



Life Sciences and Materials Sciences  
**Presentation to Investors**  
Q2 2015 Results, 4 August 2015

HEALTH • NUTRITION • MATERIALS



# Safe harbor statement

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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

## DSM reports Q2 2015 results

- Solid sales performance with a 12% increase to €1,965 million, supported by foreign exchange rates and 3% volume growth
- EBITDA increase of 6% to €279 million
- Nutrition delivered good organic growth of 3%, driven by 5% volume growth
- Performance Materials showed strong EBITDA growth of 25%, benefiting from lower input costs and 2% volume growth
- Cash from continuing operating activities of €103 million
- Interim dividend of €0.55
- 2015 outlook maintained

# Quote from Feike Sijbesma

*"I am pleased to report good progress in Q2 with a solid volume growth in Nutrition and a step-up in Performance Materials. The priority of improving our operational performance is starting to deliver results. With increasingly challenging macro-economic conditions we remain focused on further improving the operational performance of DSM's businesses while making continued progress in innovation and sustainability. The setting-up of efficiency and cost reduction programs with a particular focus on the Nutrition business and the DSM-wide support functions is progressing well. We will announce the scope of the program for the DSM-wide support functions by the end of this month. More information on the efficiency and cost reduction programs for the Nutrition business will be shared at the Capital Markets Day on 4 November.*

*We maintain our full year outlook: DSM aims to deliver an EBITDA in 2015 ahead of 2014, the increase mainly driven by positive foreign exchange effects."*



*Feike Sijbesma CEO /  
Chairman of the Managing Board*

# Results Q2/H1 2015 - Key figures

Q2-2015	Q2-2014	Δ%	(€ million)	H1-2015	H1-2014	Δ%
Continuing operations before exceptional items:						
1,965	1,754	12%	Net Sales	3,851	3,446	12%
279	264	6%	EBITDA	527	503	5%
0.63	0.62	2%	EPS (€)	1.02	1.14	-11
0.74	0.71	4%	Core EPS (€)*	1.25	1.32	-5%
Total DSM before exceptional items:						
2,515	2,288	10%	Net Sales	4,907	4,586	7%
332	293	13%	EBITDA	618	563	10%
Total DSM after exceptional items:						
99	78	27%	Net profit	29	159	-82%
0.56	0.45	24%	EPS (€)	0.14	0.90	-84%

\* Core net EPS is the EPS from continuing operations before exceptional items and before acquisition related (intangible) asset amortization

# Net sales growth Q2-2015 versus Q2-2014

(€ million)	Q2-2015	Q2-2014	Δ%	Volume	Price/ Mix	FX	Other
Nutrition	1,247	1,073	16%	5%	-2%	11%	2%
Performance Materials	664	615	8%	2%	-4%	10%	
Innovation Center	37	38	-3%	-14%	0%	11%	
Corporate Activities	17	28					
<b>Continuing Operations</b>	<b>1,965</b>	<b>1,754</b>	<b>12%</b>	<b>3%</b>	<b>-2%</b>	<b>10%</b>	<b>1%</b>

# Net sales growth H1-2015 versus H1-2014

(€ million)	H1-2015	H1-2014	Δ%	Volume	Price/ Mix	FX	Other
Nutrition	2,446	2,120	15%	5%	-1%	10%	1%
Performance Materials	1,296	1,204	8%	3%	-4%	9%	
Innovation Center	73	72	1%	-12%	-1%	14%	
Corporate Activities	36	50					
<b>Continuing Operations</b>	<b>3,851</b>	<b>3,446</b>	<b>12%</b>	<b>3%</b>	<b>-2%</b>	<b>10%</b>	<b>1%</b>

# EBITDA - development Q2

EBITDA (€ million)	Q2-2015	Q2-2014	Δ%
Nutrition	208	222	-6%
Performance Materials	106	85	25%
Innovation Center	-3	-5	
Corporate Activities	-32	-38	
<b>Continuing Operations*</b>	<b>279</b>	<b>264</b>	<b>6%</b>

- Continuing operations (excluding discontinued activities)



