Public

Press Release

32E

Heerlen (NL), 1 August 2019

DSM reports H1 2019 results

Highlights[1,2,3]

- DSM reports a good H1
- Results compared to Underlying business in H1 2018:
  - Group sales +3%, Adjusted EBITDA up 12% (including 3% from IFRS 16)
  - Nutrition: organic sales +4%, Adjusted EBITDA up 13% (including 2% from IFRS 16)
  - Materials: organic sales -6%, Adjusted EBITDA flat (including 1% from IFRS 16)
- Adjusted Net Operating Free Cash Flow €257m, up 14% versus H1 2018
- Total Net profit €401m, up versus H1 2018 of €633m when correcting for the temporary vitamin effect of €275m EBITDA following an exceptional supply disruption in the industry
- Interim dividend of €0.77 per ordinary share
- Full year outlook maintained

Key figures and indicators

in € million	H1 2019	H1 2018			% Change				
		Underlying[1] business	Temp. vitamin effect	Total Group	Underlying[1] Organic growth	FX & 'other'[1]	Underlying[1] total growth	Temporary vitamin effect	Total Group
Sales	4,568	4,429	365	4,794	1%	2%	3%	-8%	-5%
Nutrition	3,029	2,840	365	3,205	4%	3%	7%	-12%	-5%
Materials	1,427	1,492		1,492	-6%	2%	-4%		-4%
Adjusted EBITDA	862	771	275	1,046			12%	-30%	-18%
Nutrition	639	564	275	839			13%	-37%	-24%
Materials	262	261		261			0%		0%
Innovation	11	0		0					
Corporate	-50	-54		-54					
EBITDA	823	754	275	1,029					
Adjusted EBITDA margin	18.9%	17.4%		21.8%					

CEO statement

Feike Sijbesma, CEO/Chairman DSM Managing Board, commented: *"I am pleased to report a good performance for the first half year, achieved against a challenging macro-economic environment. The Nutrition business saw continued good business conditions and delivered a strong performance, demonstrating the quality of its innovative portfolio of value-added solutions. Materials experienced ongoing soft market conditions in some of its end-markets, especially in China. Through a continued strong performance in the Dyneema and Functional Materials businesses, combined with good margin management, our Materials business demonstrated resilience with stable earnings.*

DSM continues to be well positioned to deliver on our ambitious Strategy 2021 targets, driven by our commitment to be a purpose led, performance driven science-based company in Nutrition, Health and Sustainable Living. We reiterate our outlook for the full year."

[1] In 2018 DSM benefitted from a temporary vitamin effect (see page 6). Underlying (business) is defined as the performance measure sales and Adjusted EBITDA, corrected for DSM's best estimate of this temporary vitamin effect.

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

[3] DSM adopted IFRS 16 as per its effective date of 1 January 2019 and has not restated 2018 (see page 23).

Q2 Highlights[1,2,3]

- DSM reports another good quarter
- Results compared to Underlying business in Q2 2018:
  - Group sales +3%, Adjusted EBITDA up 10% (including 3% impact from IFRS 16)
  - Nutrition: organic sales +4%, Adjusted EBITDA up 13% (including 3% impact from IFRS 16)
  - Materials: organic sales -7%, Adjusted EBITDA flat (including 1% impact from IFRS 16)

Key figures and indicators

in € million	Q2 2019	Q2 2018			% Change				
		Underlying[1] business	Temp. vitamin effect	Total Group	Underlying[1] Organic growth	FX & 'other'[1]	Underlying[1] total growth	Temporary vitamin effect	Total Group
Sales	2,276	2,214	145	2,359	1%	2%	3%	-7%	-4%
Nutrition	1,512	1,410	145	1,555	4%	3%	7%	-10%	-3%
Materials	710	754		754	-7%	1%	-6%		-6%
Adjusted EBITDA	438	398	110	508			10%	-24%	-14%
Nutrition	323	287	110	397			13%	-32%	-19%
Materials	135	135		135			0%		0%
Innovation	5	1		1					
Corporate	-25	-25		-25					
EBITDA	407	393	110	503					
Adjusted EBITDA margin	19.2%	18.0%		21.5%					

Outlook 2019

DSM maintains its full year outlook as provided at Q1 2019: DSM expects to deliver a full year 2019 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 IFRS 16 (see page 23).

Share Buy-Back program

On 1 April 2019, DSM commenced its ordinary share repurchase program of an aggregate market value of €1 billion, with the intention to reduce its issued capital, as first announced on 14 February 2019. This program is in addition to the regular repurchase programs to cover commitments under share-based compensation plans and the stock dividend. As per 30 June DSM has repurchased 2.6 million shares for a total consideration of €265 million; 2 million shares relate to the regular repurchase programs and 0.6 million shares relate to the €1 billion share buy-back program.

[1] In 2018 DSM benefitted from a temporary vitamin effect (see page 6). Underlying (business) is defined as the performance measure sales and Adjusted EBITDA, corrected for DSM's best estimate of this temporary vitamin effect.
[2] Adjusted EBITDA is an Alternative Performance Measure (APM) that reflects continuing operations.
[3] DSM adopted IFRS 16 as per its effective date of 1 January 2019 and has not restated 2018 (see page 23).

Key figures and indicators (comparison with H1 2018 *excluding* temporary vitamin effect)

in € million	YTD H1 2019	H1 2018	% Change	Volume	Price / mix	FX	Other
Sales	**4,568**	4,429	3%	1%	0%	2%	0%
Nutrition	**3,029**	2,840	7%	4%	0%	2%	1%
Materials	**1,427**	1,492	-4%	-5%	-1%	2%	0%
Innovation Center	**90**	75					
Corporate Activities	**22**	22					

in € million	Q2 2019	Q2 2018	% Change	Volume	Price / mix	FX	Other
Sales	**2,276**	2,214	3%	1%	0%	2%	0%
Nutrition	**1,512**	1,410	7%	3%	1%	2%	1%
Materials	**710**	754	-6%	-5%	-2%	1%	0%
Innovation Center	**43**	39					
Corporate Activities	**11**	11					

H1 2019 including IFRS 16 impact in € million	H1 2019	H1 2018	% Change	Q2 2019	Q2 2018	% Change
Sales	**4,568**	4,429	3%	**2,276**	2,214	3%
Adjusted EBITDA	**862**	771	12%	**438**	398	10%
Nutrition	**639**	564	13%	**323**	287	13%
Materials	**262**	261	0%	**135**	135	0%
Innovation Center	**11**	0		**5**	1	
Corporate Activities	**-50**	-54		**-25**	-25	
Adjusted EBITDA margin	**18.9%**	17.4%		**19.2%**	18.0%	
ROCE (%)	**13.1%**	13.8%				

