</b>
Avg. no. of ordinary shares (million)			174.4			174.0
Number of ordinary shares, end of period (million)			174.5			174.7
Net profit used for calculating earnings per share	237	-24	213	216	-192	24
<b>Net earnings per ordinary share - Total DSM (€)</b>	<b>1.36</b>	-0.14	<b>1.22</b>	<b>1.24</b>	-1.10	<b>0.14</b>
Net profit used for EPS - Continuing Operations	237	-24	213	177	-64	113
Net earnings per ordinary share - Cont. operations (€)	1.36	-0.14	1.22	1.02	-0.37	0.65
Depreciation & Amortization	228	0	228	257	156	413
Capital Expenditure			160			264
Acquisitions			0			140
Workforce (headcount) continuing operations			20,780			20,750*
of which in the Netherlands			4,102			4,190*

\* End of 2015

Consolidated Balance Sheets - Assets

in € million	H1 2016	YE 2015
Intangible Assets	3,198	3,228
Property, Plant & Equipment	3,128	3,171
Deferred Tax Assets	374	366
Associates & Joint Ventures	815	872
Other Financial Assets	222	191
<b>Non-Current Assets</b>	<b>7,737</b>	<b>7,828</b>
Inventories	1,695	1,627
Trade Receivables	1,523	1,349
Other Receivables	176	207
Financial Derivatives	34	47
Current Investments	10	9
Cash & Cash Equivalents	474	665
<b>Total</b>	<b>3,912</b>	<b>3,904</b>
Assets Held for Sale	4	11
<b>Current Assets</b>	<b>3,916</b>	<b>3,915</b>
<b>Total Assets</b>	<b>11,653</b>	<b>11,743</b>

Consolidated Balance Sheets - Equity and Liabilities

in € million	H1 2016	YE 2015
Shareholders' Equity	5,453	5,541
Non-controlling interest	90	90
<b>Equity</b>	<b>5,543</b>	<b>5,631</b>
Deferred Tax Liabilities	307	319
Employee Benefits Liabilities	493	496
Provisions	102	98
Borrowings	2,553	2,557
Other Non-current Liabilities	232	228
<b>Non-current liabilities</b>	<b>3,687</b>	<b>3,698</b>
Employee Benefits	41	44
Provisions	38	41
Borrowings	213	253
Financial Derivatives	218	232
Trade Payables	1,206	1,168
Other Current Liabilities	707	674
<b>Total</b>	<b>2,423</b>	<b>2,412</b>
Liabilities Held for Sale	0	2
<b>Current Liabilities</b>	<b>2,423</b>	<b>2,414</b>
<b>Total Equity and Liabilities</b>	<b>11,653</b>	<b>11,743</b>

in € million	H1 2016	YE 2015
Capital Employed, continuing operations <sup>1</sup>	7,616	7,553
Equity/ Total Assets <sup>1</sup>	48%	48%
Net Debt <sup>1</sup>	2,466	2,321
Operating Working Capital - Continuing Operations <sup>1</sup>	2,012	1,811
OWC/ Net Sales - Continuing Operations	25.2%	23.5%
Total Working Capital - Continuing Operations <sup>1</sup>	1,481	1,343
Total WC/ Net Sales - Continuing Operations	18.6%	17.4%

1) Before reclassification to held for sale

Condensed Consolidated Cash Flow Statement

in € million	H1 2016	H1 2015
Cash, Cash Equivalents and Current Investments (at beginning of period)	674	675
Current Investments (at beginning of period)	9	6
Cash & Cash Equivalents (at beginning of period)	665	669
<b>Operating Activities</b>		
EBITDA	624	618
Change in Working Capital	-227	-229
Income Tax	-40	-35
Other	-38	-253
Cash provided by Operating Activities	319	101
of which provided by Continuing Operations	319	187
<b>Investing Activities</b>		
Capital Expenditures	-177	-275
Payments regarding drawing rights	-13	0
Acquisitions	-2	-84
Disposal of Subsidiaries & Businesses	-14	44
Disposal of Other Non-current Assets	4	7
Change in Fixed-term Deposits	-2	0
Interest Received	12	20
Other	-8	127
Cash Used in Investing Activities	-200	-161
Dividend	-121	-104
Interest Paid <sup>1</sup>	-39	-179
Repurchase of Shares	-159	-70
Proceeds from Re-issued Shares	54	34
Change in Commercial Paper	-50	-280
Other Cash from/ used in Financing Activities	7	494
Cash used in Financing Activities	-308	-105
Changes Exchange Differences	-2	49
Cash and Cash Equivalents (end of period)	474	553
Current Investment (end of period)	10	6
Cash and Cash Equivalents & Current Investments (end of period)	484	559