# EBITDA - development H1

EBITDA (€ million)	H1-2015	H1-2014	Δ%
Nutrition	403	425	-5%
Performance Materials	192	156	23%
Innovation Center	-8	-11	
Corporate Activities	-60	-67	
<b>Continuing Operations*</b>	<b>527</b>	<b>503</b>	<b>5%</b>

- Continuing operations (excluding discontinued activities)

# Nutrition

Q2-2015	Q2-2014	Δ%	(€ million)	H1-2015	H1-2014	Δ%
1,247	1,073	16%	Net sales	2,446	2,120	15%
		5%	Volume			5%
		-2%	Price/Mix			-1%
		11%	FX			10%
		2%	Other			1%
208	222	-6%	EBITDA	403	425	-5%
16.7%	20.7%		EBITDA margin	16.5%	20.0%	
137	165	-17%	EBIT	266	308	-14%
			Capital employed	5,474	5,034*	

- **Sales** in the second quarter increased by 16% compared to Q2 2014. Organic sales growth was 3% as a result of 5% higher volumes and 2% lower price/mix effects. The acquisition of Aland, which was finalized on 31 March 2015, had a 2% positive effect on sales. Currencies had an 11% positive impact versus Q2 2014
- **EBITDA** for Q2 was €208 million, down €14 million or 6% from Q2 2014. Positive volume developments were more than offset by significantly lower vitamin E prices which had a negative impact of around €30 million in the quarter. Positive effects of certain foreign exchange rates, especially the US dollar, were partly offset by the negative impact of the Swiss franc
- **DSM Food Specialties** showed good volume growth, supported by positive currency developments. In particular the enzymes and cultures businesses performed well with double-digit volume growth and increased market share