H1 2019 excluding IFRS 16 impact in € million	H1 2019	H1 2018	% Change	Q2 2019	Q2 2018	% Change
Adjusted EBITDA	**837**	771	9%	**425**	398	7%
Nutrition	**625**	564	11%	**316**	287	10%
Materials	**259**	261	-1%	**133**	135	-1%
Innovation Center	**10**	0		**5**	1	
Corporate Activities	**-57**	-54		**-29**	-25	
Adjusted EBITDA margin	**18.3%**	17.4%		**18.7%**	18.0%	
ROCE (%)	**13.4%**	13.8%				

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';*
- *'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.*

Key figures and indicators (comparison with H1 2018 *including* temporary vitamin effect)

in € million	H1 2019	H1 2018	% Change	Volume	Price / mix	FX	Other
Sales	**4,568**	4,794	-5%	1%	-8%	2%	0%
Nutrition	**3,029**	3,205	-5%	4%	-12%	2%	1%
Materials	**1,427**	1,492	-4%	-5%	-1%	2%	0%
Innovation Center	**90**	75					
Corporate Activities	**22**	22					

in € million	Q2 2019	Q2 2018	% Change	Volume	Price / mix	FX	Other
Sales	**2,276**	2,359	-4%	2%	-8%	2%	0%
Nutrition	**1,512**	1,555	-3%	5%	-11%	2%	1%
Materials	**710**	754	-6%	-5%	-2%	1%	0%
Innovation Center	**43**	39					
Corporate Activities	**11**	11					

	YTD					
in € million, including IFRS 16 impact, where applicable	H1 2019	H1 2018	% Change	Q2 2019	Q2 2018	% Change
Sales	**4,568**	4,794	-5%	**2,276**	2,359	-4%
Adjusted EBITDA	**862**	1,046	-18%	**438**	508	-14%
Nutrition	**639**	839	-24%	**323**	397	-19%
Materials	**262**	261	0%	**135**	135	0%
Innovation Center	**11**	0		**5**	1	
Corporate Activities	**-50**	-54		**-25**	-25	
Adjusted EBITDA margin	**18.9%**	21.8%		**19.2%**	21.5%	
EBITDA	**823**	1,029		**407**	503	
Adjusted EBIT	**568**	817	-30%	**289**	394	-27%
EBIT	**518**	800		**247**	389	
Capital Employed	**8,735**	8,115				
Average Capital Employed	**8,680**	7,874				
ROCE (%)	**13.1%**	20.8%				
Effective tax rate[1]	**18.0%**	18.0%				
Adjusted net profit[2]	**415**	643	-35%	**215**	306	-30%
Net profit - Total DSM[2]	**401**	633	-37%	**205**	302	-32%
Adjusted net EPS	**2.32**	3.64	-36%	**1.20**	1.73	-31%
Net EPS - Total DSM	**2.24**	3.58		**1.14**	1.70	
Operating cash flow	**507**	503	1%	**306**	193	59%
Adjusted Net Operating Free Cash Flow	**257**	226	14%	**197**	72	174%
Capital expenditures[3]	**264**	295		**116**	125	
Net debt[4]	**589**	831				
Average number of ordinary shares	**176.3**	175.0		**176.5**	175.2	
Workforce (headcount end of period)	**21,595**	20,977 [5]				

[1] Over Adjusted taxable result
[2] Including result attributed to non-controlling interest
[3] Cash, net of customer funding, investment grants and excluding leases
[4] Net debt end of H1 2019 includes €202 million following the adoption of IFRS 16 on 'Leases'
[5] Year-end 2018

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

In 2018, DSM presented its strategic update, 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 together with increased customer centricity and its large innovation projects, will drive above-market growth. Concurrently, 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 given its growth potential, resilience, strong leadership position and value creation potential.

The following table describes the ambitious targets for profit growth and cash generation for the period 2019 – 2021, as well as the ambitions underpinning these.

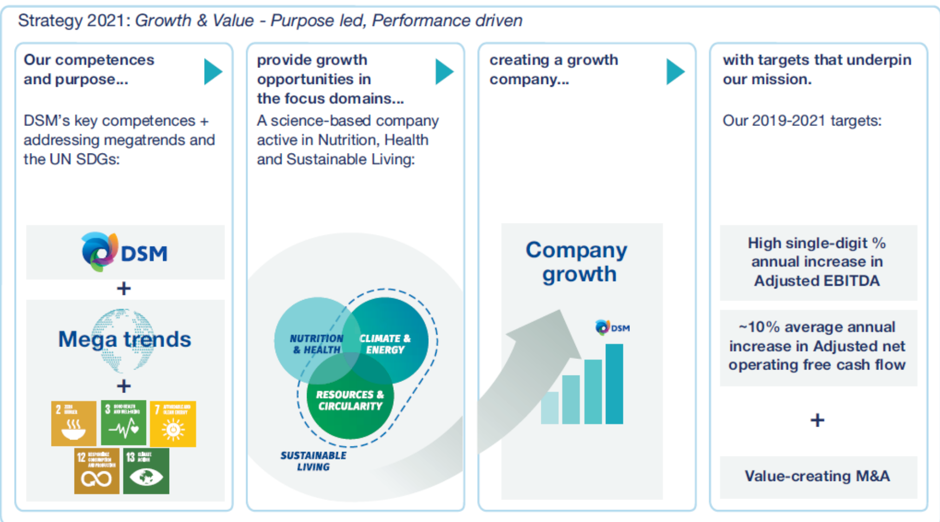
2021 targets[1]	Ambitions underpinning our targets[1]	
High single-digit percentage annual **Adjusted EBITDA** increase	1. **Sales**	Above-market sales growth (~5%) for Total DSM, Nutrition and Materials
	2. **Adjusted EBITDA margin**	Nutrition: >20% Materials: 18–20%
~10% average annual **Adjusted net 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 the UN Sustainable Development Goals (SDGs), with emphasis on Nutrition & Health, Climate & Energy and Resources & Circularity. DSM will therefore further evolve into a Nutrition, Health and Sustainable Living company.

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.



