Press Release

Heerlen (NL), 14 February 2019

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04E

DSM reports 2018 results

Highlights full year 2018[1]

- DSM reports a very strong year, including a robust Q4
- Underlying business:
  - Strong organic sales growth of 6%
  - Adjusted EBITDA growth of 6%; 10% adjusted for FX
  - ROCE of 13.3%, up 100 bps
- Total business (including temporary vitamin effect):
  - Adjusted EBITDA up 26%, including €290m temporary vitamin effect
  - Adjusted Net profit of €1,034m, up 46%, with Net profit of €1,079m
  - Cash from Operating Activities €1,391m, up 40%
- 25% dividend increase from €1.85 to €2.30 per ordinary share[2]
- Full year outlook 2019 in line with strategic targets
- Launch of €1bn share buy-back program, reflecting strong balance sheet and resilient business

Key figures and indicators[3]

in € million	Full year 2018			Full year	% Change				
	Underlying[1] business	Temporary vitamin effect	Total Group	2017 Reported	Underlying[1] organic growth	FX & 'other'[1]	Underlying[1] total growth	Temporary vitamin effect	Total Group
Sales	8,852	415	9,267	8,632	6%	-4%	2%	5%	7%
Nutrition	5,722	415	6,137	5,579	7%	-4%	3%	7%	10%
Materials	2,913		2,913	2,825	5%	-2%	3%		3%
Adjusted EBITDA	1,532	290	1,822	1,445			6%	20%	26%
Nutrition	1,117	290	1,407	1,053			6%	28%	34%
Materials	512		512	488			5%		5%
Innovation	8		8	9					
Corporate	-105		-105	-105					
EBITDA	1,464	290	1,754	1,348					
Adjusted EBITDA margin	17.3%		19.7%	16.7%					

[1] Underlying (business) is defined in this press release as the performance measures sales and Adjusted EBITDA, corrected for DSM's best estimate of the temporary vitamin effect. See page 8 for further details.

[2] Subject to AGM approval.

[3] Adjusted EBITDA is an Alternative Performance Measure (APM) that reflects continuing operations.

CEO statement

"This has been again a record year in which we successfully completed Strategy 2016-2018, outperforming our ambitious financial and sustainability targets. We have created a strong platform of solution-led, higher value specialty products in Nutrition, Health & Sustainable Living. This has positioned the company well to drive continued above market organic growth and deliver further improvement in profitability, shareholder return and sustainability as we execute Strategy 2021 Purpose led, Performance driven.

During the fourth quarter, Nutrition performed well once again, with continued good business conditions, whilst Materials delivered solid results, despite softness in some of its end-markets.

Reflecting excellent underlying results for the financial year and confidence in our future earnings growth profile, as also reflected in our 2019 outlook, we propose an increase in the 2018 full year dividend of about 25% to €2.30 per share, in line with guidance given at our 2018 Capital Markets Day.

In addition, having built a resilient portfolio with future upside from our large innovation projects, we are confident about our earnings prospects and cash generation. Based on this and our strong balance sheet we are pleased to announce a €1 billion share buy-back program which also increases capital efficiency while still retaining financial flexibility to deliver on our growth plans."

Outlook 2019

DSM expects to deliver a full-year 2019 mid-to-high single digit increase in Adjusted EBITDA compared to prior year Underlying Adjusted EBITDA (pre-temporary vitamin effect), together with an improvement in Underlying Adjusted Net Operating Free Cash Flow in line with its Strategy 2021 targets. This outlook excludes the impact of IFRS16 (see page 15).

New Share Buy-Back program

DSM intends to repurchase ordinary shares with an aggregate market value of €1 billion starting in Q2 2019, with the intention to reduce its issued capital. This will be in addition to the usual repurchase programs which DSM executes from time to time to cover commitments under share-based compensation plans and the stock dividend.

Q4 Highlights

- DSM reports a robust Q4
- Nutrition reports 1% organic growth with Adjusted EBITDA up 3%.
  Corrected for an estimated temporary vitamin effect in Q4 2017:
    - The organic growth would have been 4% against a strong prior year
    - The Adjusted EBITDA would have been up 7%.
- Materials reports solid results with flat sales and Adjusted EBITDA despite soft business conditions in some end-markets, against a strong prior year
- Total reported sales growth of 1% and Adjusted EBITDA growth of 3%
- Cash from operating activities of €458m, up 21%

Key figures and indicators[1,2]

in € million	Q4 2018			Q4 2017	% Change				
	Underlying[1] business	Temporary vitamin effect	Total Group	2017 Reported	Underlying[1] organic growth	FX & 'other'[1]	Underlying[1] total growth	Temporary vitamin effect	Total Group
Sales	2,208	-	2,208	2,176	1%	0%	1%	-	1%
Nutrition	1,444	-	1,444	1,428	1%	0%	1%	-	1%
Materials	698		698	693	0%	1%	1%		1%
Adjusted EBITDA	370	-	370	359			3%	-	3%
Nutrition	270	-	270	267			1%	-	1%
Materials	119		119	119			0%		0%
Innovation	7		7	4					
Corporate	-26		-26	-31					
EBITDA	340		340	316					
Adjusted EBITDA margin	16.8%		16.8%	16.5%					

[1] Underlying (business) is defined in this press release as the performance measures sales and Adjusted EBITDA, corrected for DSM's best estimate of the temporary vitamin effect. See page 8 for further details.
[2] Adjusted EBITDA is an Alternative Performance Measure (APM) that reflects continuing operations.

Temporary vitamin effect

Underlying (business) is defined in this press release as the performance measures sales and Adjusted EBITDA, corrected for DSM's best estimate of the temporary vitamin effect due to exceptional supply disruptions in the industry in the first nine months, providing estimated additional sales of €415 million and a corresponding Adjusted EBITDA of €290 million.

These supply disruptions started already in November 2017. While we did not quantify an additional benefit in Q4 2017, since then we have estimated a contribution of €40 million to total sales and a corresponding Adjusted EBITDA impact of €15 million. In the explanation of the sales and Adjusted EBITDA growth of total Nutrition and Animal Nutrition, comparisons are made versus the reported Q4 2017 figures, as well as the figures excluding these temporary vitamin effects.

