



Presentation to Investors

Q1 2019 results

ROYAL DSM
NUTRITION HEALTH SUSTAINABLE LIVING



Quote From the CEO

Feike Sijbesma

“I am pleased to report a good start to the year, with continued positive momentum, led by our Nutrition business, while Materials continues to demonstrate its resilience. Last year we benefitted from an exceptional growth and profit contribution in Nutrition following a supply disruption in the vitamin industry. When comparing our results excluding this special event, we realized strong, double digit Adjusted EBITDA growth in the first quarter against a very strong comparable period in the Underlying business.

With our business performance progressing in-line with our plans, we remain confident in our positive outlook for 2019. We are well positioned to deliver on our ambitious Strategy 2021 targets, which aim to deliver above market growth and strong financial performance, driven by our commitment to be a purpose led, performance driven science-based company in Nutrition, Health and Sustainable Living.”

Feike Sijbesma, CEO/Chairman of the Managing Board



Q1 2019

Highlights

- DSM reports a good start to the year
- Results compared to Underlying business in Q1 2018:
 - ✓ Group sales up 3%, Adjusted EBITDA up 10% to €412m (up 14% to €424m including IFRS 16 impact of €12m)
 - ✓ Nutrition: organic sales +3%, Adjusted EBITDA up 11% to €309m (up 14% to €316m including IFRS 16 impact of €7m)
 - ✓ Materials: organic sales -5%, Adjusted EBITDA flat on €126m (up 1% to €127m including IFRS 16 impact of €1m)
- Adjusted Net Operating Free Cash Flow €60m
- Total Net profit €196m, up versus Q1 2018 of €331m when correcting for the temporary vitamin effect of €165m EBITDA following an exceptional supply disruption in the industry
- Full year outlook increased

Group

Key Financials (comparison with Q1 2018 excluding temporary vitamin effect)

in € million	<u>Q1 2019</u>	<u>Q1 2018</u>			<u>% Change</u>				
		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	2,292	2,215	220	2,435	1%	2%	3%	-9%	-6%
Nutrition	1,517	1,430	220	1,650	3%	3%	6%	-14%	-8%
Materials	717	738		738	-5%	2%	-3%		-3%
Adjusted EBITDA	424	373	165	538			14%	-35%	-21%
Nutrition	316	277	165	442			14%	-43%	-29%
Materials	127	126		126			1%		1%
Innovation	6	-1		-1					
Corporate	-25	-29		-29					
EBITDA	416	361	165	526					
Adjusted EBITDA margin	18.5%	16.8%		22.1%					

¹ Underlying (business) in 2018 is defined as the performance measures sales and Adjusted EBITDA, corrected for DSM's best estimate of the temporary vitamin effect.

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

³ IFRS 16 is only effective as per 1 January 2019, the 2018 figures have not been adjusted.

Group

Key Financials (comparison with Q1 2018 including temporary vitamin effect)

in € million	YTD					
	Q1 2019	Q1 2018	% Change	Q1 2019	Q1 2018	% Change
Sales	2,292	2,435	-6%	2,292	2,435	-6%
Adjusted EBITDA	424	538	-21%	424	538	-21%
Adjusted EBITDA margin	18.5%	22.1%		18.5%	22.1%	
ROCE (%)	12.9%	21.8%				
Effective tax rate ¹	18.0%	18.0%				
Adjusted net profit ²	200	337	-41%	200	337	-41%
Net profit - Total DSM ²	196	331	-41%	196	331	-41%
Adjusted net EPS	1.12	1.91	-41%	1.12	1.91	-41%
Net EPS - Total DSM	1.10	1.88		1.10	1.88	
Operating cash flow	201	310	-35%	201	310	-35%
Adjusted Net Operating Free Cash Flow	60	154	-61%	60	154	-61%

¹ Over Adjusted taxable result

² Including result attributed to non-controlling interest

Nutrition

Key Financials

Underlying in € million (estimated)	YTD					
	Q1 2019	Q1 2018		Q1 2019	Q1 2018	
Sales	1,517	1,430	6%	1,517	1,430	6%
Adjusted EBITDA ¹	316	277	14%	316	277	14%
Adjusted EBITDA margin (%) ¹	20.8%	19.4%		20.8%	19.4%	
ROCE (%)	15.1%	15.3%		15.1%	15.3%	
Temp Vitamin effect in € million (estimated)	YTD temp. vit. effect Q1 2018			temp. vit. effect Q1 2018		
Sales	220			220		
Adjusted EBITDA	165			165		