Review by Cluster

Nutrition

Underlying business

'Underlying' business is defined as the sales and Adjusted EBITDA, corrected for the temporary vitamin effect due to exceptional supply disruptions in the industry which occurred in the first nine months of 2018. This event provided additional sales for €365 million and a corresponding Adjusted EBITDA of €275 million in H1 2018, as estimated and reported last year.

in € million (estimated)	H1 2019	H1 2018		Q2 2019	Q2 2018	
Sales	3,029	2,840	7%	1,512	1,410	7%
Adjusted EBITDA[1]	639	564	13%	323	287	13%
Adjusted EBITDA margin (%)[1]	21.1%	19.9%		21.4%	20.4%	
ROCE (%)	15.1%	15.4%				

Temporary vitamin effect

in € million (estimated)	temp. vit.effect H1 2018	temp. vit.effect Q2 2018
Sales	365	145
Adjusted EBITDA	275	110

Total cluster

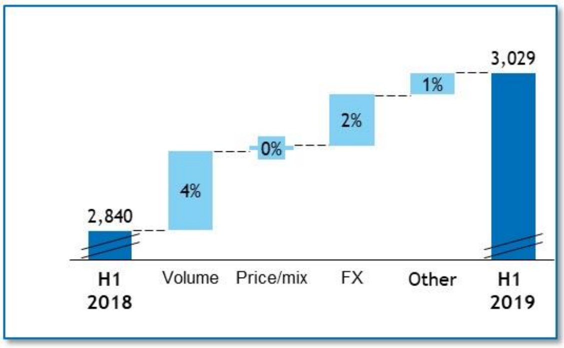
in € million	H1 2019	H1 2018	% Change	Q2 2019	Q2 2018	% Change
Sales	3,029	3,205	-5%	1,512	1,555	-3%
Adjusted EBITDA[1]	639	839	-24%	323	397	-19%
Adjusted EBITDA margin (%)[1]	21.1%	26.2%		21.4%	25.5%	
Adjusted EBIT	462	698	-34%	234	328	-29%
Capital Employed	6,289	5,689				
Average Capital Employed	6,127	5,505				
ROCE (%)	15.1%	25.4%				
Total Working Capital	1,684	1,669				
Average Total Working Capital as % of Sales	27.2%	24.3%				

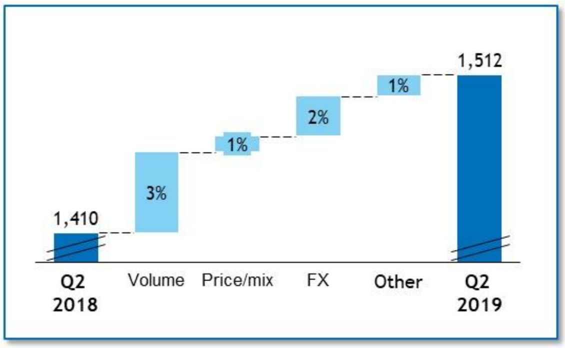
[1] Including IFRS 16 impact of €7 million in Q2 2019 and €14 million in H1 2019

Nutrition

Nutrition is ideally positioned to capture the growth opportunities offered by the UN Sustainable Development Goals and global megatrends such as solutions against malnutrition, addressing the need for healthier diets and diversified proteins, preventing non-communicable diseases, enabling a more sustainable production of food and feed, as well as avoiding food loss and waste. Nutrition focuses on continued above-market growth through expanding its portfolio of higher-value feed, food and personal care solutions, as well as through customer centricity programs and sustainability-driven innovation projects.

Sales development





All comparisons on this page are versus the Underlying business in H1 2018

H1 2019 sales
Nutrition saw good business conditions across regions and business segments. Nutrition realized 4% -volume driven- organic growth, against 10% in H1 2018. Total sales were 7% higher compared to H1 2018 including 1% from the consolidation of Andre Pectin.

Q2 2019 sales
Overall, Nutrition reported 4% organic growth, which was -as in Q1 2019- largely driven by volume.

H1 2019 Adjusted EBITDA
The Adjusted EBITDA growth was 13%, including a 2% contribution from the IFRS 16 effect and 1% from Andre Pectin (€10 million), driven by higher volumes, lower costs and positive foreign exchange effects. The adjusted EBITDA margin was 21.1% (including a 0.5% impact from IFRS 16) versus 19.9% in H1 2018.

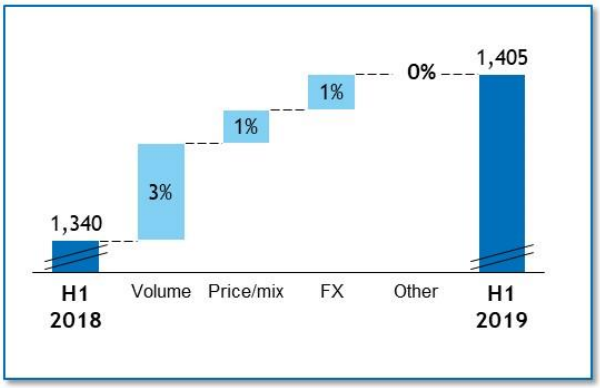
Q2 2019 Adjusted EBITDA
Nutrition reported 13% growth in Adjusted EBITDA (including IFRS 16), fully in line with H1 2019, with same earnings drivers. The Q2 2019 Adjusted EBITDA margin was 21.4% (including a 0.5% impact from IFRS 16) versus 20.4% in Q2 2018.

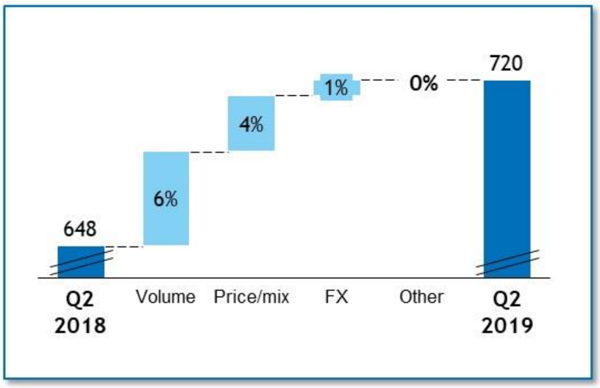
Animal Nutrition & Health

Animal Nutrition continues to strengthen its global market positions, by developing new specialty solutions, expanding its premix offerings, investing in go-to-market capabilities, and focusing on higher growth segments such as aquaculture. Good progress was made in the first half year on key innovation programs:

- Veramaris, which began commercial production of its algae-based omega-3 fatty acids for aquaculture in its new plant in Blair, Nebraska.
- 'Clean Cow', a feed ingredient for cows that significantly reduces methane emissions, reached a key milestone, as the registration filing was done in Europe in order to get the product authorized for commercial use.

Sales development





All comparisons on this page are versus the Underlying business in H1 2018

H1 2019 organic sales

The first six months saw continued good business conditions across all regions and species, except for China and South East Asia, where the African swine fever intensified. The impact for DSM continued to be largely compensated by higher poultry production in the region and higher pork production in other regions, demonstrating the value of DSM's global footprint and broad species coverage.