Key figures and indicators[1]

in € million	full year 2018	2017	% Change	Volume	Price / mix	FX	Other
Sales	**9,267**	8,632	7%	3%	8%	-4%	0%
Nutrition	**6,137**	5,579	10%	3%	11%	-4%	0%
Materials	**2,913**	2,825	3%	2%	3%	-2%	0%
Innovation Center	**172**	169					
Corporate Activities	**45**	59					

in € million	Q4 2018	Q4 2017	% Change	Volume	Price / mix	FX	Other
Sales	**2,208**	2,176	1%	0%	1%	0%	0%
Nutrition	**1,444**	1,428	1%	1%	0%	0%	0%
Materials	**698**	693	1%	-3%	3%	1%	0%
Innovation Center	**54**	43					
Corporate Activities	**12**	12					

in € million	full year 2018	2017	% Change	Q4 2018	Q4 2017	% Change
Sales	**9,267**	8,632	7%	**2,208**	2,176	1%
Adjusted EBITDA	**1,822**	1,445	26%	**370**	359	3%
Nutrition	**1,407**	1,053	34%	**270**	267	1%
Materials	**512**	488	5%	**119**	119	0%
Innovation Center	**8**	9		**7**	4	
Corporate Activities	**-105**	-105		**-26**	-31	
Adjusted EBITDA margin	**19.7%**	16.7%		**16.8%**	16.5%	
EBITDA	**1,754**	1,348		**340**	316	
Adjusted EBIT	**1,345**	957	41%	**245**	240	2%
EBIT	**1,245**	846		**196**	199	
Capital Employed	**8,181**	7,766				
Average Capital Employed	**8,005**	7,776				
ROCE (%)[2]	**16.8%**	12.3%				
Effective tax rate[3]	**17.4%**	16.8%				
Adjusted net profit[4]	**1,034**	706	46%	**182**	202	-10%
Net profit - Total DSM[4]	**1,079**	1,781	-39%	**258**	178	45%
Adjusted net EPS	**5.84**	3.92	49%	**1.02**	1.11	-8%
Net EPS - Total DSM	**6.10**	10.07		**1.46**	0.98	
Operating cash flow[5]	**1,391**	996	40%	**458**	377	21%
Capital expenditures[6]	**646**	546		**201**	162	
Net debt	**113**	742				
Average number of ordinary shares	**175.3**	174.8		**175.6**	174.5	
Workforce (headcount end of period)	**20,977**	21,054				

[1] Including temporary vitamin effect
[2] ROCE from underlying business for the year 2018 is estimated at 13.3%
[3] Over Adjusted taxable result
[4] Including result attributed to non-controlling interest
[5] Operating Cash flow from Underlying business is estimated at €1,126m
[6] Cash, net of customer funding, investment grants and excluding financial leases

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'*

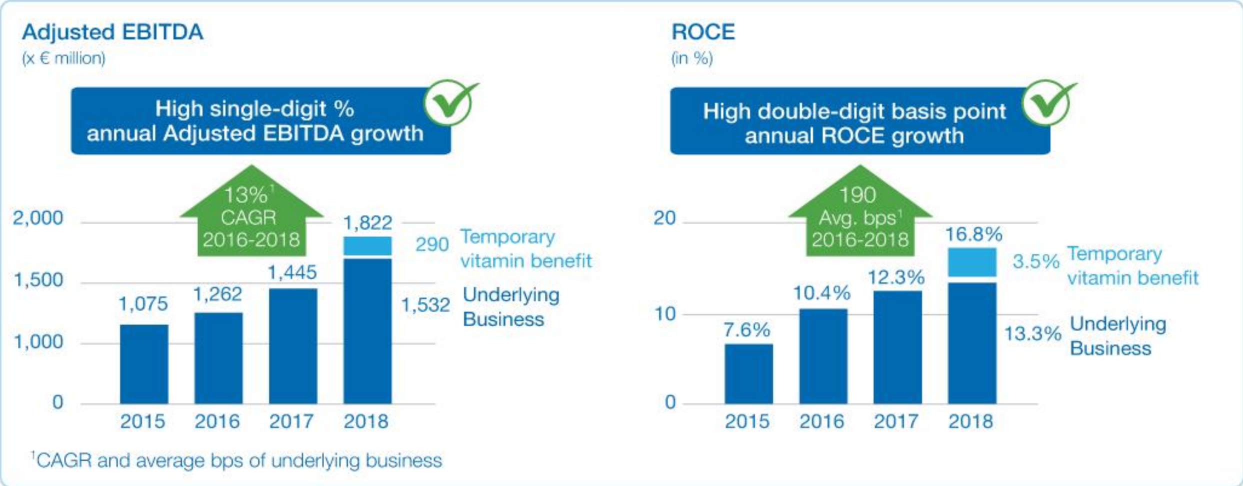
Strategy

Strategy 2018: successfully delivered

In 2015, DSM communicated its three-year strategy, called Strategy 2018: *Driving Profitable Growth*. The strategy had two headline financial targets: high single-digit percentage annual Adjusted EBITDA growth and high double-digit basis point annual ROCE growth.

In summary, DSM:

- Outperformed on its financial targets on Adjusted EBITDA growth and ROCE growth



- Outpaced market growth in both Nutrition and Materials segments

- Created a strong and focused innovation pipeline to enhance long-term growth
- Executed extensive cost-reduction and improvement programs which delivered run-rate cumulative savings of ~€275 million at the end of 2018 versus the 2014 baseline
- Achieved consistent improvements in capital efficiency
- Extracted significant value from its joint venture partnerships Patheon, ChemicalInvest and DSM Sinochem Pharmaceuticals. The combined proceeds of these divestments were around €3 billion. DSM plans to divest its remaining minority shares in AOC Aliancys (18.9%) and AnQore (35%) in the coming period.
- Strengthened the organization enabling a stronger result-oriented company and culture.

DSM further increased its commitment to sustainability by reducing its own environmental footprint, by enabling other stakeholders, especially its customers to become more sustainable and by raising awareness and sharing knowledge and supporting the United Nations Sustainable Development Goals. A summary of our sustainability 2018 results can be found in the graph on page 7.