<sup>1</sup> impacted by -€129 million in 2015 due to settlement of interest rate pre-hedge of the €500 million bond

Condensed Consolidated Statement of Comprehensive Income

in € million	H1 2016	H1 2015
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of Defined Benefit Pension Plans	0	2
FX on Translation of Foreign Operations Related to Non-Controlling Interest	0	18
<b>Items that may subsequently be reclassified to profit or loss</b>		
FX on Translation of Foreign Operations	5	160
Change in Fair Value Reserve	2	5
Change in Hedging Reserve	1	-4
Other Comprehensive Income (before tax)	8	181
Income Tax Expense	5	5
Other Comprehensive Income (net of tax)	13	186
Profit for the Period	220	30
Total Comprehensive Income	233	216

Condensed Consolidated Statement of Changes in Equity

in € million	H1 2016	H1 2015
Total Equity (at beginning of the period)	5,631	5,936
Changes:		
Total Comprehensive Income	233	216
Dividend	-297	-297
Repurchase of Shares	-161	-83
Proceeds from Reissue of Ordinary Shares	132	130
Other Changes	5	15
Total Equity (end of period)	5,543	5,917



Geographical Information (continuing operations)

H1 2016	The Netherlands	Rest of Western Europe	Eastern Europe	North America	Latin America	China	India	Japan	Rest of Asia	Rest of the World	Total
Net Sales by Origin											
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
Net Sales by Destination											
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
Total Assets (total DSM) in € million	3,552	2,028	115	3,479	836	973	95	108	364	103	11,653
Workforce (headcount, end of period)	4,102	4,664	442	3,172	2,060	4,611	507	146	821	255	20,780
H1 2015	The Netherlands	Rest of Western Europe	Eastern Europe	North America	Latin America	China	India	Japan	Rest of Asia	Rest of the World	Total
Net Sales by Origin											
in € million	993	1,098	71	720	337	397	40	33	127	35	3,851
in %	26	28	2	19	9	10	1	1	3	1	100
Net Sales by Destination											
in € million	144	942	226	893	515	460	81	103	365	122	3,851
in %	4	25	6	23	13	12	2	3	9	3	100
Total Assets (total DSM, year-end 2015) in € million	3,838	2,038	119	3,486	749	882	82	95	361	93	11,743
Workforce (headcount, year-end 2015)	4,190	4,682	426	3,151	2,021	4,551	521	145	811	252	20,750

## Notes to the financial statements

### Accounting policies and presentation

The consolidated financial statements of DSM for the year ended 31 December 2015 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 2015 and the discussion by the Managing Board earlier in this interim report.

### Audit

These interim financial statements have not been audited.

### Risks

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 2015 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 2016 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 2015 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 2016.

### Dividends and equity

On 24 May the final dividend of €1.10 per share for the year 2015 was paid to holders of ordinary shares and a dividend of €0.15 per share was paid to holders of cumulative preference shares A. The total distribution to shareholders amounting to €198 million was recorded against retained earnings.

An interim dividend for 2016 of €0.55 per ordinary share and €0.03 for cumulative preference shares A was recognized as a liability in the second quarter of 2016. This distribution to shareholders amounting to €97 million will take place in Q3 2016.

In the first half of 2016 2.8 million shares were released into circulation in connection with stock dividend, the exercise of options and delivery of performance shares. 3.2 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, 2 August 2016

The Managing Board

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

## Financial Calendar

22-23 September 2016	US Investor Event
3 November 2016	Publication of Q3 2016 Results
15 February 2017	Publication of Q4 2016 Results
2 May 2017	Publication of Q1 2017 Results
3 May 2017	Annual General Meeting of Shareholders
1 August 2017	Publication of Q2 2017 Results
2 November 2017	Publication of Q3 2017 Results

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## Additional Information

Today DSM will hold a conference call for media from 08:00 to 08:30 and a conference call for investors and analysts from 09:00 to 10:00. 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.