\* year-end 2014

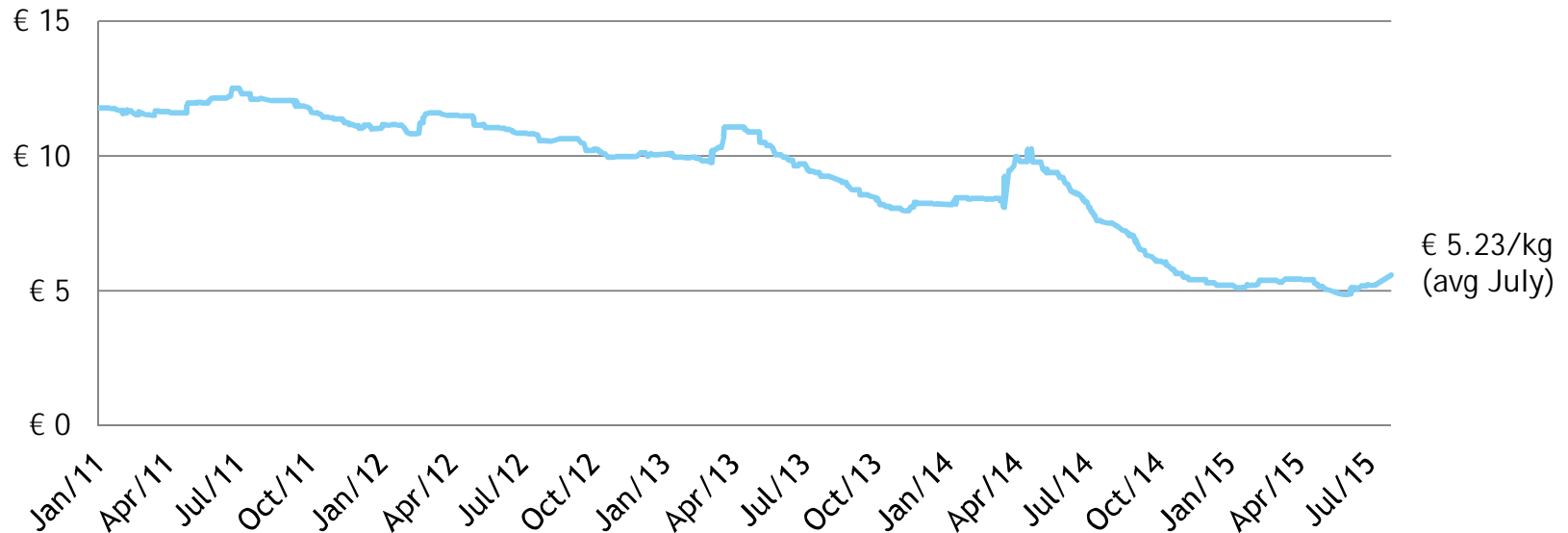
# Animal Nutrition & Health

Q2-2015	Q2-2014	Δ%	(€ million)	H1-2015	H1-2014	Δ%
571	518	10%	Net sales	1,145	985	16%
		3%	<i>Organic Growth</i>			8%
		4%	<i>Volume</i>			8%
		-1%	<i>Price/Mix</i>			0%
		7%	<i>FX</i>			8%

- Animal Nutrition and Health** net sales were €571 million in Q2, a 10% increase versus Q2 2014. Organic sales growth in Q2 was 3%, with 4% higher volumes and 1% lower prices. The premix business continued to perform strongly. Reported volume growth in Q2 2015 was impacted by a key raw material supply interruption at Tortuga due to a fire in the port of Santos (Brazil). This led to lost sales of €15 million with €7 million business interruption damages, the latter being covered under DSM's captive insurance. Excluding this business interruption at Tortuga, organic growth in the quarter would have been 5% for animal nutrition and 4% for the total Nutrition cluster
- As expected, vitamin E prices were significantly lower compared to Q2 2014. The negative price effect on sales was largely compensated by higher prices for other ingredients. However, as a substantial part of these other ingredients are in-sourced for DSM's premix activities, these increased prices only have a limited benefit at EBITDA level

# Vitamin E prices

Vitamin E 50% spot price per kg (source: *feedinfo*)



- Spot prices seem to have bottomed out in H1 2015
- Thanks to the full integration of our vitamin production, DSM continues to be a low cost supplier versus our Chinese competitors
- Attractiveness of Vitamin E market for Chinese players has clearly eroded
- Assuming current low spot prices in Vitamin E persist, the negative price impact on DSM's 2015 EBITDA will be around €80-90 million

# Human Nutrition & Health

Q2-2015	Q2-2014	Δ%	(€ million)	H1-2015	H1-2014	Δ%
479	404	19%	Net sales	932	826	13%
		3%	Organic Growth			-1%
		5%	<i>Volume</i>			0%
		-2%	<i>Price/Mix</i>			-1%
		16%	<i>FX</i>			14%

- **Human Nutrition & Health** net sales increased by 19% to €479 million in Q2. Volumes were up 5% and prices were down 2% while currencies had a positive effect of 16%
- US dietary supplements showed a mixed picture: I-Health continued to deliver strong growth and (multi) vitamin sales were growing on the back of increased promotional activities by multi-vitamin producers, whereas fish oil-based Omega 3 dietary supplements were still down versus Q2 last year. Fish oil-based Omega 3 sales showed good growth in Europe and Asia. Sales in DSM's food & beverage segments also showed a mixed picture with Europe and Asia performing well, but with ongoing tough business conditions in North and South America. Infant nutrition returned to normalized growth rates after the destocking in Q2 last year

# Performance Materials

Q2-2015	Q2-2014	Δ%	(€ million)	H1-2015	H1-2014	Δ%
664	615	8%	Net sales	1,296	1,204	8%
		2%	Volume			3%
		-4%	Price/Mix			-4%
		10%	FX			9%
		0%	Other			0%
106	85	25%	EBITDA	192	156	23%
16.0%	13.8%		EBITDA margin	14.8%	13.0%	
74	55	35%	EBIT	127	98	30%
			Capital employed	1,897	1,744*	