Strategy 2021: *Growth & Value – Purpose led, Performance driven*

In June 2018, DSM presented its Strategy 2021: *Growth & Value – Purpose led, Performance driven* – detailing how it will evolve further toward being a purpose led, science-based company operating in the fields of Nutrition, Health and Sustainable Living. DSM's strong growth platform, centered on developing innovative solutions addressing Nutrition & Health, Climate & Energy and Resources & Circularity, together with increased customer centricity and its large innovation projects, will drive above-market growth. At the same time, DSM will remain focused on cost control and operational excellence, allowing it to accelerate profit growth and cash generation. Organic growth will be complemented by acquisitions, predominantly in Nutrition.

Two ambitious targets for profit growth and cash generation have been set for the strategic period: high single-digit annual percentage increase in Adjusted EBITDA and about 10% average annual increase in Adjusted Net Operating Free cash flow. The following table describes the ambitions underpinning these financial targets:

2021 targets[1]	Ambitions underpinning our targets[1]	
High single-digit percentage annual **Adjusted EBITDA** increase	1. **Sales**	Above-market sales growth (~5%) for Total DSM, Nutrition and Materials
	2. **Adjusted EBITDA margin**	Nutrition: >20% Materials: 18–20%
~10% average annual **Adjusted net operating free cash flow**[2] increase	3. **Working capital**	Reduce by 50 bps annually to ~16%
	4. **Capex**	~6.5% of sales
	5. **ROCE**	~1%-point increase per annum
	6. **Adjusted EPS**	Increase ahead of Adjusted EBITDA growth

[1] Based on 2018 underlying business, defined as Sales and Adjusted EBITDA corrected for DSM's best estimate of the temporary vitamin effect.
[2] Adjusted net operating free cash flow is the cash flow from operating activities, corrected for the cash flow of the APM adjustments, minus the cash flow of Capital expenditures and drawing rights.

Purpose sets the scope for further growth and evolution

With its unique science-based competences, DSM is ideally positioned to capture the growth opportunities offered by the global megatrends and Sustainable Development Goals (SDGs), with a particular focus on Nutrition & Health, Climate & Energy and Resources & Circularity. DSM will therefore further evolve into a Nutrition, Health and Sustainable Living company:

- DSM's Nutrition business will focus on human nutrition (ingredients and solutions for food & beverages, as well as specialty nutrition, nutritional ingredients, consumer branded products and personalized nutrition), animal nutrition (covering all species with premix and specialty solutions) and personal care and aroma ingredients;
- DSM's Materials business will further develop into a high-growth, higher-margin specialty business and will focus on the categories: Improve Health & Living, Green Products and New mobility & Connectivity

By improving the impact of its own operations, enabling sustainable solutions for its customers and advocating sustainable business, DSM can grow faster and reduce its cost and risk profile. DSM will further step up its ambitions regarding the reduction of GHG emissions, energy efficiency and use of renewable energy.

Continued step-up in sustainability leadership

	GHG	Energy	Electricity	Employees	Safety	Brighter Living Solutions
Realization 2018	~8%[1] • GHG absolute reduction (vs. 2016)	1.4%[3] • Energy efficiency improvement year-on-year	41% • Purchased renewable electricity	76% • Employee engagement favorable score	0.33 • Safety Frequency Recordable Index	62%[4] • Brighter Living Solutions
2021 / 2030 Ambitions	• 30% absolute reduction by 2030 (vs. 2016)[2]	• >1% average annually till 2030	• 75% by 2030	• >75% by 2021	• <0.25 by 2021	• >65%[5] by 2021

[1] We estimate the effect of the underlying structural improvements in absolute GHG emissions to be roughly 8% versus 2016, while the total absolute GHG emission reduction versus 2016 is approximately 18% (from 1.5 million tons to 1.23 million tons).
[2] An additional Scope 3 intensity reduction target of 28% by 2030 (versus 2016) has been agreed which, together with our Scope 1 + 2 target, meets the criteria for a Science-Based Target.
[3] Our energy efficiency improvement was 5.1% over the past strategic period.
[4] Excluding temporary vitamin effect.
[5] KPI will be updated as part of the Responsible Care Plan update in 2020.

Performance driven to deliver growth and value

DSM is committed to top-line growth ahead of market, which will be supported by expanded solutions offerings, putting the customer even more in the center, as well as by harnessing digital capabilities to increase customer intimacy, improve productivity/efficiency and support new business models. Approximately 45% of sales will come from high-growth economies.

DSM will leverage its unique technology capabilities to develop innovative sustainable solutions in Nutrition & Health, Climate & Energy and Resources & Circularity and will invest approximately 5% of sales in R&D to develop differentiating science and technology. DSM's innovation projects, including Veramaris®, Project Clean Cow, fermentative Stevia and Niaga®, will result in about 20% of sales coming from innovation.

Greater efficiencies and an increased focus on higher-margin specialty solutions will enable new Adjusted EBITDA margin ambitions by 2021 for Nutrition (over 20%) and Materials (18-20%). Organic top-line growth combined with these enhanced margins will drive DSM's high single-digit Adjusted EBITDA growth.

DSM aims to accelerate growth in Adjusted Net Operating Free cash flow of on average about 10% per annum. This results from the ambition to reduce working capital levels by around 50 bps annually, a disciplined approach to capex with an overall level of spend of approximately 6.5% of sales, and the ambition to drive improvements in organic ROCE of around 1% annually.

Disciplined Cash Allocation Policy remains unchanged

DSM's overall deployment of capital is expected to drive Adjusted EPS growth ahead of Adjusted EBITDA growth. DSM's cash allocation policy remains unchanged and has a clear order of priority for cash deployment:

- Disciplined capex for organic growth: about 6.5% of annual sales;
- A stable, preferably rising dividend;
- Disciplined M&A, predominantly in Nutrition;
- In the absence of value-creating M&A, capital to be returned to shareholders.

DSM remains committed to maintaining a strong, investment grade credit rating.

DSM targets M&A predominantly in Nutrition given its growth potential, resilience, strong leadership position and value creation potential.