Total incl 2018 temp. effect in € million	YTD					
	Q1 2019	Q1 2018	% Change	Q1 2019	Q1 2018	% Change
Sales	1,517	1,650	-8%	1,517	1,650	-8%
Adjusted EBITDA ¹	316	442	-29%	316	442	-29%
Adjusted EBITDA margin (%) ¹	20.8%	26.8%		20.8%	26.8%	
Adjusted EBIT	228	370	-38%	228	370	-38%
Capital Employed	6,286	5,406				
Average Capital Employed	6,035	5,413				
ROCE (%)	15.1%	27.4%				
Total Working Capital	1,650	1,434				
Average Total Working Capital as % of Sales	26.3%	22.8%				

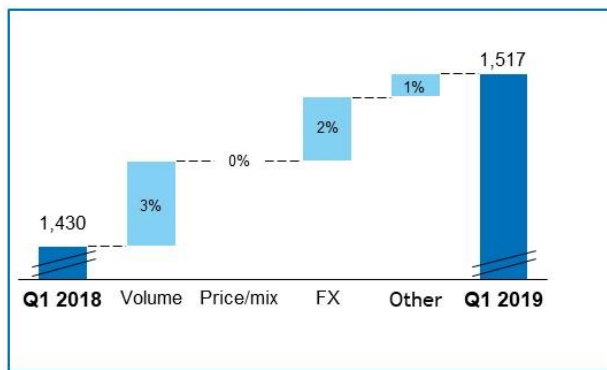
¹ Including IFRS 16 impact of €7 million in Q1 2019

- Underlying business in 2018 is defined as the sales and Adjusted EBITDA, corrected for the temporary vitamin effect due to exceptional supply disruptions in the industry in the first nine months of 2018, with additional sales of €220 million and a corresponding Adjusted EBITDA of €165 million in Q1 2018, as estimated and reported last year.

Nutrition

Q1 2019 Business Overview

Sales bridge | Q1 2018 to Q1 2019 (€m)

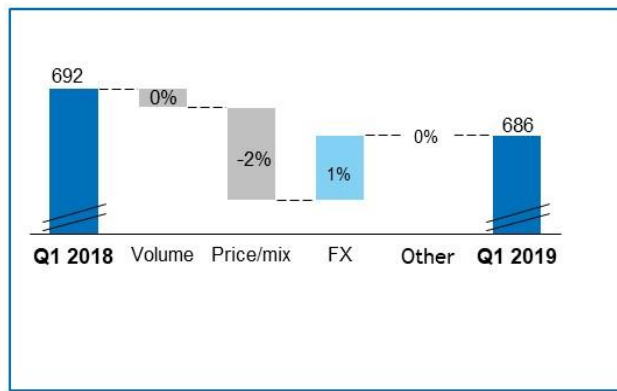


- **Q1 2019 sales:** Nutrition reported 3% organic growth, against a tough comparison of 12% organic growth in Q1 2018 (excluding the one-time vitamin effect). Total sales were 6% higher compared to Q1 2018. Currencies, especially the US dollar had a 2% positive effect on sales. The consolidation of Andre Pectin contributed 1% sales growth (€12 million).
- **Q1 2019 Adjusted EBITDA:** Nutrition reported 14% growth in Adjusted EBITDA. This increase includes €4 million contribution from the consolidation of Andre Pectin and €7 million from IFRS 16. Excluding these two items, Adjusted EBITDA growth was 10%.
- **Q1 2019 Adjusted EBITDA margin** was 20.8% (excluding IFRS 16: 20.4%) compared to 19.4% in Q1 2018. The margin growth in Q1 2019 was driven by a positive business mix and some support from one-off lower costs and foreign exchange effects.