Animal Nutrition reported 4% organic growth, driven by volumes, against 8% volume growth last year. Prices in the first six months were slightly up. Product mix effects caused the reported price swings over the first two quarters.

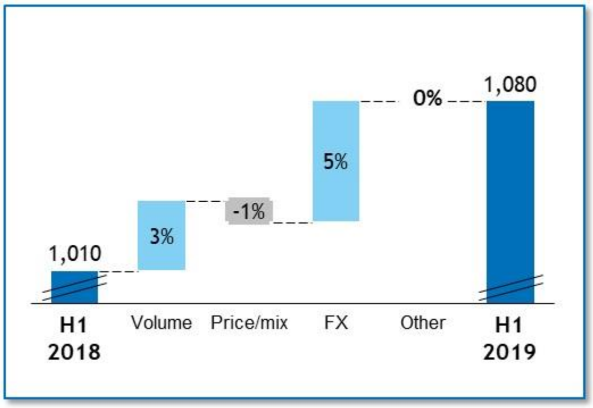
Q2 2019 organic sales

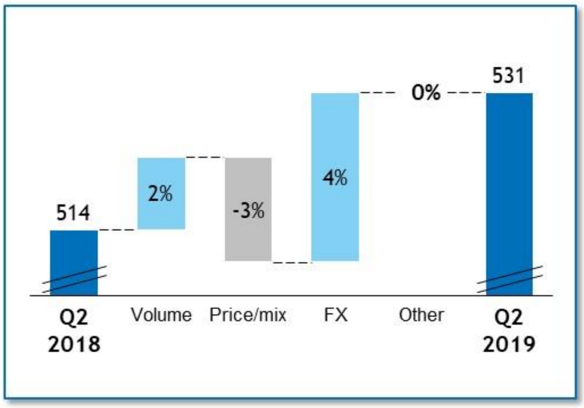
The second quarter saw strong organic growth of 10%. Volumes were up by 6%. Prices were up 4% reflecting a favorable product mix, supported by price increase actions to offset higher input costs. Additionally, prices continued to benefit from the effects of the environmental and safety enhancement policies implemented in China.

Human Nutrition & Health

Human Nutrition focuses on moving closer to the customer by strengthening the value propositions of its products and services, creating end-to-end customer experiences, and enhanced innovation and application capabilities. The i-Health b2c business is continuously being expanded beyond the United States and DSM explores the opportunities of personalized offerings ('business-to-me'). The dynamic challenges of the food & beverage industry are being addressed by providing global customers with new value propositions, as well as increasingly developing premix solutions to regional and local players. With a new premix facility under construction that will be dedicated to early life nutrition, DSM keeps expanding its premix footprint.

Sales development





All comparisons on this page are versus the Underlying business in H1 2018

H1 2019 organic sales

Overall, business conditions remained good. Early life nutrition, pharma and dietary supplements performed well, with especially a strong growth in i-Health, DSM's business-to-consumer business. Food & beverage had a softer second quarter in ingredient sales to large global customers. Premix sales to regional and smaller customers showed strong growth during the first half. Geographically, the business realized good sales in North America (supported by strong i-Health sales) and Asia, weak sales in Europe and strong sales in LATAM.

In the first six months, organic growth was 2% compared with a strong 8% organic growth in the same period last year. Volumes were up 3% and prices were slightly down. Total sales were up 7% as sales growth was supported by a 5% foreign exchange effect which is largely US dollar related.

Q2 2019 organic sales

Human Nutrition reported -1% organic growth (with volumes up 2% and price/mix down 3%) against an organic growth of 9% in the same period last year (driven by 5% increase in volume and 4% increase in price). Food & beverage volumes to large global customers were soft, partly relating to order patterns. The price decline was largely driven by the unfavorable comparison with a strong Q2 last year which had benefitted, amongst others, from strong sales in i-Health and premixes. Total sales increased by 3% as the quarter benefitted from a foreign exchange effect driven by the US dollar.

Other Nutrition activities

DSM's other Nutrition activities which include Food Specialties, Personal Care, Aroma Ingredients and Hydrocolloids, continued to deliver a good performance in Q2 2019 with 8% organic sales growth in H1 2019. Personal Care showed a very strong growth in sun and skin care. Food Specialties enjoyed good growth in enzymes and cultures in the dairy and baking segments. The established Avansya joint venture between DSM and Cargill for fermentative Stevia has successfully produced testing materials in the first half of 2019.

Andre Pectin was re-consolidated as of Q1 2019 after DSM acquired an additional 46% of the shares in the company, bringing DSM's total shareholding in Andre Pectin to 75%. Andre Pectin realized an EBITDA of €10 million in H1 2019.

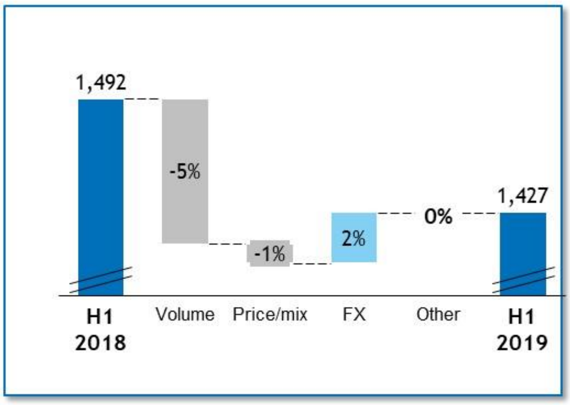
Materials

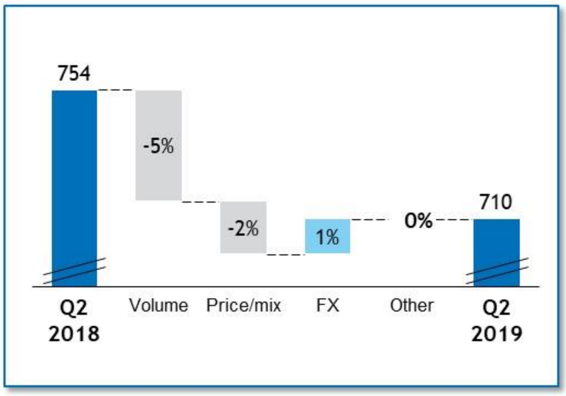
in € million	H1 2019	H1 2018	% Change	Q2 2019	Q2 2018	% Change
Sales	1,427	1,492	-4%	710	754	-6%
Adjusted EBITDA[1]	262	261	0%	135	135	0%
Adjusted EBITDA margin (%)[1]	18.4%	17.5%		19.0%	17.9%	
Adjusted EBIT	193	199	-3%	100	104	-4%
Capital Employed	1,938	1,901				
Average Capital Employed	1,933	1,837				
ROCE (%)	20.0%	21.6%				
Total Working Capital	432	417				
Average Total Working Capital as % of Sales	15.1%	12.8%				

[1] Including IFRS 16 impact of €2 million in Q2 2019 and €3 million in H1 2019

Materials continues its ongoing transformation into a high-growth, higher-margin specialty business, focused on Improved Health & Living, Green Products & Applications and New Mobility & Connectivity. Additional production capacities are being put in place to facilitate further growth. Dyneema has two new production lines under construction, while DSM Engineering Plastics expands its production capacity for specialty plastics in India through the announced acquisition of SRF. At the same time, being currently confronted with weak macro-economic conditions in some of its end-markets, Materials has strengthened its margin management and cost control.