Review by Cluster

Nutrition

Underlying (business) is defined in this press release as the performance measures sales and Adjusted EBITDA, corrected for DSM's best estimate of the temporary vitamin effect due to exceptional supply disruptions in the industry in the first nine months, providing estimated additional sales of €415 million and a corresponding Adjusted EBITDA of €290 million.

These supply disruptions began already in November 2017. While we did not quantify an additional benefit in Q4 2017, we estimate a contribution of €40 million to total sales and a corresponding Adjusted EBITDA impact of €15 million. In the explanation of the sales and Adjusted EBITDA growth of total Nutrition and Animal Nutrition, comparisons are made versus the reported Q4 2017 figures, as well as the figures excluding these temporary vitamin effects.

Underlying

	full year		
in € million (estimated)	2018	2017	
Sales	5,722	5,579	3%
Adjusted EBITDA	1,117	1,053	6%
Adjusted EBITDA margin (%)	19.5%	18.9%	

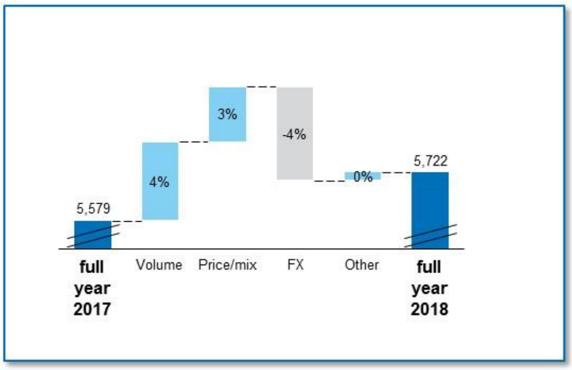
Temp. vitamin effect

	full year
in € million (estimated)	2018
Sales	415
Adjusted EBITDA	290

Total cluster

	full year					
in € million	2018	2017	% Change	Q4 2018	Q4 2017	% Change
Sales	6,137	5,579	10%	1,444	1,428	1%
Adjusted EBITDA	1,407	1,053	34%	270	267	1%
Adjusted EBITDA margin (%)	22.9%	18.9%		18.7%	18.7%	
Adjusted EBIT	1,111	770	44%	193	195	-1%
Capital Employed	5,683	5,420				
Average Capital Employed	5,574	5,447				
ROCE (%)	19.9%	14.1%				
Total Working Capital	1,410	1,339				
Average Total Working Capital as % of Sales	24.9%	26.6%				

Sales development (underlying business 2018)



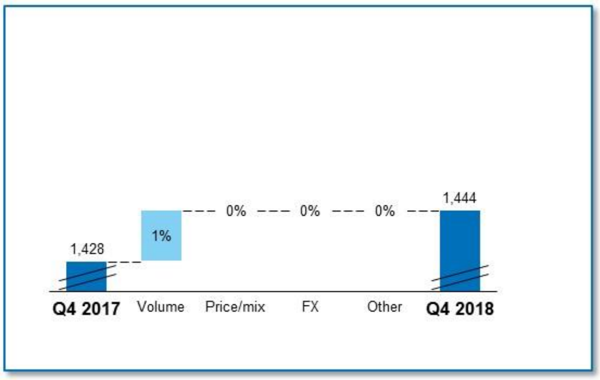
Full year 2018 organic sales

Nutrition realized 7% organic sales growth in the underlying business, with strong volumes, up 4%, as well as 3% price growth, supported by good conditions across most regions and market segments. Nutrition continues to deliver on its aspired above-market growth ambition through further leveraging its unique ‘global products & local solutions’ business model, supported by marketing & sales excellence and customer-led innovation.

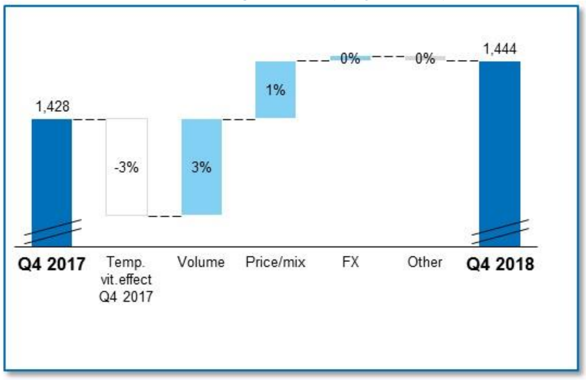
Q4 2018 organic sales

Nutrition reported 1% organic growth in the underlying business. However, when adjusted for the estimated €40 million temporary vitamin effect in Q4 2017, the organic sales growth was 4% with volumes up 3% and price 1%, despite a strong organic sales growth in prior year.

Sales development (reported)



Sales development (adjusted)



Full year 2018 Adjusted EBITDA

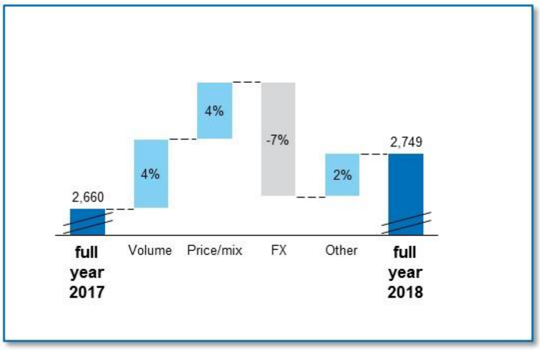
Adjusted EBITDA growth in the underlying business was 6% against a very strong prior year. This was driven by strong volume growth, pricing strength, and contributions from the savings and efficiency improvement programs, partly offset by significant negative foreign exchange effects. The Adjusted EBITDA margin in the underlying business was 19.5%, versus 18.9% over 2017.

Q4 2018 Adjusted EBITDA

Nutrition reported 1% growth in Adjusted EBITDA at an adjusted EBITDA margin of 18.7%. However, when adjusted for the estimated €15 million temporary vitamin effect in Q4 2017, the Adjusted EBITDA growth was 7% in the underlying business.

Animal Nutrition & Health (underlying business)

Sales development (underlying business 2018)



Full year 2018 organic sales

Animal Nutrition delivered a strong year, with 8% organic growth in the underlying business. Volumes showed 4% growth, achieved against a tough prior year. Business conditions in almost all regions were favorable in 2018. Sales to Brazil were softer due to temporary shut downs, mainly caused by strikes in Q2.

