



Presentation to investors

9M 2018 results

ROYAL DSM
HEALTH NUTRITION MATERIALS



Safe harbor statement

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- More details on DSM's first nine months 2018 performance can be found in the first nine months 2018 results press release, published together with this presentation. A more comprehensive discussion of the risk factors affecting DSM's business can be found in the company's latest Annual Report, which can be found on the company's corporate website, www.dsm.com

Highlights first nine months 2018

- DSM reports a very good Q3, contributing to a strong first nine months
- Strong organic sales growth in underlying business at 8%
- Underlying Adjusted EBITDA growth at 7%, despite significant negative FX
- ROCE of underlying business at 13.6%, up 130 bps
- Total temporary vitamin price benefit of €290m on Adjusted EBITDA
- Total Adjusted EBITDA up 34%; Net profit €821m
- Cash from Operating Activities €933m up 51%
- Full year outlook unchanged

Highlights Q3 2018

- DSM reports a very good Q3
- Continued good underlying organic sales growth at 5%
- Underlying Adjusted EBITDA growth at 7%, despite the negative FX impact
- Nutrition (underlying business): 7% organic sales growth and 10% Adjusted EBITDA growth
- Materials: 3% organic sales growth and Adjusted EBITDA growth of 3%
- Additional temporary vitamin price benefit of €15m on Adjusted EBITDA
- Total Adjusted EBITDA up 11%

Quote from CEO Feike Sijbesma



Feike Sijbesma
CEO / Chairman of
the DSM Managing Board

“We are delighted to report another very good quarter and are confident that we can achieve our full year outlook. The continued organic sales and Adjusted EBITDA growth rates in the underlying business position us well for a strong year which would once again exceed our Strategy 2018 targets.”

While there are currently uncertainties around macro-economic developments, we see continued good business conditions in Nutrition and most of our Materials businesses. The strategic plan that we have successfully delivered over the past few years has resulted in a robust portfolio of solution-led, higher value specialty products in Nutrition, Health & Sustainable Living. We are well placed to move forward with our ambitious 2019-2021 strategy. Above market, innovation-led organic growth, as well as inorganic growth will enable us to deliver upon our 2021 strategic targets.”

Outlook 2018

DSM confirms its full year outlook 2018 and expects an Adjusted EBITDA growth of approximately 25% and a related higher ROCE growth. This is based on:

- ✓ a low double-digit Adjusted EBITDA growth in the underlying business at constant currencies,
- ✓ a negative foreign exchange effect on Adjusted EBITDA of about €70 million, and
- ✓ a total Adjusted EBITDA benefit for the full year estimated at €290 million from a temporary exceptional vitamin pricing environment

Key Q3 2018 YTD figures and indicators¹

in € million	<u>January - September 2018</u>			<u>Jan-Sept</u>	<u>% Change</u>			
	Underlying ¹ business	Temporary vitamin effect	Total Group	2017 Reported	Underlying ¹ organic growth	FX & 'other' ¹	Underlying ¹ total growth	Temporary vitamin effect
Sales	6,644	415	7,059	6,456	8%	-5%	3%	6%
Nutrition	4,278	415	4,693	4,151	9%	-6%	3%	10%
Materials	2,215		2,215	2,132	7%	-3%	4%	
Adjusted EBITDA	1,162	290	1,452	1,086			7%	27%
Nutrition	847	290	1,137	786			8%	37%
Materials	393		393	369			7%	
Innovation	1		1	5				
Corporate	-79		-79	-74				
EBITDA	1,124	290	1,414	1,032				
Adjusted EBITDA margin	17.5%		20.6%	16.8%				

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 vitamin effect

² Adjusted EBITDA is an Alternative Performance Measure (APM) that reflects continuing operations