Sales development





H1 2019 organic sales

Market conditions for some of DSM's businesses remained challenging, especially in China. Automotive, building & construction and electrical & electronics markets experienced softness, while the market conditions in the other business segments remained robust, especially in Dyneema and Functional Materials.

In the first six months, organic growth was down 6%, driven by a 5% decline in volumes.

- DSM Engineering Plastics saw continued softness in automotive (China and Europe) and electrical & electronics (Asia). Business conditions in other segments remained robust.

- DSM Resins & Functional Materials continued to experience uncertain building & construction markets, especially in Asia and Europe. The high-margin functional materials business performed well.

- DSM Dyneema had a strong first half year, driven by continued high demand in personal protection. New production lines in the US and in the Netherlands are on track to be completed in the second half of 2019 to fulfil the growing demand, especially for law enforcement.

Q2 2019 sales were in line with Q1 and H1 2019 with volumes down 5%. Prices reflected developments in input cost.

H1 2019 Adjusted EBITDA was flat compared to previous year (including 1% from IFRS 16). Lower volumes were compensated by a positive mix effect driven by Dyneema and Functional Materials. This was supported by margin management, cost control and a small benefit from currencies. The Adjusted EBITDA margin was 18.4% (including 0.3% from IFRS 16) compared to 17.5% achieved in the previous year.

Q2 2019 Adjusted EBITDA was flat year-over-year (including 1% from IFRS 16), fully in line with H1. Margins in Q2 were supported by lower input cost. Q2 2019 Adjusted EBITDA margin was 19.0% (including 0.3% from IFRS 16) compared to 17.9% in Q2.

Innovation Center

in € million	H1 2019	H1 2018	% Change	Q2 2019	Q2 2018	% Change
Sales	90	75	20%	43	39	10%
Adjusted EBITDA[1]	11	0		5	1	
Adjusted EBIT	-6	-12		-5	-6	
Capital Employed	606	589				

[1] Including IFRS 16 impact of €0 million in Q2 2019 and €1 million in H1 2019

Biomedical delivered solid top and bottom-line growth. Bio-based Products & Services also contributed strongly to the results partly based on new and recurring license income for yeast technologies used for bio-based fuels. Solar showed continued softness due to the subdued Chinese market. The Adjusted EBITDA increased to €11 million in H1 2019.

Corporate Activities

in € million	H1 2019	H1 2018	Q2 2019	Q2 2018
Sales	22	22	11	11
Adjusted EBITDA[1]	-50	-54	-25	-25
Adjusted EBIT	-81	-68	-40	-32

[1] Including IFRS 16 impact of €4 million in Q2 2019 and €7 million in H1 2019

H1 2019 adjusted EBITDA increased from H1 2018 predominantly driven by the adoption of IFRS 16 whereas EBIT was negatively impacted by some asset impairments.

Condensed Cash Flow Statement and (Operating) Working Capital

in € million	H1 2019	H1 2018	Q2 2019	Q2 2018
Cash provided by Operating Activities	507	503	306	193
- Cash from APM adjustments	23	41	12	22
- Cash from capital expenditures*	-269	-301	-119	-129
- Cash from drawing rights	-4	-17	-2	-14
Adjusted Net Operating Free Cash Flow	257	226	197	72
Operating Working Capital	2,361	2,347		
Average Operating Working Capital as % of Sales	25.8%	23.2%		
Operating Working Capital as % of Sales - end of period	25.9%	24.9%		
Total Working Capital	1,823	1,807		
Average Total Working Capital as % of Sales	20.7%	18.3%		
Total Working Capital as % of Sales - end of period	20.0%	19.2%		

*H1 2018 and Q2 2018: excluding €18 million payment of lease liability

Adjusted Net Operating Free Cash Flow amounted to €257 million in H1 2019 up 14% compared to €226 million in H1 2018 which included the impact from the temporary vitamin effect of €275 million EBITDA.

Operating Working Capital and Total Working Capital end of June 2019 was in line with end of H1 2018, although as percentage of sales it increased versus H1 2018 due to exchange rates, the re-consolidation of Andre Pectin and the absence of the temporary vitamin effect in 2019. The cash impact from working capital was -€239 million in H1 2019 versus -€504 million in the comparable period last year.

Dividend and equity

On 3 June 2019, the **final dividend** of €1.53 per share for the year 2018 was paid to holders of ordinary shares and a dividend of €0.11 per share was paid to holders of cumulative preference shares A. The total distribution to shareholders amounting to €275 million was recorded against retained earnings.

An **interim dividend** for 2019 of €0.77 per ordinary share and €0.06 for cumulative preference shares A was recognized as a liability in the second quarter of 2019. This distribution to shareholders amounting to €139 million will take place in Q3 2019. The interim dividend represents about one third of the total dividend paid over the prior year. 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 5 August 2019. The interim dividend will be payable as from 26 August 2019.

In the first half of 2019, 3.6 million **shares** were released into circulation in connection with stock dividend, the exercise of options and delivery of performance shares. In the same period, 2.6 million shares were repurchased with the intention, to cover commitments under share-based compensation plans, stock dividend and to reduce the issued capital.

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

The following overview gives a summary of the APM adjustments for the first half of 2019 (for reconciliation see page 17).

Nutrition: EBITDA adjustments amounted to -€6 million of which -€4 million related to restructuring costs and -€2 million to acquisition related costs. EBIT adjustments amounted to €-17 million including -€11 million asset impairment.

Materials: EBITDA adjustments amounted to -€4 million (EBIT -€4 million) of fully related to restructuring cost.

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

Corporate Activities: EBITDA adjustments amounted to -€28 million (EBIT -€28 million) of which -€26 million related to restructuring costs and -€2 million to divestment related costs.

Share of the profit of associates: Net result includes a positive book result of €23 million on its existing share of 29% following the acquisition of an additional 46% of the shares of Andre Pectin in Q1 2019.

