



# Presentation to investors

## Q1 2018 results

ROYAL DSM  
HEALTH NUTRITION MATERIALS



## Safe harbor statement

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- This presentation 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 presentation, unless required by law.
- More details on DSM's Q1 2018 performance can be found in the Q1 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](http://www.dsm.com)

# Highlights Q1 2018

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Full Q1 2018 results are in line with the previously announced preliminary figures for Q1 2018 on 12 April 2018

- Continued strong organic sales growth in underlying business estimated at 11%
- Adjusted EBITDA growth of underlying business estimated at 8%, despite significant FX headwind
- ROCE of underlying business estimated at 13.3%, up 200 bps
- Additional temporary vitamin price benefit estimated at €165m on Adjusted EBITDA
- Total Adjusted EBITDA up 56% and Net profit up 122% to €331m
- Cash from operating activities up 58%, amounting to €310m
- Increased full year outlook confirmed

## Quote from CEO Feike Sijbesma

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Feike Sijbesma  
CEO / Chairman of  
the DSM Managing Board

- *“We are very pleased that the strong underlying performance of our business continues, with growth well above market. In addition, we are currently benefitting from substantially higher prices in some vitamins due to exceptional supply disruptions in the industry, which are expected to be temporary and heavily weighted towards the first half of the year. These two combined resulted in a significantly higher outlook for the full year 2018, which we announced with our preliminary Q1 2018 results on 12 April 2018.”*

## Outlook 2018

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- DSM confirms its increased full year outlook 2018, as announced on 12 April 2018, and expects an Adjusted EBITDA growth towards 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 €80 million, and
  - an additional Adjusted EBITDA benefit estimated at €250 - 300 million from an exceptional vitamin pricing environment, that is expected to be temporary and heavily weighted towards the first half of the year

## Group | Key figures and indicators<sup>1</sup>

in € million	Q1 2018			Q1 2017	% Change				
	Underlying <sup>2</sup> business	Temporary <sup>2</sup> vitamin effect	Total Group	Reported	Underlying <sup>2</sup> organic growth	FX & 'other' <sup>2</sup>	Underlying <sup>2</sup> total growth	Temporary <sup>2</sup> vitamin effect	Total Group
Sales	2,215	220	2,435	2,159	11%	-8%	3%	10%	13%
Nutrition	1,430	220	1,650	1,398	12%	-10%	2%	16%	18%
Materials	738		738	701	11%	-6%	5%		5%
Adjusted EBITDA	373	165	538	345			8%	48%	56%
Nutrition	277	165	442	257			8%	64%	72%
Materials	126		126	113			12%		12%
Innovation	-1		-1	1					
Corporate	-29		-29	-26					
Adjusted EBITDA margin	16.8%		22.1%	16.0%					

<sup>1</sup> Adjusted EBITDA is an Alternative Performance Measure (APM) that reflects continuing operations.

<sup>2</sup> 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, which is expected to be temporary.

## Group | Key figures and indicators - including temporary vitamin effect

in € million	Q1 2018	Q1 2017	% Change
Sales	2,435	2,159	13%
Adjusted EBITDA	538	345	56%
Adjusted EBITDA margin	22.1%	16.0%	
ROCE (%) <sup>2</sup>	21.8%	11.3%	
Adjusted net profit <sup>4</sup>	337	163	107%
Net profit - Total DSM <sup>4</sup>	331	149	122%
Adjusted net EPS	1.91	0.92	108%
Net EPS - Total DSM	1.88	0.84	
Operating cash flow	310	196	58%

<sup>2</sup> ROCE underlying business 13.3%

<sup>3</sup> Over Adjusted net taxable result

<sup>4</sup> Including result attributed to non-controlling interest.