Key Q3 2018 figures and indicators¹

in € million	<u>Q3 2018</u>			<u>Q3</u>	<u>% Change</u>			
	Underlying ¹ business	Temporary vitamin effect	Total Group	2017 Reported	Underlying ¹ organic growth	FX & 'other' ¹	Underlying ¹ total growth	Temporary vitamin effect
Sales	2,215	50	2,265	2,136	5%	-1%	4%	2%
Nutrition	1,438	50	1,488	1,373	7%	-2%	5%	3%
Materials	723		723	706	3%	-1%	2%	
Adjusted EBITDA	391	15	406	365			7%	4%
Nutrition	283	15	298	258			10%	6%
Materials	132		132	128			3%	
Innovation	1		1	4				
Corporate	-25		-25	-25				
EBITDA	370	15	385	343				
Adjusted EBITDA margin	17.7%		17.9%	17.1%				

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 vitamin effect.

² Adjusted EBITDA is an Alternative Performance Measure (APM) that reflects continuing operations.

Group | Key financials (incl. temporary vitamin effect)

in € million	January - September			Q3 2018	Q3 2017	% Change
	2018	2017	% Change			
Sales	7.059	6.456	9%	2.265	2.136	6%
Adjusted EBITDA	1.452	1.086	34%	406	365	11%
Adjusted EBITDA margin	20,6%	16,8%		17,9%	17,1%	
ROCE (%) ¹	18,4%	12,3%				
Effective tax rate ²	18,0%	18,0%				
Adjusted net profit ³	852	504	69%	209	166	26%
Net profit - Total DSM ³	821	1.603	-49%	188	1.291	-85%
Adjusted net EPS	4,82	2,81	71%	1,18	0,91	30%
Net EPS - Total DSM	4,64	9,09		1,06	7,34	
Operating cash flow	933	619	51%	430	290	48%

1 ROCE of underlying business at 13.6%, up 130 bps

2 Over Adjusted net taxable result

3 Including result attributed to non-controlling interest

Nutrition | Key financials

- Nutrition** continues to deliver on its above-market growth ambition through an expanding portfolio of higher-value feed and food solutions as well as through customer-led innovation and marketing & sales excellence. Customers are attracted by the strength of DSM's solutions-based offerings, helping to drive above-market growth

Underlying business

in € million (estimated)	January - September			Q3 2018	Q3 2017	% Change
	2018	2017	% Change			
Sales	4,278	4,151	3%	1,438	1,373	5%
Adjusted EBITDA	847	786	8%	283	258	10%
Adjusted EBITDA margin (%)	19,8%	18,9%		19,7%	18,8%	
ROCE (%)	15,1%	14,1%				

Temporary vitamin effect

in € million (estimated)	January - September		Q3 2018
	2018	2017	
Sales	415		50
Adjusted EBITDA	290		15

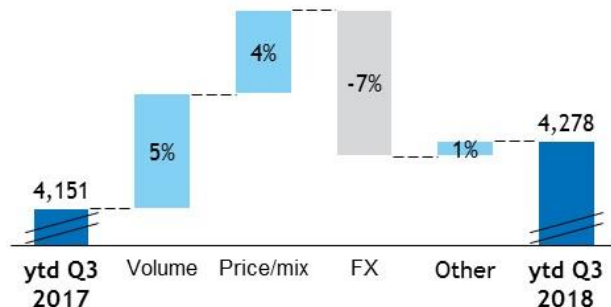
- Due to the exceptional supply disruptions in the industry, the first nine months further benefitted from €290 million **additional Adjusted EBITDA contribution** from an exceptional temporary vitamin price environment. Although prices had started to normalize by the end of H1, there was a small, residual positive effect in the third quarter of €15 million. This temporary vitamin price effect was mainly related to animal nutrition

Total cluster

in € million	January - September			Q3 2018	Q3 2017	% Change
	2018	2017	% Change			
Sales	4,693	4,151	13%	1,488	1,373	8%
Adjusted EBITDA	1,137	786	45%	298	258	16%
Adjusted EBITDA margin (%)	24,2%	18,9%		20,0%	18,8%	
Adjusted EBIT	918	575	60%	220	192	15%
Capital Employed	5,671	5,292				
Average Capital Employed	5,546	5,454				
ROCE (%)	22,1%	14,1%				
Total Working Capital	1,567	1,472				
Average Total Working Capital as % of Sales	24,9%	27,3%				