Animal Nutrition & Health

Sales Overview

Sales bridge | Q1 2018 to Q1 2019 (€m)

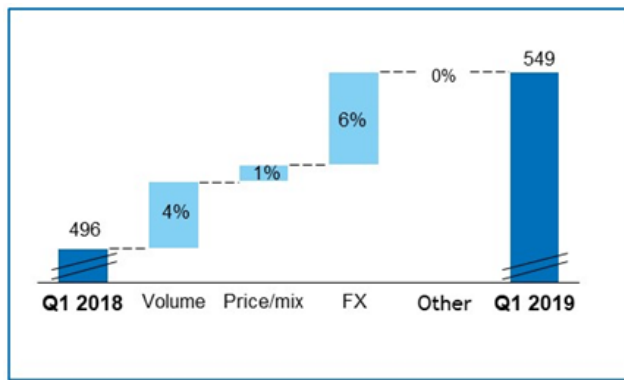


- **Q1 2019 organic sales:** The first quarter saw continued good business conditions across all regions except for China where the African swine fever intensified. The effect was partly compensated by higher poultry production in the region and increased pork production in other regions, demonstrating DSM's integrated and diversified business model.
- Animal Nutrition reported -2% organic sales with stable volumes and price/mix slightly down 2%. This is a solid performance when compared with the 18% organic growth in Q1 2018. Overall, sales were 1% lower as currencies had a 1% positive impact resulting from a stronger US-dollar, partly offset by a weaker Brazilian real.

Human Nutrition & Health

Sales Overview

Sales bridge | Q1 2018 to Q1 2019 (€m)



- **Q1 2019 organic sales.** Overall business conditions were good across regions and segments. i-Health, pharma and early life nutrition performed strongly. Food and beverage showed strong premix sales to regional and smaller customers. Dietary supplements delivered a solid performance.
- Q1 saw organic growth of 5%, a good result especially when compared with a strong comparable period last year with 8% organic growth. Total sales were up 11% as sales growth was supported by a 6% foreign exchange effect largely US-dollar related.

Other Nutrition

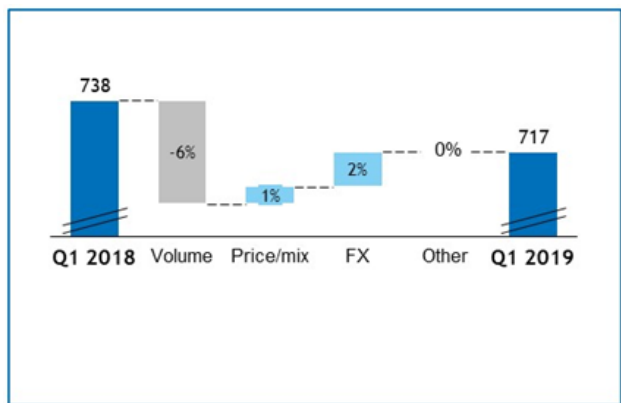
Food Specialties - Personal Care - Andre Pectin

- DSM's other Nutrition activities which include Food Specialties, Personal Care, Aroma Ingredients and Hydrocolloids, delivered a strong performance with 12% organic sales growth.
- Andre Pectin was re-consolidated in 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 in Q1 €12 million sales with an EBITDA of €4 million.

Materials

Sales Overview

Sales bridge | Q1 2018 to Q1 2019 (€m)



- **Market conditions** for some of DSM's businesses remained challenging, especially in Asia. Automotive, building & construction and electrical & electronics markets experienced continued softness, while the market conditions in the other business segments stayed robust. DSM remains well positioned with its specialty portfolio and continues to drive innovation in the future growth areas such as new mobility.
- **Organic sales development** of -5%, driven by 6% lower volumes against a tough comparable period with 7% volume growth. Overall sales were 3% lower as currencies had a 2% positive impact resulting from a stronger US dollar.
 - ✓ **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** continued to face subdued building & construction markets, especially in Europe and Asia. The high-margin functional materials business continued to perform well.
 - ✓ **DSM Dyneema** had a good first quarter, driven by continued high demand in personal protection. New production lines in the US and the Netherlands are scheduled to be completed in the second half of 2019, to fulfil the growing demand, especially for law enforcement.