<sup>5</sup> Cash, net of customer funding

<sup>6</sup> Year-end 2017

1. Including temporary vitamin effect

# Nutrition | Key financials

- Nutrition** continues to outperform its Strategy 2018 aspirations with ongoing strong momentum in its underlying business, delivering clearly above-market growth with an increasingly higher-value portfolio of feed and food solutions
- Due to the exceptional supply disruptions in the industry, the first quarter also benefited from an **estimated €220 million additional sales effect** and an **estimated €165 million additional Adjusted EBITDA** contribution from an exceptional vitamin price environment, which is expected to be temporary and heavily weighted towards the first half of the year. This temporary vitamin price effect is mainly related to animal nutrition

## Underlying business

in € million (estimated)	Q1 2018	Q1 2017	% Change
Sales	1,430	1,398	2%
Adjusted EBITDA	277	257	8%
Adjusted EBITDA margin (%)	19.4%	18.4%	
ROCE (%)	15.3%	13.3%	

## Temporary vitamin effect

in € million (estimated)	Q1 2018
Sales	220
Adjusted EBITDA	165

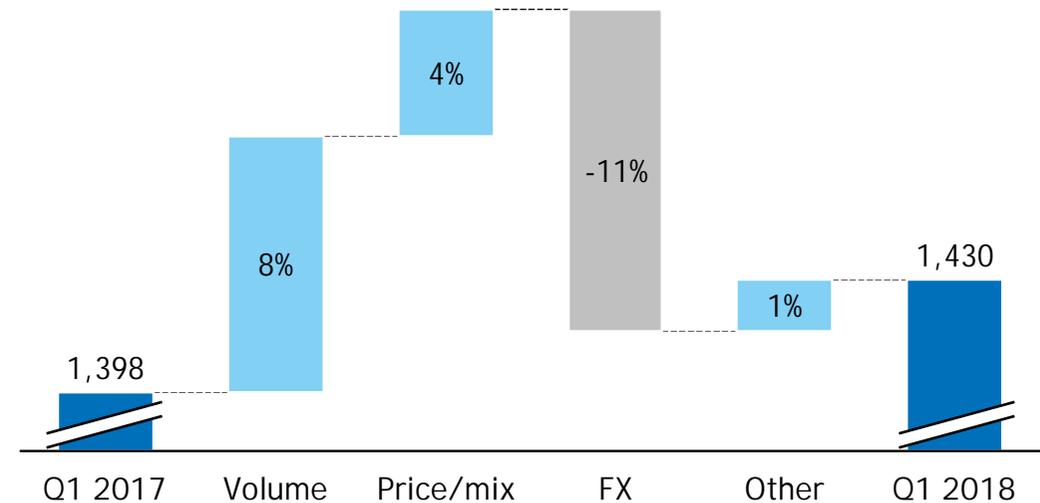
## Total cluster

in € million	Q1 2018	Q1 2017	% Change
Sales	1,650	1,398	18%
Adjusted EBITDA	442	257	72%
Adjusted EBITDA margin (%)	26.8%	18.4%	
Adjusted EBIT	370	185	100%
Capital Employed	5,406	5,555	
Average Capital Employed	5,413	5,546	
ROCE (%)	27.4%	13.3%	
Total Working Capital	1,434	1,500	
Average Total Working Capital as % of Sales	22.8%	27.2%	

## Nutrition | overview – underlying business

- Q1 2018 organic sales growth in the underlying Nutrition business was an estimated 12%, driven by continued strong volume growth of 8%, well above market
  - Higher prices in the quarter of 4% partly off-set the 11% negative foreign currency effects and higher input costs
- Q1 Adjusted EBITDA growth in the underlying business was estimated at 8% compared to Q1 2017, despite significant negative foreign exchange effects
- The estimated Adjusted EBITDA margin in the underlying business was 19.4%, a further step-up versus 18.4% in Q1 2017