Nutrition | Business overview

Sales bridge | Q3 2017 to Q3 2018 YTD



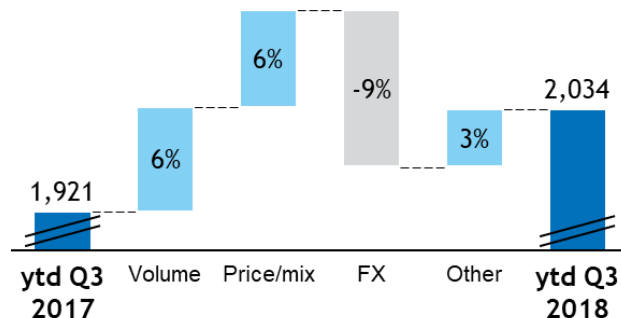
Sales bridge | Q3 2017 to Q3 2018



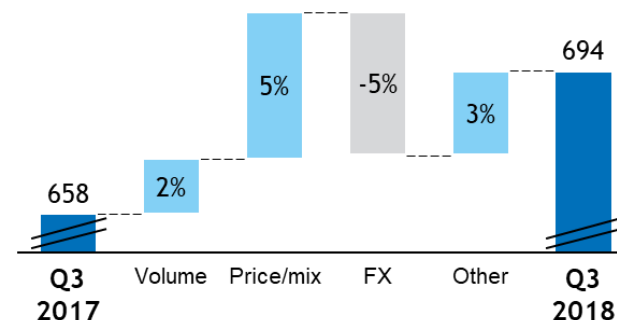
- **Nine months 2018 organic sales:** Nutrition realized 9% organic sales growth in the underlying business, with strong volumes, up 5%, as well as 4% price growth, supported by good conditions across most regions and market segments
- **Q3 2018 organic sales:** Nutrition delivered another very good quarter with 7% organic sales growth in the underlying business. Volumes were up 3%, achieved despite a challenging comparable prior year period in Animal Nutrition. Prices were 4% higher, in part reflecting price initiatives to offset higher input costs and negative foreign exchange effects, similar to the first half of 2018
- **Nine months 2018 Adjusted EBITDA:** Adjusted EBITDA growth in the underlying business was 8%. 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 was 19.8%, up 90 bps when compared to the same period in 2017
- **Q3 2018 Adjusted EBITDA:** Q3 saw another period of strong Adjusted EBITDA growth of 10% in the underlying business, slightly above the level of the first half of the year, including lower negative foreign exchange rate effects. The Adjusted EBITDA margin was 19.7%, a step-up of 90 bps versus Q3 2017