Prices in the underlying business increased by 4% driven by pricing initiatives to mitigate higher costs of sourced ingredients and the impact of negative exchange rate developments. Furthermore, prices were supported by the effects of the 'Blue Skies policies' in China.

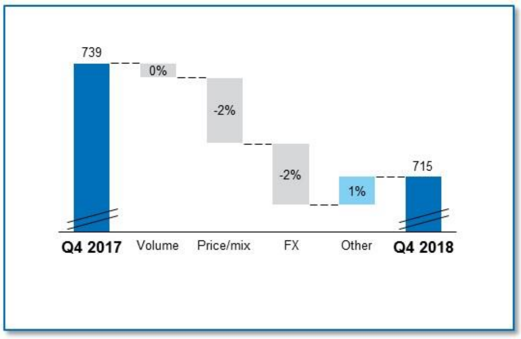
In 2018, DSM made significant progress in Veramaris®, the joint venture with Evonik to produce the omega-3 fatty acids EPA and DHA from natural marine algae as an alternative to fish oil-based omega-3. Norwegian salmon producer Lingalaks AS has started to replace fish oil by feeding 50 percent of their salmon a diet which includes omega-3 oil produced by Veramaris, in order to ensure greater sustainability and differentiation of their products. DSM also made good progress with Project Clean Cow, the new, highly innovative, feed solution that reduces methane emissions from cattle by more than 30%. DSM has successfully gathered the data needed to file for regulatory approvals in our targeted launch markets for this project.

Q4 2018 organic sales

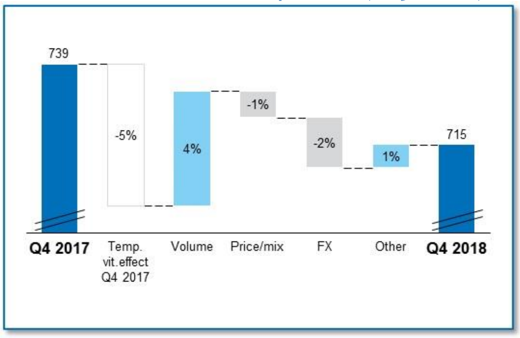
Q4 saw continued good business conditions across all regions. The effect from the African swine flu in China and Eastern Europe was largely mitigated by strong growth in other regions and species, demonstrating the resilience of DSM's integrated and diversified business model and our ability to address a wide range of species as well as a diversified geographical presence.

Animal reported -2% organic growth in the underlying business. Currencies had a slight 2% negative impact in the comparison with Q4 last year, with a weak Brazilian real largely compensated for by a stronger US dollar. However, when adjusted for the estimated €40 million temporary vitamin effect in Q4 2017, the organic sales growth was 3% with volumes up 4% and price -1%, despite a strong comparison.

Sales development (reported)

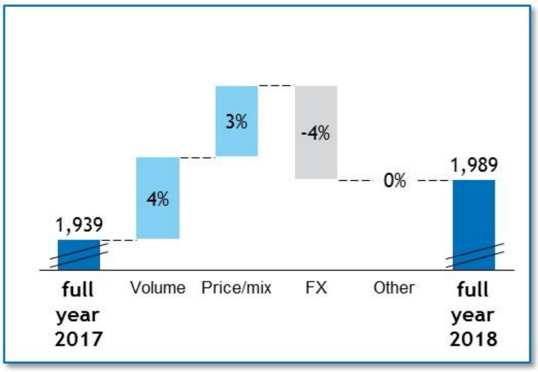


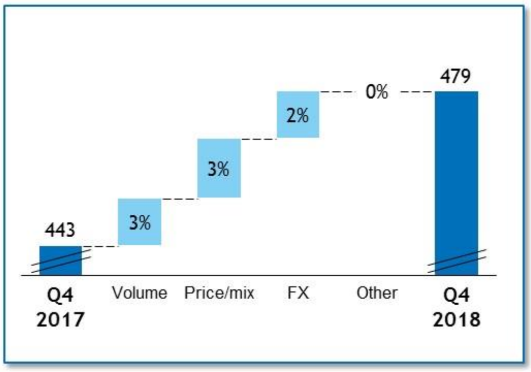
Sales development (adjusted)



Human Nutrition & Health (underlying business)

Sales development





Full year 2018 organic sales
Human Nutrition delivered a strong year with 7% organic growth and 4% volume growth. All regions and segments continued to perform well with an especially strong growth in dietary supplements, i-Health and the pharma segment. Early life nutrition showed solid performance in all regions. Construction started on DSM's second premix solutions facility in Poland, which will be exclusively dedicated to the maternal and infant nutrition market. Sales to food & beverages continued to develop well driven by tailored multiple-ingredient premix solutions, supported by marketing & sales excellence and local application know-how.

Prices were up by 3% driven by a combination of a favorable mix due to strong growth in premix and i-Health, as well as benefits from higher prices for premix and advanced formulations, supported by the effects of the 'Blue Skies policies' in China.

Q4 2018 organic sales
Volumes grew with 3%, with continued good sales in all regions. Segment-wise, Dietary Supplements, i-Health and Pharma performed strong. Early Life Nutrition and Food & Beverages maintained their solid performance across all regions. Premix solutions across the segments performed strong.

Prices were up with 3%, in line with the first three quarters of 2018.

Food Specialties

Full year 2018 sales were 9% lower compared to 2017, due to the deconsolidation of Yantai Andre Pectin and negative currency effects. Good sales growth in Hydrocolloids, Enzymes & Cultures were partly off-set by soft sales in savory ingredients caused by capacity limitations early in the year that prevented the business from fully capitalizing on the positive market conditions. This resulted in an overall organic growth of 1%.

After a successful initial market introduction in North America in mid-2018, DSM accelerated its large innovation project for fermentative 'Stevia' by establishing a joint venture with Cargill as announced last November. Stevia is a zero-calorie, cost-effective sweetener that can substitute sugar in food and beverages.