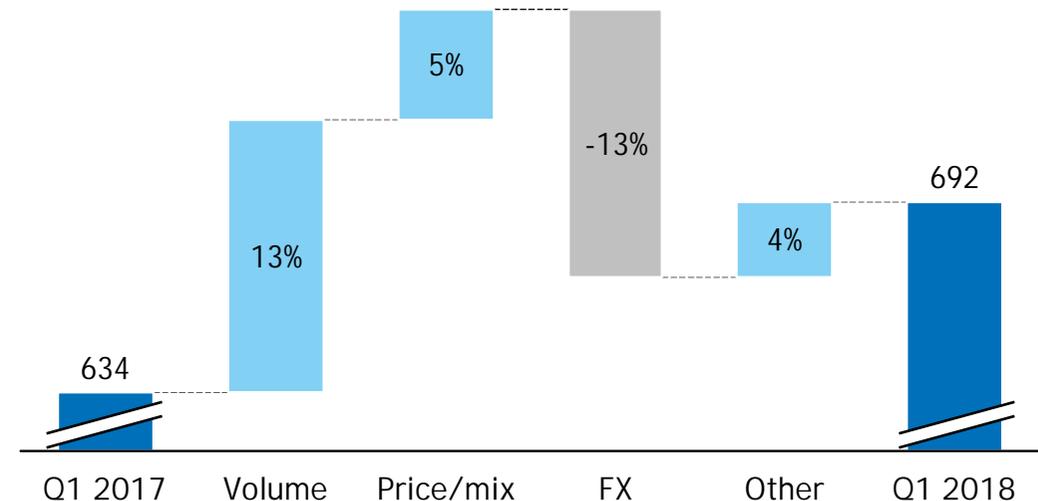
Sales bridge (underlying business) | Q1 2017 to Q1 2018



## Animal Nutrition & Health | Sales overview – underlying business

- Q1 2018 organic sales growth in the underlying business was an estimated 18%
- Volumes were up 13% mainly due to very strong premix sales
  - All regions delivered strong underlying volume growth, particularly North America and Asia Pacific
  - Increased focus from customers on security of supply was noticed, amongst others driven by the 'Blue Skies policies' in China (relating to the significantly stricter enforcement of environmental regulations)
  - Volume growth benefitted from the introduction of reformulated forms due to new European regulations, with sales in the order of €15-20 million
- The 5% higher prices in the quarter were driven by price initiatives to mitigate higher input costs and the impact of negative exchange rate developments, led by the weaker US dollar and the Brazilian real
  - Prices were supported by the effects of 'Blue Skies policies'

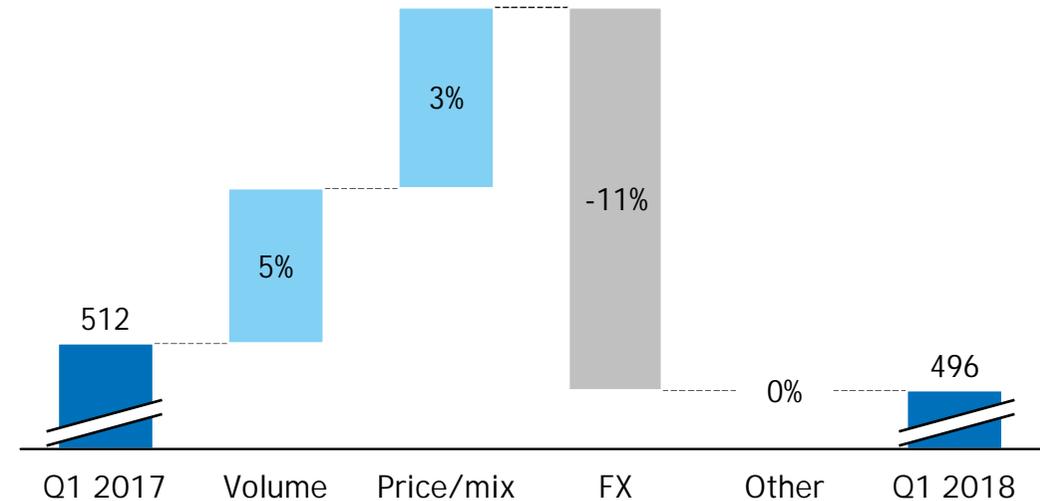
Sales bridge (underlying business) | Q1 2017 to Q1 2018