Animal nutrition & health | Sales overview

Sales bridge | Q3 2017 to Q3 2018 YTD



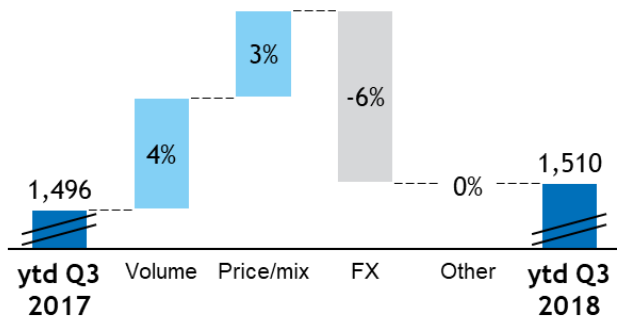
Sales bridge | Q3 2017 to Q3 2018



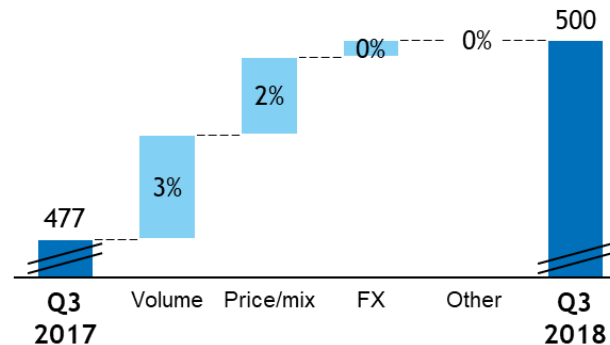
- Nine months 2018 organic sales:** Animal Nutrition delivered a strong year to date performance, with 6% volume growth in the underlying business. This was achieved against a tough prior year comparable period (8% volume growth in the first nine months of 2017). Prices in the underlying business increased by 6% driven by pricing initiatives to mitigate higher input costs and the impact of negative exchange rate developments. Furthermore, prices were supported by the effects of the ‘Blue Skies policies’ in China
- Q3 2018 organic sales:** Q3 saw continued good business conditions across regions, with especially strong sales in Asia. In China there was a minor impact from the outbreak of African swine flu, but these effects were largely compensated by increased demand for poultry, which highlights the benefit of DSM’s diversified presence over species and geographies. For Q3 DSM reported 2% volume growth against a tough comparison (14% in Q3 2017). This 2% included the residual effect from the Brazilian truckers’ strike in Q2 and the temporary shut-down of DSM-Tortuga’s Pecém operations following the fatal accident. Therefore, a normalized volume growth would have been about 4% in the quarter. Prices rose by 5%, in line with both Q1 and Q2

Human Nutrition & Health | Sales overview

Sales bridge | Q3 2017 to Q3 2018 YTD



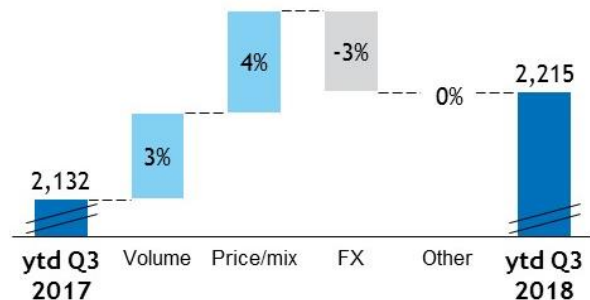
Sales bridge | Q3 2017 to Q3 2018



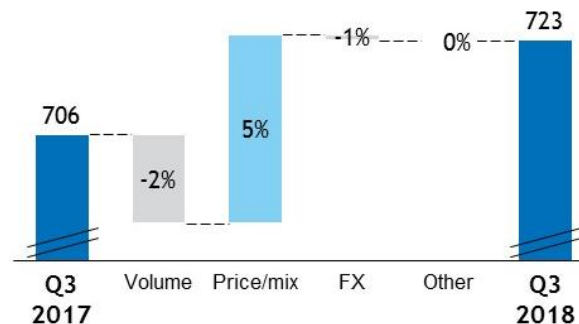
- Nine months 2018 organic sales:** Human Nutrition is well on track to deliver a strong year. All regions and segments continued to perform well with an especially strong growth in premix solutions and i-Health, resulting in an overall 4% volume growth year to date. Prices were up by 3% driven by a 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
- Q3 2018 organic sales:** Volumes grew with 3%, with good sales in Europe and North America, while Latin America and Asia were particularly strong. Segment-wise, Dietary Supplements and Pharma performed strong, while Early Life Nutrition maintained its good performance across all regions. Food & Beverages showed slightly softer sales in developed markets, maintaining good momentum in this segment where DSM can realize well above market growth through its pre-mix solutions. Prices were up with 2%, in line with H1