On 4 February 2019, DSM announced that it agreed to increase its shareholding in Andre Pectin from 29% to 75%. In view of the transaction, DSM will consolidate the activities of Andre Pectin in its group results again in 2019. The transaction is expected to close in Q1/Q2 2019.

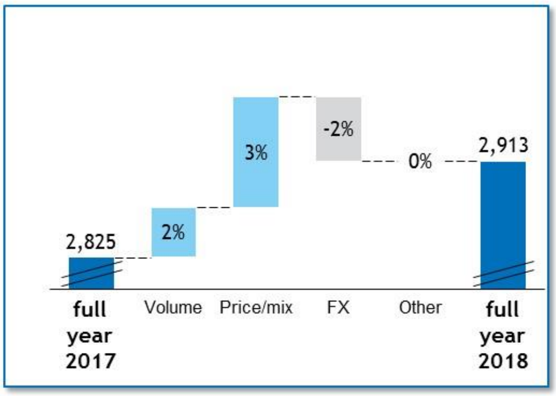
Personal Care & Aroma Ingredients

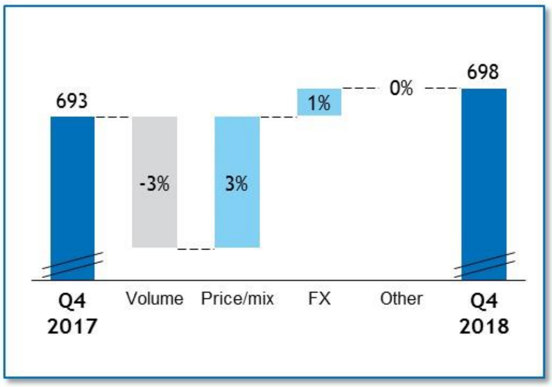
Full year 2018 sales were up 8%, with a very strong 11% organic growth, partly offset by 3% less favorable currencies. All personal care product lines, including sun-, skin- and hair care delivered good above-market growth, whereas aroma ingredients performed very strong in 2018. Successful commercialization of the innovation pipeline further contributed to a very good year for the business.

Materials

in € million	2018 (full year)	2017 (full year)	% Change (full year)	Q4 2018	Q4 2017	% Change
Sales	**2,913**	2,825	3%	**698**	693	1%
Adjusted EBITDA	**512**	488	5%	**119**	119	0%
Adjusted EBITDA margin (%)	**17.6%**	17.3%		**17.0%**	17.2%	
Adjusted EBIT	**383**	361	6%	**85**	86	-1%
Capital Employed	**1,878**	1,786				
Average Capital Employed	**1,856**	1,809				
ROCE (%)	**20.6%**	20.0%				
Total Working Capital	**376**	323				
Average Total Working Capital as % of Sales	**13.3%**	12.2%				

Sales development





Full year 2018 organic sales

In 2018, Materials reported 5% organic sales growth, driven by an increase of 2% in volumes and 3% in prices, mainly reflecting commercial pricing initiatives aimed at offsetting higher raw material costs.

- DSM Engineering Plastics delivered a solid performance in 2018 with 7% organic growth. After a strong H1, automotive demand in China and Europe as well as markets for mobile devices in Asia started to soften in the second half of 2018. There was some destocking in the value chain at year end. Business conditions in other segments remain robust.
- DSM Resins & Functional Materials faced a gradual slow-down in the building and construction markets in 2018. After a good start, market softened, resulting in a 2% organic growth for the year. In the fourth quarter, DSM saw a more pronounced destocking than in previous years, especially in powder coating resins. Functional Materials delivered another very good year, reflecting strong demand for these high-margin materials used in data infrastructure.
- DSM Dyneema had a very strong performance throughout 2018 with 6% organic growth, driven by continued high demand in personal protection. Construction of new production lines has started in the US and the Netherlands to fulfil the growing demand, especially for law enforcement.

Q4 2018 organic sales

Materials reported flat organic sales growth in Q4, with 3% lower volumes, as a result of lower sales in resins as well as some end-of-year destocking in both engineering plastics and resins. The 3% price growth largely reflects initiatives to offset higher input costs.

Full year 2018 Adjusted EBITDA was up 5%, driven by good volume growth and DSM's continuing shift towards a specialty portfolio, and despite a negative foreign exchange effect. This "silent transformation" is also reflected in the 2018 Adjusted EBITDA margin of 17.6%, versus 17.3% in 2017.

Q4 2018 Adjusted EBITDA of €119 million was in line with the same period in 2017, despite softness in some of its end-markets and some destocking effects.

Innovation Center

in € million	2018 (full year)	2017 (full year)	% Change	Q4 2018	Q4 2017	% Change
Sales	**172**	169	2%	**54**	43	26%
Adjusted EBITDA	**8**	9		**7**	4	
Adjusted EBIT	**-14**	-30		**2**	-1	
Capital Employed	**597**	562				

Full Year 2018 sales were up 2%, with 5% organic sales growth largely offset by a weaker US dollar. DSM Biomedical volumes were up driven by strong sales in the drug delivery segment in H2. DSM Advanced Solar reported slightly lower volumes resulting from a slowdown in demand for solar panels following a policy change by the Chinese government to reduce the number of subsidized solar parks to be installed. DSM introduced a new generation of solar back sheets which is well received by the market. DSM Bio-based Products and Services made good progress in 2018, improving the robustness of the production technology for second-generation bio-ethanol and introducing a new generation of enzymes for first-generation bio-ethanol.

Adjusted EBITDA in the fourth quarter of 2018 benefitted from the collaboration and license agreement with Aerie Pharmaceuticals. 2018 Adjusted EBITDA was relatively stable compared with 2017. The Adjusted EBIT in 2017 included an impairment loss on the related assets.

Corporate Activities

in € million	2018 (full year)	2017 (full year)	Q4 2018	Q4 2017
Sales	**45**	59	**12**	12
Adjusted EBITDA	**-105**	-105	**-26**	-31
Adjusted EBIT	**-135**	-144	**-35**	-40

Full year 2018 Adjusted EBITDA was fully in line with 2017.