- Sales in Q2 2015 increased by 8% compared to Q2 2014 as a result of 2% volume growth, 4% lower prices (reflecting lower raw materials costs) and 10% positive currency effects
- **DSM Engineering Plastics** showed good volume growth versus Q2 2014. Sales were supported by a substantial foreign exchange effect. Prices were lower mainly in the polyamide 6 value chain. **DSM Dyneema** showed double digit volume growth with somewhat lower prices due to mix effects. In **DSM Resins and Functional Materials**, volumes were lower versus Q2 2014 with relatively weak demand in coating resins as well as lower volumes in functional materials. Foreign exchange had a positive effect. Pricing was slightly down reflecting lower input costs and severe price competition for DSM AGI in Asia

\* year-end 2014

# Performance Materials cont.

- **EBITDA** in Performance Materials for the quarter increased by 25% versus Q2 2014 to €106 million which is a new record for the cluster. On a structural base, volume growth and efficiency & cost savings programs over recent years contributed positively. The increase in EBITDA was, however, also enhanced by positive foreign exchange effects as well as temporarily strong margin improvements due to lower input costs
- EBITDA of **DSM Engineering Plastics** was substantially up compared to previous year as a result of volume growth in combination with substantially higher margins. **DSM Dyneema** delivered solid EBITDA growth on the back of double-digit organic growth and favorable currencies. EBITDA of **DSM Resins & Functional Materials** was flat with lower volumes, stable margins and lower costs



*DSM contributing to lighter, safer & more sustainable cars\**



*DSM's fibers powers & protects Giant-Alpecin team*



*DSM & Niaga joined forces in sustainable carpet technology*

\* photos BMW i3 (front page/above) by courtesy from Keram Maastricht, Authorized BMW dealer

# Innovation Center

Q2-2015	Q2-2014	Δ%	(€ million)	H1-2015	H1-2014	Δ%
37	38	-3%	Net sales	73	72	1%
		-14%	Volume			-12%
		0%	Price/Mix			-1%
		11%	FX			14%
-3	-5		EBITDA	-8	-11	
-10	-12		EBIT	-22	-26	
			Capital employed	564	523*	

- **Net sales** in Q2 2015 were 3% lower than in Q2 2014. Positive foreign exchange effects could not fully compensate for the lower volumes in DSM Biomedical, which were mainly caused by destocking at a major customer and the absence of St. Jude royalty revenues which were still partly included in Q2 2014
- **EBITDA** in Q2 2015 improved versus Q2 2014 driven by a stronger focus in the innovation activities, cost savings and positive currency developments

\* year-end 2014



# Corporate Activities

Q2-2015	Q2-2014	(€ million)	H1-2015	H1-2014
17	28	Net sales	36	50
-32	-38	EBITDA	-60	-67
-44	-51	EBIT	-83	-90

- **EBITDA** in Q2 2015 was slightly below the average quarterly run-rate mainly due to timing of certain costs. In Q2 2014 higher captive insurance costs were incurred resulting from last year's fire at Sisseln. In Q2 2015 the insurance costs of the Tortuga supply interruption amounted to €7 million, largely offset by other insurance related results

# Pharma activities and other associates

- Total Q2 2015 sales of joint control entities amounted to €122 million on a 100% basis (Q2 2014: €115 million) of which €112 million from [DSM Sinochem Pharmaceuticals](#) (Q2 2014: €108 million). DSM Sinochem Pharmaceuticals further improved results, with an EBITDA margin for the quarter of about 15%
- [DPx holdings](#) (49% DSM) realized total sales (100% basis) of €447 million, for the period 1 February - 30 April 2015, with a corresponding EBITDA margin of about 20%. The net income of DPx was negatively impacted by €15 million exceptional items (before tax) related to restructuring, integration and realizing synergies of the company. In Q2 2015, following a successful refinancing of DPx, DSM received a capital distribution of €155 million
- DPx, to be renamed [Patheon](#), has filed a registration statement on Form S-1 with the United States Securities and Exchange Commission relating to the proposed initial public offering of its common stock. The timing of the offering as well as the number of shares to be offered and the price range for the offering have not yet been determined