Materials | Sales overview

Sales bridge | Q3 2017 to Q3 2018 YTD



Sales bridge | Q3 2017 to Q3 2018



- Nine months 2018 organic sales:** Overall for the first nine months, Materials reported an organic sales growth of 7% with 3% higher volumes. Prices were 4% higher, mainly reflecting commercial pricing initiatives to offset higher raw material costs
- Q3 2018 organic sales:** Materials reported a 3% organic sales growth in Q3. Volumes were down 2%, driven by lower sales in Coating Resins. This reported -2% volume growth was against a tough comparison with last year when DSM reported 9% volume growth. The 5% price growth largely reflected initiatives to offset higher input costs

Materials| Sales overview (cont'd)

- **DSM Engineering Plastics** delivered a very strong sales performance in the first nine months of the year across all regions. Towards the end of Q3 automotive demand in China softened and automotive sales in Europe were temporary impacted by the implementation of the new WLTP-test requirements. Business conditions in all other segments continued to be good
- **DSM Resins & Functional Materials:** Coating resins in North America and Asia continued to show good performance year to date while there was a gradual slow-down in the European building and construction markets. Functional Materials are well on track to deliver a very good year, reflecting strong demand for these high margin materials for IT infrastructure
- **DSM Dyneema** had a very strong performance throughout the first nine months of 2018 driven by high demand in personal protection

Materials| Key financials

in € million	January - September			Q3 2018	Q3 2017	% Change
	2018	2017	% Change			
Sales	2,215	2,132	4%	723	706	2%
Adjusted EBITDA	393	369	7%	132	128	3%
Adjusted EBITDA margin (%)	17.7%	17.3%		18.3%	18.1%	
Adjusted EBIT	298	275	8%	99	98	1%
Capital Employed	1,890	1,811				
Average Capital Employed	1,850	1,814				
ROCE (%)	21.5%	20.2%				
Total Working Capital	415	368				
Average Total Working Capital as % of Sales	13.2%	12.3%				

- **Nine months 2018 Adjusted EBITDA** was up 7%, driven by good volume growth and DSM's continuing shift towards a specialty portfolio, despite a negative foreign exchange effect. The Adjusted EBITDA margin was 17.7%, versus 17.3% in the same period last year
- **Q3 2018 Adjusted EBITDA** was up 3% with an Adjusted EBITDA margin of 18.3%, versus 18.1% in Q3 2017

Innovation center | Key financials

in € million	January - September			Q3 2018	Q3 2017	% Change
	2018	2017	% Change			
Sales	118	126	-6%	43	42	2%
Adjusted EBITDA	1	5		1	4	
Adjusted EBIT	-16	-29		-4	-17	
Capital Employed	587	552				

- First nine months 2018 sales** were lower predominantly due to negative foreign exchange effects. The Emerging Business Areas started the year with slightly lower organic sales growth in H1. DSM Biomedical was impacted by timing of orders and DSM Advanced Solar saw a slowdown of sales following a policy change by the Chinese government to reduce the number of subsidized solar parks to be installed. Sales in DSM Biomedical picked up in Q3, resulting in an overall almost flat organic sales growth over the first nine months of the year
- Adjusted EBITDA in the first nine months of 2018** as well as Q3 2018 had a tough comparison with the same periods last year which included a one-time positive amount related to the release of a liability following the decision to stop a development project. The Adjusted EBIT included an impairment loss on the related assets in Q3 2017. Excluding this one-time effect, the Adjusted EBITDA from the operational activities of the Emerging Business Areas in the first nine months of this year were only slightly lower than same period last year

Corporate activities| Key financials

in € million	January - September		Q3 2018	Q3 2017
	2018	2017		
Sales	33	47	11	15
Adjusted EBITDA	-79	-74	-25	-25
Adjusted EBIT	-100	-104	-32	-34