Condensed Cash Flow and (Operating) Working Capital

in € million	full year 2018	2017	Q4 2018	Q4 2017
Cash provided by Operating Activities	1,391	996	458	377
Operating Working Capital	2,138	1,938		
Average Operating Working Capital as % of Sales	24.0%	23.3%		
Total Working Capital	1,674	1,499		
Average Total Working Capital as % of Sales	18.7%	18.4%		

Cash flow from operating activities amounted to €1,391 million in the year 2018 showing an increase of €395 million (+40%) compared to the year 2017. Corrected for the temporary vitamin effect the cash from operating activities amounted to €1,126 million, an increase of 13%.

Total Working Capital amounted to €1,674 million at the end of 2018 compared to €1,499 million at the end of 2017. Average Total Working Capital as a percentage of sales amounted to 18.7%, slightly up compared to 2017, partly due to the temporary vitamin effect in Nutrition during 2018.

Overview of Alternative Performance Measures (APM)

The following overview gives a summary of the APM adjustments to EBIT(DA) for the year 2018 (for reconciliation see page 16).

Nutrition: EBITDA adjustments amounted to -€27 million of which -€23 million costs related to the profit improvement programs, -€4 million to acquisition related costs, +€11 million profit followed the deconsolidation of Yantai Andre Pectin and the subsequent revaluation of the equity interest to fair value and -€11 million remeasured earn-out arrangement. EBIT adjustments amounted to -€60 million including -€33 million asset impairment.

Materials: EBITDA adjustments amounted to -€23 million fully related to restructuring. EBIT adjustments amounted to -€22 million including +€2 million reversal of an asset impairment and -€1 million impairment of an asset.

Innovation: EBITDA adjustments amounted to -€1 million (EBIT -€1 million) all related to restructuring programs.

Corporate Activities: EBITDA adjustments amounted to -€17 million (EBIT -€17 million) of which -€21 million related to restructuring programs and +€4 million to a received earn-out from a previous divestment.

Alternative Performance Measures (APM) related to the profit of associates / joint control entities

APM adjustments related to associates / joint control entities amounted to a net result of €122 million mainly due to the gain on disposal of DSM Sinochem Pharmaceuticals.

Events after balance sheet date

On 29 January 2019 DSM announced the intention to create a 75%/25% joint venture with Nenter & Co which will include Nenter's Vitamin E production. DSM will acquire a 75% shareholding in the new entity for a cash consideration of about €135 million. The transaction is subject to several regulatory approvals and expected to close in Q2/Q3 2019. As of the date of gaining control DSM will consolidate the entity.

On 4 February 2019 DSM announced that it agreed to increase its shareholding in Andre Pectin from 29% to 75% by purchasing an additional 46% stake for a consideration of about €150 million. In view of the transaction, DSM will consolidate the activities of Andre Pectin in its group results again in 2019. The transaction is expected to close in Q1/Q2 2019.

Implementation IFRS 16 on 'Leases'

DSM has implemented IFRS 16 on 'Leases' as of 1 January 2019. In order to provide as much clarity as possible, we will show separately the impact of IFRS 16 on our business. The recognition of the leases as of 1 January 2019, will result in an impact of around €208 million on the balance sheet, and a reclassification of lease expenses from operating expenses to depreciation/amortization and financial expenses which is estimated to be around €45 million on an annual basis. The impact on ROCE is estimated to be -30 bps. It should be noted that these are management estimates based on assumptions and contract data gathered up to and including 2018.

Condensed consolidated statement of income for the full year

in € million	full year 2018	full year 2017
Sales	9,267	8,632
EBITDA	1,754	1,348
Operating profit (EBIT)	1,245	846
Financial income and expense	-101	-104
Profit before income tax expense	1,144	742
Income tax expense	-194	-115
Share of the profit of associates/ joint control entities	129	1,154
Net profit	1,079	1,781
Of which:		
Profit attributable to non-controlling interests	-2	-12
Net profit attributable to equity holders of DSM	1,077	1,769
Dividend on cumulative preference shares	-8	-8
Net profit available to holders of ordinary shares	1,069	1,761
Depreciation and amortization	509	502

Reconciliation to Alternative Performance Measures for the full year

in € million	full year 2018	full year 2017
EBITDA	1,754	1,348
Acquisitions/divestments	-11	11
Restructuring	68	60
Other	11	26
Sub-total APM adjustments to EBITDA	68	97
Adjusted EBITDA	1,822	1,445
Operating profit (EBIT)	1,245	846
APM adjustments to EBITDA	68	97
Impairments of PPE and Intangible assets	32	14
Sub-total APM adjustments to operating profit (EBIT)	100	111
Adjusted operating profit (EBIT)	1,345	957
Net profit	1,079	1,781
APM adjustments to operating profit (EBIT)	100	111
APM adjustments to financial income and expense	0	0
Income tax related to APM adjustments	-23	-28
APM adjustments to share of the profit of associates/joint control entities	-122	-1,158
Sub-total APM adjustments to net profit	-45	-1,075
Adjusted net profit	1,034	706
Net profit available to holders of ordinary shares	1,069	1,761
APM adjustments to net profit	-45	-1,075
Adjusted net profit available to holders of ordinary shares	1,024	686

Condensed consolidated statement of income for the fourth quarter

in € million	Q4 2018	Q4 2017
Sales	2,208	2,176
EBITDA	340	316
Operating profit (EBIT)	196	199
Financial income and expense	-26	-11
Profit before income tax expense	170	188
Income tax expense	-23	-19
Share of the profit of associates/ joint control entities	111	9
Net profit	258	178
Of which:		
Profit attributable to non-controlling interests	0	-5
Net profit attributable to equity holders of DSM	258	173
Dividend on cumulative preference shares	-2	-2
Net profit available to holders of ordinary shares	256	171
Depreciation and amortization	144	117