# Discontinued Operations

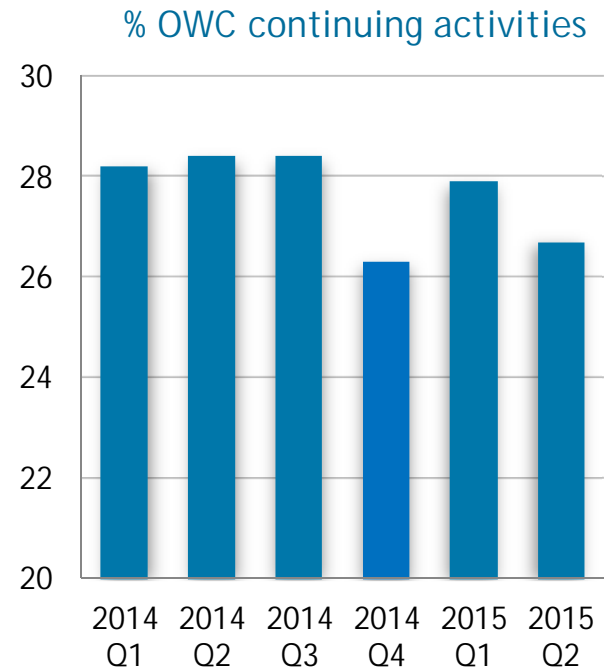
Q2-2015	Q2-2014	(€ million)	H1-2015	H1-2014
550	534	Net sales	1,056	1,140
53	29	EBITDA	91	60
53	8	EBIT	73	19

## Polymer Intermediates and Composite Resins

- Net sales amounted to €550 million supported by foreign exchange rates. EBITDA amounted to €53 million, an increase of €24 million mainly related to positive exchange rate effects and currently elevated margins as a result of lower input costs

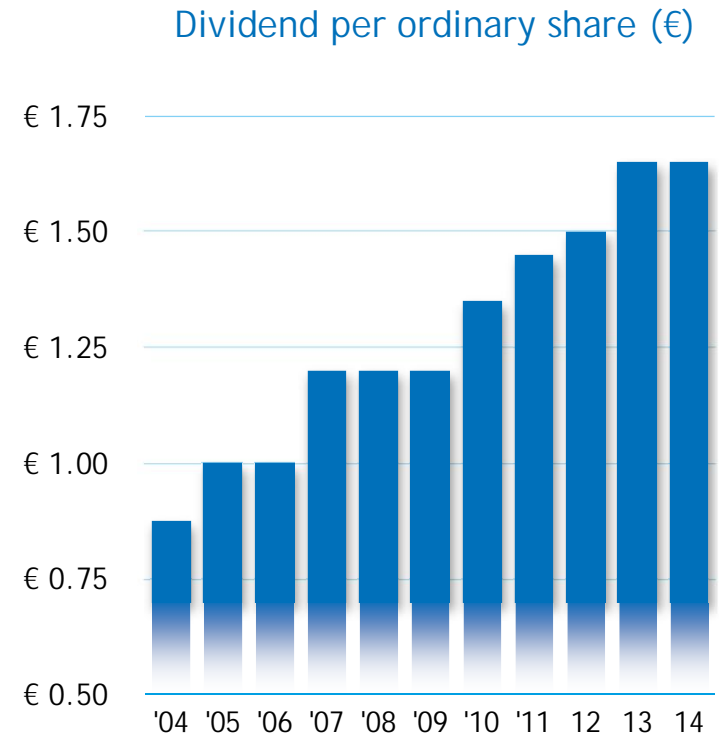
# Cash flow & Balance Sheet

- **Cash provided by operating activities** from continuing operations in Q2 2015 was €103 million (Q2 2014: €124 million)
- **Operating working capital** (continuing operations) expressed as a percentage of annualized sales amounted to 26.7% compared to 26.3% at year-end 2014. The operating working capital in absolute terms increased by €197 million from €1,903 million at year-end of 2014 to €2,100 million at the end of Q2 2015 which was largely due to the foreign exchange translation effect and some seasonality.
- In **Nutrition**, operating working capital as a percentage of annualized sales declined from 34% at year-end 2014 to 33%, in line with DSM's target to further reduce operating working capital
- **Net debt** decreased by €69 million compared to Q1 2015, reflecting the cash flow contribution and a positive development in mark-to-market value of financial derivatives held, partially offset by interest and dividend payments as well as the buy-back of own shares for management options