# Human Nutrition & Health | Sales overview – underlying business

- Q1 2018 organic sales growth in the underlying business was an estimated 8%
- Volumes were up 5%, with good growth across all regions and market segments, well above the market. Volume growth was specifically strong in premix sales as well as in the i-Health business
- Prices were up 3%
  - Result from 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
- Exchange rates had a 11% negative impact in Q1 2018, led by the weaker US dollar

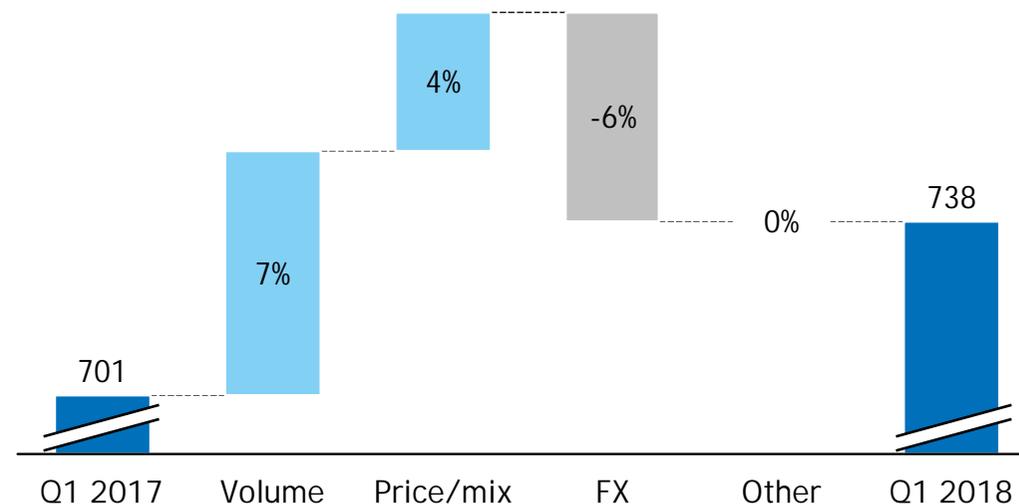
Sales bridge (underlying business) | Q1 2017 to Q1 2018



## Materials | Sales overview

- **Materials** delivered another very strong quarter, continuing its excellent progress since the start of Strategy 2018
- **Q1 2018 organic sales growth** was 11% resulting from 7% higher volumes and 4% higher prices, driven by the implementation of price increases to off-set higher input costs. All businesses delivered strong above-market volume growth:
  - **Engineering Plastics** continued to successfully shift its portfolio toward higher-value, sustainable, specialty materials for the electrics & electronics and automotive industries. Strong growth was supported by the launch of new applications, as well as clean energy initiatives
  - **Resins & Functional Materials** showed strong growth in specialty resins and functional materials, supported by continued healthy demand from global building & construction markets as well as strong demand in China for environmentally-friendly specialty resins solutions
  - **Dyneema** delivered good growth in personal protection, commercial marine as well as high-performance textiles

Sales bridge | Q1 2017 to Q1 2018



## Materials | Key financials

in € million	Q1 2018	Q1 2017	% Change
Sales	738	701	5%
Adjusted EBITDA	126	113	12%
Adjusted EBITDA margin (%)	17.1%	16.1%	
Adjusted EBIT	95	81	17%
Capital Employed	1,824	1,831	
Average Capital Employed	1,805	1,819	
ROCE (%)	21.0%	17.9%	
Total Working Capital	367	332	
Average Total Working Capital as % of Sales	11.9%	12.3%	