Reconciliation to Alternative Performance Measures for the fourth quarter

in € million	Q4 2018	Q4 2017
EBITDA	340	316
Acquisitions/divestments	1	3
Restructuring	17	13
Other	12	27
Sub-total APM adjustments to EBITDA	30	43
Adjusted EBITDA	370	359
Operating profit (EBIT)	196	199
APM adjustments to EBITDA	30	43
Impairments of PPE and Intangible assets	19	-2
Sub-total APM adjustments to operating profit (EBIT)	49	41
Adjusted operating profit (EBIT)	245	240
Net profit	258	178
APM adjustments to operating profit (EBIT)	49	41
APM adjustments to financial income and expense	0	0
Income tax related to APM adjustments	-9	-11
APM adjustments to share of the profit of associates/joint control entities	-116	-6
Sub-total APM adjustments to net profit	-76	24
Adjusted net profit	182	202
Net profit available to holders of ordinary shares	256	171
APM adjustments to net profit	-76	24
Adjusted net profit available to holders of ordinary shares	180	195

Condensed Consolidated Balance Sheet

in € million	year-end 2018	year-end 2017
Intangible Assets	3,090	3,058
Property, Plant & Equipment	3,511	3,313
Deferred Tax Assets	248	281
Share in Associates & Joint Ventures	205	227
Financial derivatives	14	16
Other Financial Assets	263	475
Non-Current Assets	7,331	7,370
Inventories	1,993	1,848
Trade Receivables	1,575	1,542
Income tax receivables	83	55
Other Current Receivables	80	93
Financial Derivatives	21	41
Current Investments	1,277	954
Cash & Cash Equivalents	1,281	899
Current Assets	6,310	5,432
Total Assets	13,641	12,802

Shareholders' Equity	7,782	6,962
Non-controlling interest	33	103
Equity	7,815	7,065
Deferred Tax Liabilities	254	259
Employee Benefits Liabilities	413	356
Provisions	116	151
Borrowings	2,272	2,551
Financial derivatives	3	4
Other Non-current Liabilities	197	188
Non-current liabilities	3,255	3,509
Employee Benefits	46	39
Provisions	37	53
Borrowings	380	77
Financial Derivatives	51	20
Trade Payables	1,430	1,452
Income tax payable	100	51
Other Current Liabilities	527	536
Current Liabilities	2,571	2,228
Total Equity and Liabilities	13,641	12,802

Net debt	113	742
Equity/Total Assets	57%	55%

Condensed Consolidated Cash Flow Statement

in € million	full year 2018	2017
Cash, Cash Equivalents and Current Investments (at beginning of period)	1,853	1,548
Current Investments (at beginning of period)	954	944
Cash & Cash Equivalents (at beginning of period)	899	604
Operating Activities		
EBITDA	1,754	1,348
Change in Working Capital	-238	-237
Income Tax	-107	-66
Other	-18	-49
Cash provided by Operating Activities (Operating cash flow)	1,391	996
Investing Activities		
Capital Expenditures	-673	-547
Payments regarding drawing rights	-20	-8
Acquisitions	-22	-242
Disposal of Subsidiaries, Businesses & Associates	316	1,525
Disposal of Other Non-current Assets	19	21
Change in Fixed-term Deposits	-322	-33
Interest Received	20	30
Dividend and capital (re)payments	-75	-94
Other	152	37
Cash used in Investing Activities	-605	689
Dividend	-225	-200
Interest Paid	-58	-163
Repurchase of shares	-236	-297
Proceeds from re-issued treasury shares	97	107
Proceeds from / repayments of corporate bonds		-750
Other Cash from/ used in Financing Activities	21	-41
Cash from / used in Financing Activities	-401	-1,344
Exchange Differences	-3	-46
Cash and Cash Equivalents (end of period)	1,281	899
Current Investment (end of period)	1,277	954
Cash and Cash Equivalents & Current Investments (end of period)	2,558	1,853

Geographical Information

full year 2018	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	2,299	3,301	195	1,403	574	938	95	113	264	85	**9,267**
in %	25	36	2	15	6	10	1	1	3	1	**100**
Net Sales by Destination											
in € million	405	2,229	597	2,070	1,081	1,131	233	322	906	293	**9,267**
in %	4	24	7	22	12	12	3	3	10	3	**100**
Total Assets (total DSM) in € million	5,094	2,732	143	2,778	939	1,064	132	170	482	107	**13,641**
Workforce (headcount, end of period)	3,827	5,069	523	3,281	2,214	4,104	556	204	904	295	**20,977**

full year 2017	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	2,193	2,560	182	1,430	669	1,024	82	123	285	84	**8,632**
in %	25	30	2	17	8	12	1	1	3	1	**100**
Net Sales by Destination											
in € million	316	2,074	564	1,918	1,059	1,117	200	299	820	265	**8,632**
in %	4	24	7	22	12	13	2	3	10	3	**100**
year-end 2017: Total Assets in € million	4,656	2,530	141	2,739	877	1,110	104	139	403	103	**12,802**
Workforce (headcount)	3,831	4,905	504	3,264	2,078	4,593	537	195	870	277	**21,054**

Notes to the condensed financial statements

Accounting policies and presentation
The consolidated financial statements of DSM for the year ended 31 December 2017 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These accounting policies are applied in this report including the adoption of IFRS 9 and IFRS 15 as reported in our semi-annual financial statements.

Audit
The financial statements and other reported data in this press release have not been audited.

Heerlen, 14 February 2019
The Managing Board

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

Financial calendar

First half of March 2019	Publication of Integrated Annual Report 2018
7 May 2019	Publication of the results of the first three months of 2019
8 May 2019	Annual General Meeting of Shareholders
1 August 2019	Publication of the first half year results of 2019
5 November 2019	Publication of the results of the first nine months of 2019

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Additional Information

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

DSM - Bright Science. Brighter Living.™

Royal DSM is a global purpose-led, science-based company in Nutrition, Health and Sustainable Living. DSM's purpose is to create brighter lives for all. DSM addresses with its products and solutions some of the world's biggest challenges whilst creating simultaneously economic-, environmental- and societal value for all its stakeholders; customers, employees, shareholders, and society-at-large. DSM delivers innovative solutions for human nutrition, animal nutrition, personal care and aroma, medical devices, green products and applications, and new mobility and connectivity. DSM and its associated companies deliver annual net sales of about €10 billion with approximately 23,000 employees. The company was founded in 1902 and is listed on Euronext Amsterdam.
More information can be found at www.dsm.com.

Or find us on:

Forward Looking Statements

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. The English language version of the press release is leading.