Sustainability performance

Continued step-up in sustainability leadership

	GHG absolute reduction (vs. 2016)	Energy efficiency improvement year-on-year	Purchased renewable electricity	Employee engagement favorable score	Safety Frequency Recordable Index	Female executives / Under-represented nationalities	Brighter Living Solutions
Realization H1 2019	~10%[1]	~1.7%[2]	46%	76%[3]	0.34	19% / 63%	~63%
2021 / 2030 Ambitions	30% by 2030	>1% till 2030	75% by 2030	>75% by 2021	<0.25 by 2021	25% by 2020 / 60% by 2020	>65% by 2021

[1] DSM estimates the effect of the underlying structural improvements in absolute GHG emissions to be roughly 10% versus 2016, while the total absolute GHG emission reduction (including volume and product mix effects) versus 2016 is approximately 17%.
[2] The energy efficiency has improved by 2.2 % in H1 2019 compared to the full year of 2018. However, H1 Energy efficiency improvement results are typically more positive than full year. Based on a comparison of H1 2019 to H1 2018 the energy efficiency improvement is estimated at ~1.7%.
[3] 2018 score: employee engagement will be measured again in Q3 2019.

H1 Planet highlights

DSM further improved the environmental impact of its own operations:

- DSM is well on track this year with respect to its greenhouse gas, energy efficiency and purchased renewable electricity targets.
  - The underlying structural improvement in absolute greenhouse gas reduction in H1 2019 compared to the 2016 baseline is ~10%.
  - Energy efficiency has improved by ~1.7% compared to H1 2018 versus a >1% average annual ambition.
  - 46% of purchased electricity came from renewable resources compared with 41% in 2018.
- DSM implemented new equipment at the Dalry site (Scotland), significantly improving the energy efficiency of the site.
- Together with energy companies ENGIE and EWZ, DSM opened a new green energy plant at its Sisseln (Switzerland) facility, which will reduce CO_2 emissions up to 50,000 tons/year.
- DSM opened the largest net-metered solar installation in New Jersey (USA), estimated to produce 25,000,000 kWh of renewable electricity annually.
- DSM was the first company in its sector to set new science-based reduction targets for greenhouse gas emissions, reviewed and approved by the Science Based Targets initiative and aligned with the Paris climate agreement.

DSM made good progress in its large innovation projects such as Veramaris, Avansya, Clean Cow and NIAGA®, enabling its customers to deliver more sustainable solutions to their (end) consumers.

- For Clean Cow, DSM has commenced filing for EU authorization for the new feed additive for dairy cows that will reduce methane emissions by around 30% and thereby significantly reduce the environmental footprint of milk and dairy products.
- Veramaris started the commercial production of algae-based Omega-3 fatty acids DHA and EPA. This innovation helps to reduce the pressure on wild fish stocks, supports the aquaculture industry to sustainably meet the rapidly growing global demand for seafood, and enables healthier fish for the consumer.
- After a successful launch last year in the Americas of Balancius™, a feed additive for broilers which improves digestion and nutrient absorption, thus helping farmers to get more from their feed and to reduce greenhouse gas, this product is now also introduced in Europe.

- DSM stepped-up its collaboration with Chenyang, a Chinese-based world-leading manufacturer of environmentally friendly paints and coatings, to help shape a more sustainable coatings industry.

DSM advocated for environmental topics such as putting a responsible price on carbon and convergence of financial and sustainability disclosures.

- The Institute for Sustainable Development Goals of the Tsinghua University appointed DSM's CEO Feike Sijbesma as a member of its International Advisory Committee, recognizing DSM's commitment to sustainability and the pursuance of people, planet and profit.

H1 People highlights

- DSM continued its Inclusion & Diversity journey:
    - 63% of its executives are from under-represented nationalities, while 19% of its executives are female.
    - 43% of DSM's Executive Committee is female. With 5 nationalities represented and 50% of its members being female (after the May AGM), DSM's Supervisory Board is even more diverse than previously in terms of gender, nationality, background knowledge and experience.
    - DSM is clearly achieving its aim to have at least 30% female members in its Executive Committee, Managing Board and Supervisory Board.

H1 other highlights

- ~63% of DSM sales came from Brighter Living Solutions. These are products and services that that have a better environmental (ECO+) and/or social (People+) impact than mainstream solutions.
- MSCI, a leading global index provider upgraded DSM's EGG rating to AAA. DSM now has the highest rankings in both MSCI and Sustainalytics (ranked number one within its sector).
- DSM was awarded the Best UN Sustainable Development Goals Award at the Sustainable Business Awards in Singapore.

Condensed consolidated statement of income for the first half

in € million	H1 2019	H1 2018
Sales	4,568	4,794
EBITDA	823	1,029
Operating profit (EBIT)	518	800
Financial income and expense	-57	-43
Profit before income tax expense	461	757
Income tax expense	-80	-131
Share of the profit of associates/ joint control entities	20	7
Net profit	401	633
Of which:		
Profit attributable to non-controlling interests	-2	-2
Net profit attributable to equity holders of DSM	399	631
Dividend on cumulative preference shares	-4	-4
Net profit available to holders of ordinary shares	395	627

Depreciation and amortization	305	229

Reconciliation to Alternative Performance Measures for the first half

in € million	H1 2019	H1 2018
EBITDA	823	1,029
Acquisitions/divestments	4	-14
Restructuring	35	32
Other	0	-1
Sub-total APM adjustments to EBITDA	39	17
Adjusted EBITDA	862	1,046
Operating profit (EBIT)	518	800
APM adjustments to EBITDA	39	17
Impairments of PPE and Intangible assets	11	0
Sub-total APM adjustments to operating profit (EBIT)	50	17
Adjusted operating profit (EBIT)	568	817
Net profit	401	633
APM adjustments to operating profit (EBIT)	50	17
APM adjustments to financial income and expense	0	0
Income tax related to APM adjustments	-12	-8
APM adjustments to share of the profit of associates/joint control entities	-24	1
Sub-total APM adjustments to net profit	14	10
Adjusted net profit	415	643
Net profit available to holders of ordinary shares	395	627
APM adjustments to net profit	14	10
Adjusted net profit available to holders of ordinary shares	409	637

Condensed consolidated statement of income for the second quarter

in € million	Q2 2019	Q2 2018
Sales	2,276	2,359
EBITDA	407	503
Operating profit (EBIT)	247	389
Financial income and expense	-28	-25
Profit before income tax expense	219	364
Income tax expense	-36	-64
Share of the profit of associates/ joint control entities	22	2
Net profit	205	302
Of which:		
Profit attributable to non-controlling interests	-1	-1
Net profit attributable to equity holders of DSM	204	301
Dividend on cumulative preference shares	-2	-2
Net profit available to holders of ordinary shares	202	299
Depreciation and amortization	160	114