Materials

Key Financials

in € million	YTD			Q1 2019	Q1 2018	% Change
	Q1 2019	Q1 2018	% Change			
Sales	717	738	-3%	717	738	-3%
Adjusted EBITDA ¹	127	126	1%	127	126	1%
Adjusted EBITDA margin (%) ¹	17.7%	17.1%		17.7%	17.1%	
Adjusted EBIT	93	95	-2%	93	95	-2%
Capital Employed	1,959	1,824				
Average Capital Employed	1,930	1,805				
ROCE (%)	19.2%	21.0%				
Total Working Capital	443	367				
Average Total Working Capital as % of Sales	15.3%	11.9%				

¹ Including IFRS 16 impact of €1 million in Q1 2019

- **Q1 2019 Adjusted EBITDA** of €127 million (excluding IFRS 16: €126 million) is in line with the same period in Q1 2018. Lower volumes were compensated by good margin management, cost savings, a small benefit from currencies and a positive mix effect.
- **Q1 2019 Adjusted EBITDA margin** was 17.7% (excluding IFRS 16: 17.6%) compared to 17.1% in Q1 2018 demonstrating the resilience of the business.

Innovation Center

Key Financials

in € million	YTD					
	Q1 2019	Q1 2018	% Change	Q1 2019	Q1 2018	% Change
Sales	47	36	31%	47	36	31%
Adjusted EBITDA ¹	6	-1		6	-1	
Adjusted EBIT	-1	-6		-1	-6	
Capital Employed	614	553				

¹ Including IFRS 16 impact of €1 million in Q1 2019

- **Innovation Center** had a good start to the year. Biomedical showed a 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. In total, the Adjusted EBITDA increased from -€1 million in Q1 2018 to €6 million in Q1 2019.

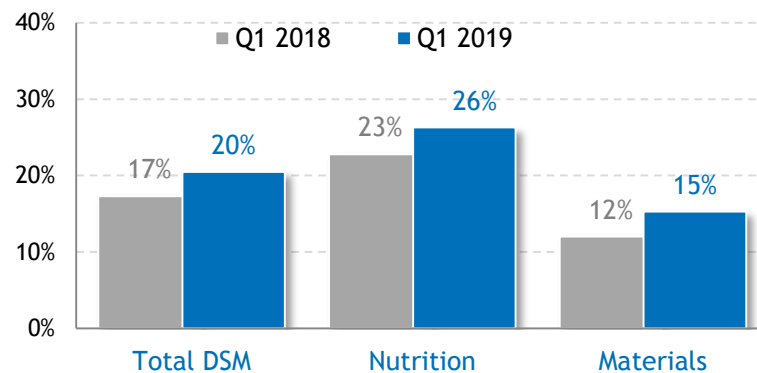
Cash Flow and (operating) Working Capital

Overview

Condensed Cash Flow and (Operating) Working Capital

in € million	YTD		Q1 2019	Q1 2018
	Q1 2019	Q1 2018		
Cash provided by Operating Activities	201	310	201	310
- Cash from APM adjustments	11	19	11	19
- Cash from capital expenditures	-150	-172	-150	-172
- Cash from drawing rights	-2	-3	-2	-3
Adjusted Net Operating Free Cash Flow	60	154	60	154
Operating Working Capital	2,430	2,117		
Average Operating Working Capital as % of Sales	25.7%	22.0%		
Total Working Capital	1,941	1,616		
Average Total Working Capital as % of Sales	20.5%	17.3%		

Average Total Working Capital %

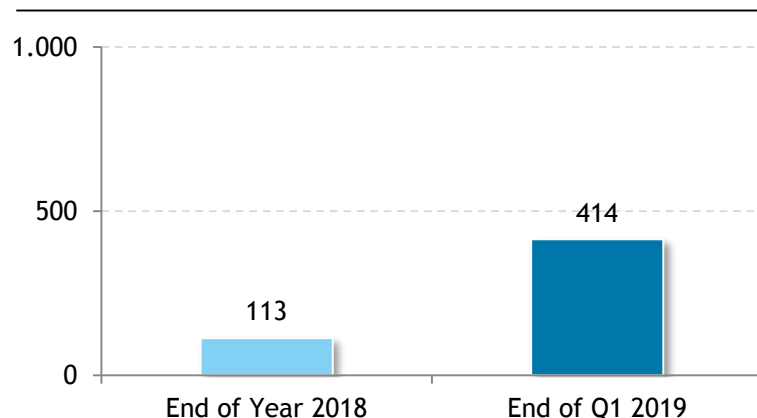


- **Adjusted Net Operating Free Cash Flow** amounted to €60 million in Q1 2019 compared to €154 million in Q1 2018 which includes the impact from the temporary vitamin effect of €165 million EBITDA.
- **Operating Working Capital and Total Working Capital** were negatively impacted by exchange rates, the re-consolidation of Andre Pectin as well as timing effects of both receivables and payables. Inventories remained stable. The cash impact from working capital was -€165 million in Q1 2019 versus -€233 million in the comparable period last year.