- Q1 2018 Adjusted EBITDA was up 12% compared to Q1 2017, driven by good volume growth and price increases despite weaker currencies and higher input costs
- The Adjusted EBITDA margin was 17.1%, versus 16.1% in Q1 2017, positively influenced by strong growth in specialties

## Innovation | Key financials

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in € million	Q1 2018	Q1 2017	% Change
Sales	36	43	-16%
Adjusted EBITDA	-1	1	
Adjusted EBIT	-6	-5	
Capital Employed	553	602	

- **Q1 2018 sales** were impacted by significant negative foreign currency effects as several businesses are predominantly in US dollars
  - Volumes were up, but prices were overall down largely due to sales mix effects in Biomedical
- **Q1 Adjusted EBITDA** was impacted by the negative currency effects and higher costs due to the timing of R&D activities

## Corporate Activities | Key financials

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in € million	Q1 2018	Q1 2017
Sales	11	17
Adjusted EBITDA	-29	-26
Adjusted EBIT	-36	-39

- Q1 2018 Adjusted EBITDA was slightly below Q1 2017, mainly due to higher insurance claims at DSM's captive insurance company

## Key joint ventures/associates | Financial overview

in € million, based on 100%		Q1 2018	Q1 2017	% Change
DSM Sinochem	Sales	121	110	10%
	Adjusted EBITDA%	17%	17%	
ChemicalInvest	Sales	532	535	-1%
	Adjusted EBITDA%	10%	8%	

- **DSM Sinochem Pharmaceuticals (50% DSM)** showed improved results compared to Q1 2017 despite significantly weaker currencies, driven by increased recognition of its best in class manufacturing activities
- **ChemicalInvest (35% DSM)** reported improved results compared to Q1 2017 driven by higher caprolactam prices, despite weaker currencies

## Joint ventures/associates | Net result contribution

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in € million	Q1 2018	Q1 2017
DSM Sinochem (50%)	4	3
Patheon <sup>1</sup>	0	9
ChemicalInvest (35%) <sup>2</sup>	7	0
Other associates / joint ventures	-6	-4
Total before APM adjustments	5	8
APM adjustments	0	-2
Share of the profit of associates/joint ventures	5	6

1. DSM completed the divestment of its share in Patheon on 29 August 2017

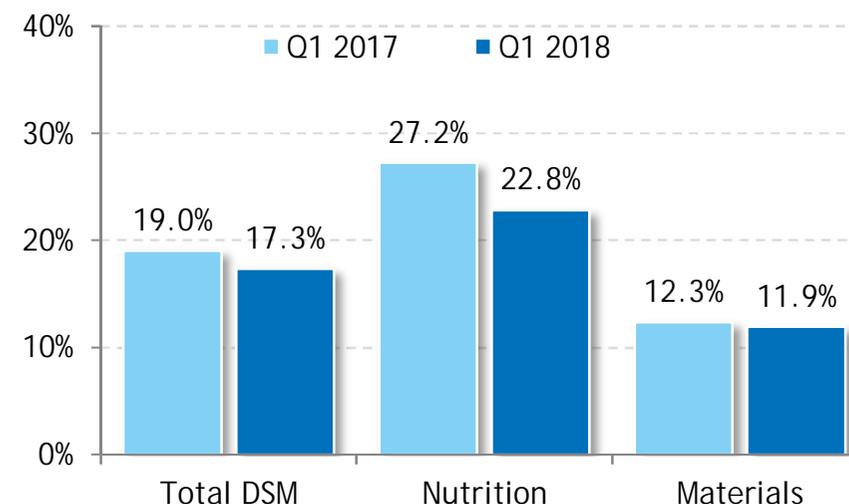
2. DSM does not recognize losses below zero equity value as DSM has no obligation to fund beyond its net interest.