Reconciliation to Alternative Performance Measures for the second quarter

in € million	Q2 2019	Q2 2018
EBITDA	407	503
Acquisitions/divestments	1	-4
Restructuring	30	10
Other	0	-1
Sub-total APM adjustments to EBITDA	31	5
Adjusted EBITDA	438	508
Operating profit (EBIT)	247	389
APM adjustments to EBITDA	31	5
Impairments of PPE and Intangible assets	11	0
Sub-total APM adjustments to operating profit (EBIT)	42	5
Adjusted operating profit (EBIT)	289	394
Net profit	205	302
APM adjustments to operating profit (EBIT)	42	5
APM adjustments to financial income and expense	0	0
Income tax related to APM adjustments	-11	-2
APM adjustments to share of the profit of associates/joint control entities	-21	1
Sub-total APM adjustments to net profit	10	4
Adjusted net profit	215	306
Net profit available to holders of ordinary shares	202	299
APM adjustments to net profit	10	4
Adjusted net profit available to holders of ordinary shares	212	303

Condensed Consolidated Statement of Comprehensive Income

in € million	H1 2019	H1 2018
Items that will not be reclassified to profit or loss		
Remeasurements of Defined Benefit Pension Plans	-50	22
Change in Fair Value Reserve	-9	26
FX on Translation of Foreign Operations Related to Non-Controlling Interest	2	0
Equity accounted investees - share of Other comprehensive income	0	0
Items that may subsequently be reclassified to profit or loss		
FX on Translation of Foreign Operations	60	82
Change in Hedging Reserve	24	-15
Equity accounted investees - share of Other comprehensive income	-1	-3
Other Comprehensive Income (before tax)	26	112
Income Tax Expense	13	1
Other Comprehensive Income (net of tax)	39	113
Profit for the Period	401	633
Total Comprehensive Income	440	746

Condensed Consolidated Statement of Changes in Equity

in € million	H1 2019	H1 2018
Total Equity (at beginning of the period)	7,815	7,065
Changes:		
Total Comprehensive Income	440	746
Dividend	-417	-366
Repurchase of Shares	-266	-137
Proceeds from Re-issue of Ordinary Shares	232	150
Other Changes	36	-54
Total Equity (end of period)	7,840	7,404

Condensed Consolidated Balance Sheet

in € million	30 June 2019	year-end 2018
Intangible Assets	3,233	3,090
Property, Plant & Equipment	3,764	3,511
Deferred Tax Assets	215	248
Share in Associates & Joint Ventures	152	205
Financial derivatives	12	14
Other Financial Assets	259	263
Non-Current Assets	7,635	7,331
Inventories	2,071	1,993
Trade Receivables	1,742	1,575
Income tax receivables	78	83
Other Current Receivables	56	80
Financial Derivatives	33	21
Current Investments	1,149	1,277
Cash & Cash Equivalents	1,137	1,281
Current Assets	6,266	6,310
Total Assets	13,901	13,641

Shareholders' Equity	7,786	7,782
Non-controlling interest	54	33
Equity	7,840	7,815
Deferred Tax Liabilities	248	254
Employee Benefits Liabilities	458	413
Provisions	108	116
Borrowings	2,432	2,272
Financial derivatives	4	3
Other Non-current Liabilities	116	197
Non-current liabilities	3,366	3,255
Employee Benefits	46	46
Provisions	41	37
Borrowings	438	380
Financial Derivatives	46	51
Trade Payables	1,452	1,430
Income tax payable	88	100
Other Current Liabilities	584	527
Current Liabilities	2,695	2,571
Total Equity and Liabilities	13,901	13,641

Net debt*	589	113
Equity/Total Assets	56%	57%

* Net debt end of H1 2019 includes €202 million following the adoption of IFRS 16 on 'Leases'

Condensed Consolidated Cash Flow Statement

in € million	H1 2019	H1 2018
Cash, Cash Equivalents and Current Investments (at beginning of period)	2,558	1,853
Current Investments (at beginning of period)	1,277	954
Cash & Cash Equivalents (at beginning of period)	1,281	899
Operating Activities		
EBITDA	823	1,029
Change in Working Capital	-239	-504
Income Tax	-51	-43
Other	-26	21
Cash provided by Operating Activities (Operating cash flow)	507	503
Investing Activities		
Capital Expenditures*	-269	-301
Payment of lease liabilities*	0	-18
Payments regarding drawing rights	-4	-17
Acquisitions	-207	-2
Disposal of Subsidiaries, Businesses & Associates	2	30
Disposal of Other Non-current Assets	3	1
Change in Fixed-term Deposits	128	-52
Interest Received	5	9
Dividend and capital (re)payments	-12	-21
Other	23	7
Cash used in Investing Activities	-331	-364
Dividend	-158	-139
Interest Paid	-31	-25
Repurchase of shares	-249	-137
Proceeds from re-issued treasury shares	136	58
Payment of lease liabilities	-26	0
Other Cash from/ used in Financing Activities	11	33
Cash from / used in Financing Activities	-317	-210
Exchange Differences	-3	-15
Cash and Cash Equivalents (end of period)	1,137	813
Current Investment (end of period)	1,149	1,006
Cash and Cash Equivalents & Current Investments (end of period)	2,286	1,819

*2018 Adjusted for comparison reasons

Public

Geographical Information

H1 2019	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	1,146	1,443	99	778	312	496	44	54	157	39	**4,568**
in %	25	32	2	17	7	11	1	1	3	1	**100**
Net Sales by Destination											
in € million	189	1,097	300	1,051	536	530	122	149	456	138	**4,568**
in %	4	24	6	23	12	12	3	3	10	3	**100**
Total Assets (total DSM) in € million	4,878	2,976	147	2,854	955	1,177	155	172	469	118	**13,901**
Workforce (headcount, end of period)	3,804	5,149	541	3,349	2,233	4,529	559	210	927	294	**21,595**

H1 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	1,175	1,799	107	636	287	454	56	63	162	55	**4,794**
in %	25	38	2	13	6	10	1	1	3	1	**100**
Net Sales by Destination											
in € million	216	1,190	323	1,052	526	567	121	165	484	150	**4,794**
in %	4	25	7	22	11	12	3	3	10	3	**100**
year-end 2018:											
Total Assets in € million	5,094	2,732	143	2,778	939	1,064	132	170	482	107	**13,641**
Workforce (headcount)	3,827	5,069	523	3,281	2,214	4,104	556	204	904	295	**20,977**