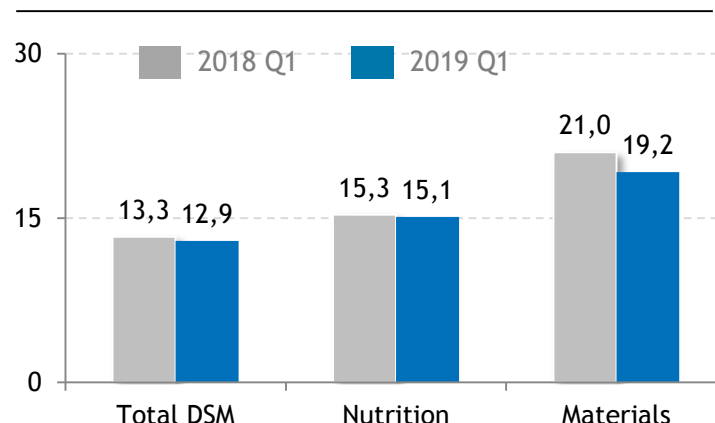
Net Debt and ROCE

Overview

Net debt (€ million)



ROCE% (underlying business) - incl IFRS16



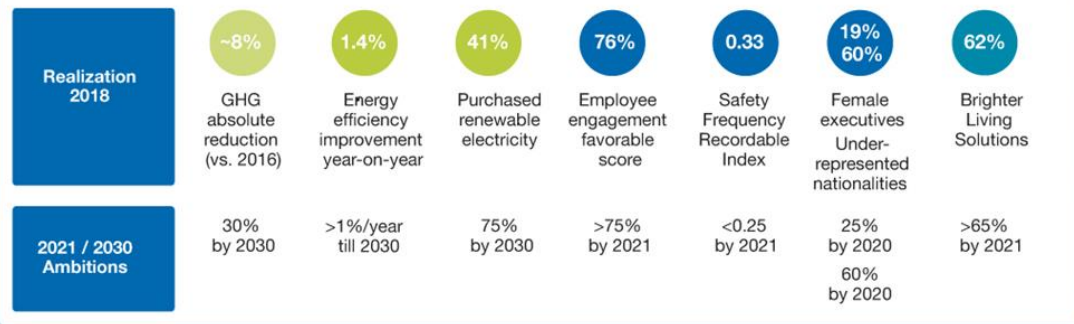
- **Net debt** was €414 million, up from €113 million at the end of 2018, due to the inclusion of IFRS16 and the acquisition of Andre Pectin.
- **ROCE** of underlying business is down 30bps to 12.9% versus Q1 2018, mainly driven by higher capital employed in Q1 2019 (due to IFRS16, FX effect, M&A and higher working capital) and higher Q1 2019 D&A. Excl. IFRS16, Q1 2019 ROCE is 13.2%.

Continued step up in Sustainability

Q1 2019 highlights

Continued step-up in sustainability leadership

(for definitions and detailed data see 2018 Integrated Annual Report)



Planet:

- New science-based reduction targets for greenhouse gas emissions
- New green energy plant at our Sisseln site (CH), together with ENGIE and EWZ, reducing CO2 emissions by 50,000 tons/year
- Newly expanded 66-acre solar field in Belvedere (NJ, US) estimated to produce 25 million kWh/yr of renewable electricity
- 30 to 40% Reduction of waste to landfill at Zhangbin site (Taiwan)

People:

- Launched update of DSM's 12 Life Saving Rules
- Executive Committee composition reaches 43% female following the appointment of the new Chief Innovation Officer
- With the proposed (re)appointments, the Supervisory Board increases further the diversity of its members

Outlook 2019 Increased

- *DSM increases its full year outlook 2019 and now 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 Adjusted Net Operating Free Cash Flow in line with its Strategy 2021 targets.*
- *This outlook excludes the positive impact of IFRS 16, which we estimate at around €45 million for the full year.*

Share Buy-Back program started

- *As of April 1, DSM commenced its ordinary share repurchase program of an aggregate market value of €1 billion as announced on 14 February 2019, with the intention to reduce its issued capital. This program is 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.*

Safe Harbor Statement

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 2019 performance can be found in the Q1 2019 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



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