# Cash flow and Working Capital | Overview

## Cash Flow, Capital Expenditures and Financing

in € million	Q1 2018	Q1 2017
Cash provided by Operating Activities	310	196
Operating Working Capital	2,117	2,057
Operating Working Capital as % of Sales	21.7%	23.8%
Total Working Capital	1,616	1,574
Total Working Capital as % of Sales	16.6%	18.2%

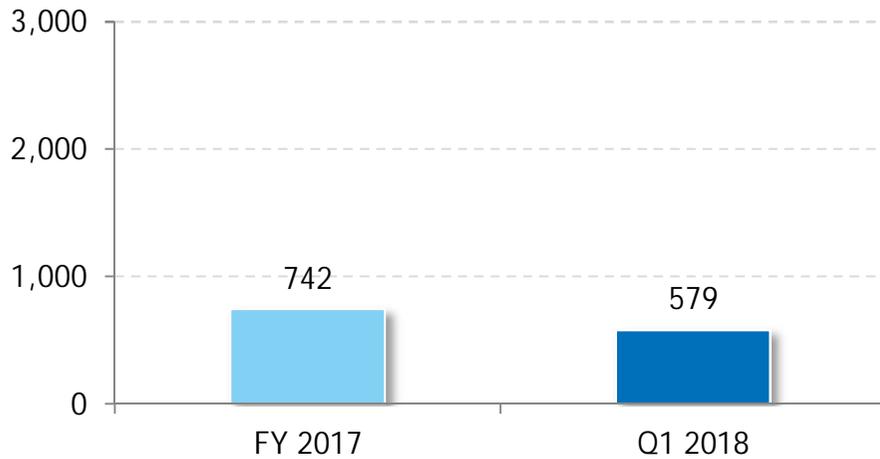
## Average Total Working Capital %



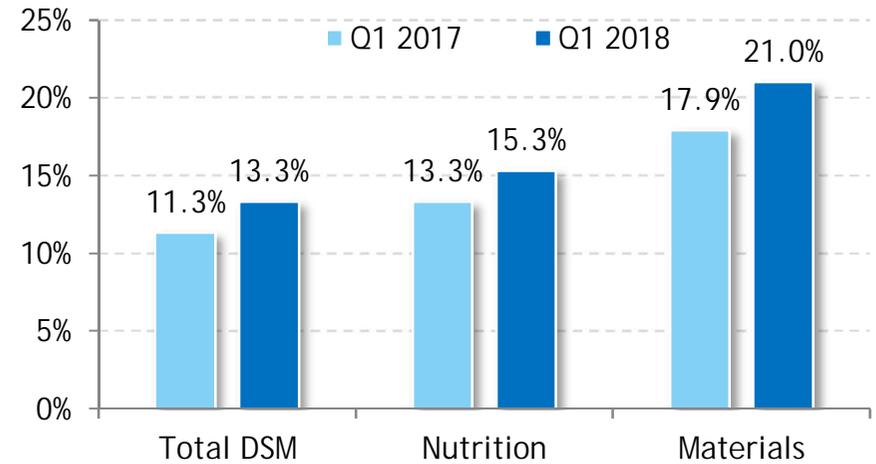
- Cash flow from operating activities** amounted to €310 million in Q1 2018 showing an improvement of €114 million (+58%) compared to Q1 2017
  - Included in this figure is a cash outflow from changes in working capital of €233 million (Q1 2017 €109 million) related to higher sales
- Total Working Capital** amounted to €1,616 million at the end of Q1 2018 compared to €1,574 million at the end of Q1 2017
  - Working capital as a percentage of sales amounted to 16.6%, being an improvement of 1.6% compared to Q1 2017 and well ahead of our aspiration of lower than 20%
  - Working capital at year-end 2017 amounted to €1,499 million, being 17.2% as a percentage of sales