Notes to the condensed financial statements

Accounting policies and presentation

The consolidated financial statements of DSM for the year ended 31 December 2018 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These accounting policies are applied in these 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 2018 (IAR 2018) and the H1 2019 report by the Managing Board earlier in this press release. As reported in the Integrated Annual Report 2018, as of January 2019 DSM has also adopted IFRS 16 on 'Leases' using the modified retrospective approach. This resulted in the following impact on DSM's condensed consolidated balance sheet:

in € million	1 January 2019	Change	30 June 2019
Lease liability	215	-13	202
Right of Use ('RoU') assets	215	-13	202

In addition to the balance sheet impact, the nature of expenses related to leases changed as IFRS 16 replaces the operating lease expense with a straight-line depreciation charge for RoU assets, and interest expenses on lease liabilities. The table below summarizes the impact of IFRS 16 on the consolidated income statement for the first half of 2019:

in € million	Reported	IFRS 16 impact	Excluding IFRS 16 impact
Adjusted EBITDA	862	25	837
- Nutrition	639	14	625
- Materials	262	3	259
- Innovation	11	1	10
- Corporate Activities	-50	7	-57
Depreciation	294	23	271
Adjusted EBIT	568	2	566
Financial income and expense	-57	-3	-54
Net profit	401	-1	402
EPS	2.24	0.00	2.24
Capital employed	8,735	202	8,533
Average capital employed	8,680	207	8,473
ROCE	13.1%	-0.3%	13.4%
Net debt	589	202	387
Cash flow			
- Operating cash flow	507	26	481
- Payment of lease liabilities in Financing Activities	-26	-26	0

Under IAS 17 operating lease cash flows were presented as operating cash flows, while under IFRS 16, these are now reported as financing cash flows.

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

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.

Risks and uncertainties
DSM has a risk management system in place. A description of the system and an overview of potentially important risks for DSM are provided in the IAR 2018 and in the governance section on www.dsm.com. DSM has reviewed the developments and incidents in the first half of 2019 and assessed the risks for the year. Based on these assessments DSM has concluded that the most important risks and responses reported in the Integrated Annual Report 2018 are still applicable.

Scope of the consolidation
There were no material changes in the scope of consolidation in the first half-year of 2019 other than the transaction mentioned below.

At the start of this reporting period DSM purchased an additional 46.05% stake in Andre Pectin for a cash consideration of €159 million leading to a total shareholding of 75% and control. In accordance with IFRS 3, the purchase price was provisionally allocated to identifiable assets and liabilities acquired, resulting in a goodwill amount of €171 million. The provisional PPA of Andre Pectin will be finalized in the second half of 2019.

The provisional accounting of the 2019 acquisition resulted in the following assets and liabilities of Andre Pectin in 2019 (measured at the date of acquisition):

in € million	Book value
Intangible assets	3
Property, plant and equipment	33
Other non-current assets	1
Inventories	27
Receivables and other current assets	22
Cash and cash equivalents	10
Total assets	96
Non-controlling interest	20
Current liabilities	19
Total non-controlling interest and liabilities	39
Net assets at fair value	57
Total consideration	228
Preliminairy goodwill	171

Fair value of financial instruments

In the following tables, the carrying amounts and the estimated fair value of the financial instruments are given. For methods and assumptions used to determine the fair value as well as information on the fair value hierarchy used, please refer to the IAR 2018.

in € million	Carrying amount					Fair value*			
	Amortized cost	Fair value hedging instrument	Fair value through Profit & Loss	Fair value Other Compreh. Income	Total	Level 1	Level 2	Level 3	Total
Assets 2018									
Non-current financial derivatives		14			14		14		14
Other participating interests				164	164	63	33	68	164
Non-current loans to associates and JVs	2				2		2		2
Other non-current receivables	87				87			87	87
Other non-current deferred items	9				9			9	9
Trade receivables	1,575				1,575			1,575	1,575
Current loans to associates and JVs	24				24		26		26
Other current receivables	80				80			80	80
Current financial derivatives		21			21		21		21
Current investments	1,277				1,277			1,277	1,277
Cash and cash equivalents	941		340		1,281	340		941	1,281
Liabilities 2018									
Non-current borrowings	-2,272				-2,272	-2,321			-2,321
Non-current financial derivatives		-3			-3		-3		-3
Other non-current liabilities	-197				-197	-117		-80	-197
Current borrowings	-380				-380	-384			-384
Current financial derivatives		-51			-51		-51		-51
Trade payables	-1,430				-1,430			-1,430	-1,430
Other current liabilities	-527				-527			-527	-527
Assets 30 June 2019									
Non-current financial derivatives		12			12		12		12
Other participating interests				156	156	48	35	73	156
Non-current loans to associates and JVs	2				2		2		2
Other non-current receivables	92				92			92	92
Other non-current deferred items	8				8			8	8
Trade receivables	1,742				1,742			1,742	1,742
Other current receivables	56				56			56	56
Current financial derivatives		33			33		33		33
Current investments	1,149				1,149			1,149	1,149
Cash and cash equivalents	1,047		90		1,137	90	1,047		1,137
Liabilities 30 June 2019									
Non-current borrowings	-2,255				-2,255	-2,402			-2,402
Leases (non-current)	-177				-177			-177	-177
Non-current financial derivatives		-4			-4		-4		-4
Other non-current liabilities	-116				-116	-104		-12	-116
Current borrowings	-392				-392	-393			-393
Leases (current)	-46				-46			-46	-46
Current financial derivatives		-46			-46		-46		-46
Trade payables	-1,452				-1,452			-1,452	-1,452
Other current liabilities	-584				-584			-584	-584

*Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs that have a significant effect on the fair value are observable, either directly or indirectly
Level 3: Techniques that use inputs that have a significant effect on the fair value that are not based on observable market data

Events after reporting date

On 31 July 2019 DSM completed the acquisition of SRF Ltd.'s Specialty Materials business for a consideration of INR 3.2 billion (about €38 million). The acquired business realized sales of about USD 37 million in 2018 and has 85 employees. For further details reference is made to the press release of 13 May 2019.

Statement of the Managing Board

The half-yearly condensed financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of DSM and its consolidated companies. The half-yearly management report gives a true and fair view of the information required pursuant to section 5.25d paragraph 8 and 9 of the Dutch Act on Financial Supervision.

Heerlen, 1 August 2019
The Managing Board

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

Financial calendar

5 November 2019	Publication of the results of the first nine months of 2019
13 February 2020	Publication of full year 2019 results
7 May 2020	Publication of the results of the first three months of 2020
8 May 2020	Annual General Meeting of Shareholders
4 August 2020	Publication of the half year results of 2020
3 November 2020	Publication of the results of the first nine months of 2020

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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 active 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 while simultaneously creating 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.

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