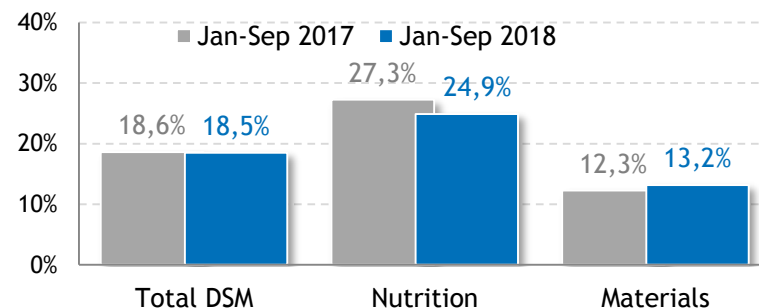
- **Nine months 2018 Adjusted EBITDA** was slightly below the first nine month of 2017, mainly due to higher insurance claims at DSM's captive insurance company in the first half of the year

Cash flow and Working Capital | Overview

Cash flow, Capital Expenditures and Financing

in € million	January - September		Q3 2018	Q3 2017
	2018	2017		
Cash provided by Operating Activities	933	619	430	290
Operating Working Capital	2.341	2.023		
Average Operating Working Capital as % of Sales	23,8%	23,7%		
Total Working Capital	1.853	1.635		
Average Total Working Capital as % of Sales	18,5%	18,6%		

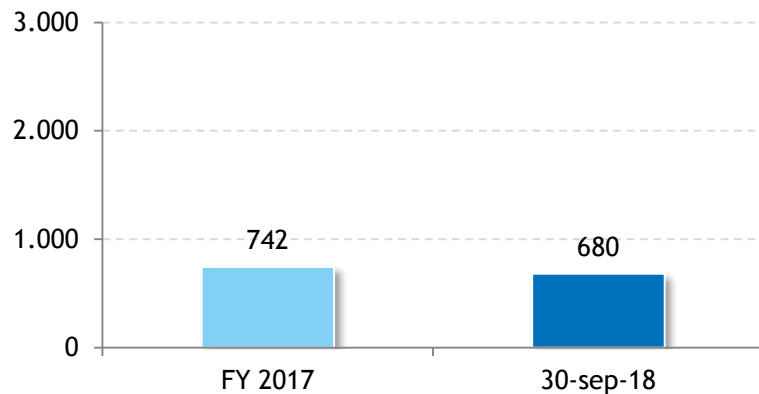
Average Total Working Capital %



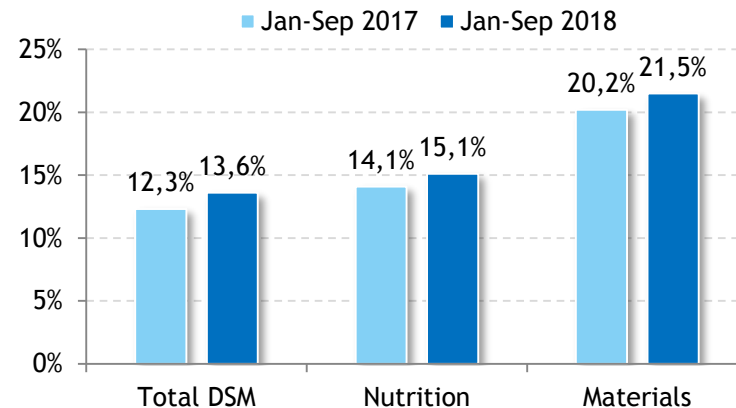
- Cash flow from operating activities** amounted to €933 million in the first nine months of 2018 showing an increase of €314 million (+51%) compared to the first nine months of 2017
- Total Working Capital** amounted to €1,853 million at the end of Q3 2018 compared to €1,635 million at the end of Q3 2017. Average Total Working capital as a percentage of sales amounted to 18.5%. The increase in Operating Working Capital was due inventory build-up in view of the scheduled maintenance stops in Q4 2018 as well as higher receivables as a result of higher sales levels in Nutrition

Net debt and ROCE | Overview

Net debt



ROCE (estimation of underlying business)



- **Net debt** was €680 million, down from €831 million at the end of H1 2018 (and down from €742m at the end of 2017)
- **ROCE** of underlying business up 130bps to 13.6%
 - Including temporary vitamin effect, first nine months 2018 ROCE was 18.4%



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