# Net debt and ROCE | Overview

## Net debt



## ROCE (underlying business)

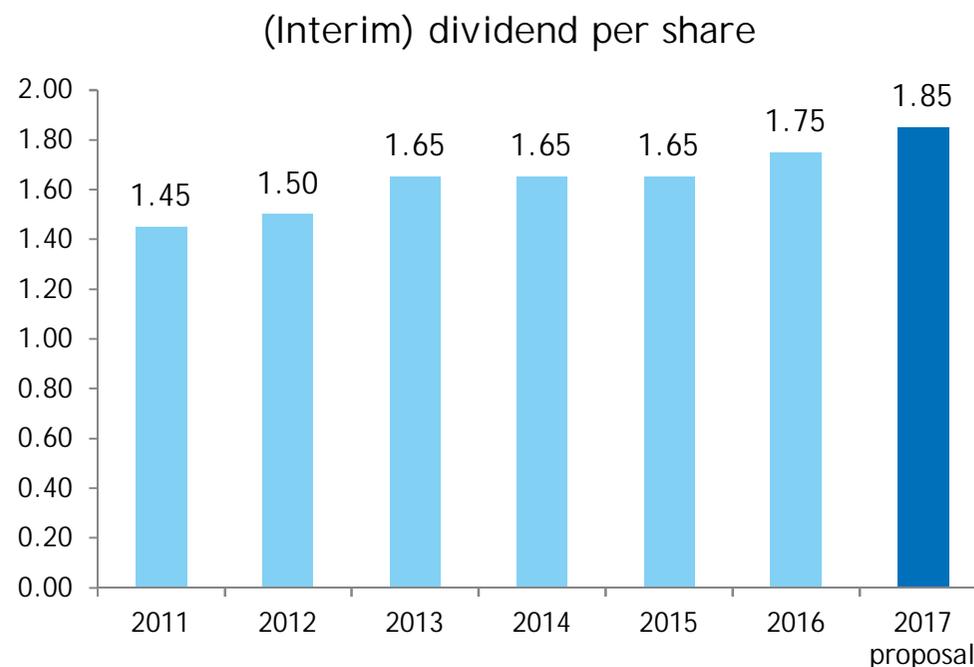


- Net debt was €579m vs. €742m at the end of 2017
- ROCE of underlying business up 200bps to 13.3%
  - Including temporary vitamin effect, Q1 2018 ROCE at 21.8%

## Dividend proposal to AGM: Increase dividend to €1.85 per ordinary share

- Dividend policy “stable and preferably rising”
- Reflecting its confidence in the financial performance of the company, DSM proposes to increase the dividend
- Proposal to the AGM on 9 May 2018: Increase dividend from €1.75 to €1.85 per ordinary share for 2017
  - €0.58 interim dividend (paid in August 2017)
  - €1.27 final dividend (payable 1 June 2018)
- The dividend will be payable in cash or in the form of ordinary shares, at the option of the shareholder
  - A maximum of 40% of the total dividend amount is available for stock dividend
  - Dividend in cash will be paid after deduction of 15% Dutch dividend withholding tax
- The ex-dividend date is 11 May 2018

### Dividend per ordinary DSM share - €



## ANNEX: Group | Net sales development - including temporary vitamin effect

in € million	Q1 2018	Q1 2017	% Change	Volume	Price/mix	FX	Other
Sales	2,435	2,159	13%	8%	13%	-9%	1%
Nutrition	1,650	1,398	18%	9%	19%	-11%	1%
Materials	738	701	5%	7%	4%	-6%	0%
Innovation Center	36	43					
Corporate Activities	11	17					

## ANNEX: Group | EBITDA development - including temporary vitamin effect

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in € million	Q1 2018	Q1 2017	% Change
Sales	2,435	2,159	13%
Adjusted EBITDA	538	345	56%
Nutrition	442	257	72%
Materials	126	113	12%
Innovation Center	-1	1	
Corporate Activities	-29	-26	

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# DSM Capital Markets Day 2018

20 June 2018



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