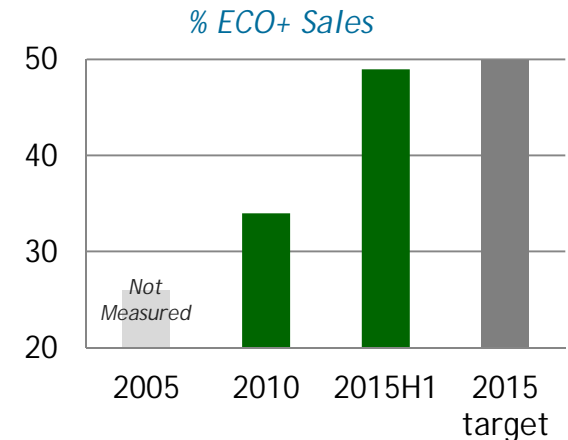
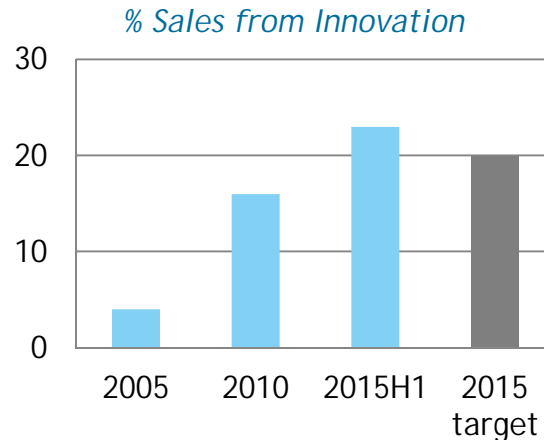
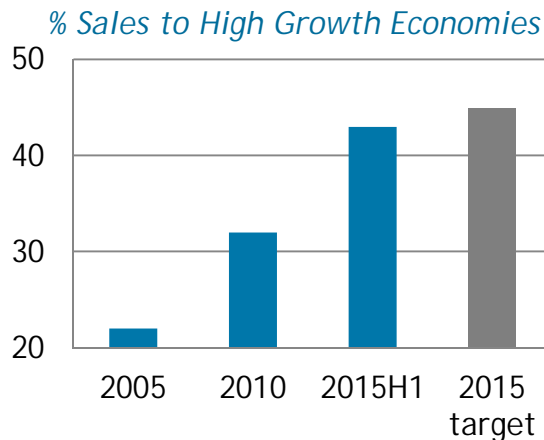
# Interim dividend: €0.55

- Dividend policy “stable and preferably rising”
- Interim dividend for the year 2015: €0.55 per ordinary share, which, as usual, represents one third of the total dividend paid over the previous year (2014)
- The interim dividend should not be taken as an indication of the total dividend of the year 2015
- Payable in cash or ordinary shares at the option of the shareholder
- Dividend in cash will be paid after deduction of 15% Dutch dividend withholding tax
- The ex-dividend date is 5 August 2015. The interim dividend will be payable as from 25 August 2015



# Further progress on growth drivers

- Sales to **High Growth Economies** reached a level of 43% of total sales in H1 2015 compared to 41% in H1 2014. Sales in China amounted to US\$ 514 million, versus US\$ 516 million in H1 2014
- **Innovation** sales in the first half of 2015 - measured as sales from innovative products and applications introduced in the last five years - amounted to 23% of sales compared to 19% in the first half of 2014
- On **Sustainability**, the share of ECO+ products in DSM's innovation pipeline is on track to achieve the full year aspiration of 80%. The ECO+ share in the running business in H1 2015 was 49%, well on track towards the 2015 aspiration of 50%



# Positive currency development

- Indicative rules of thumb on most important sensitivities are, before hedging for €/USD and CHF/€:
  - ✓ 1 ct USD ~€9-10m on EBITDA
  - ✓ 1 rappen CHF ~€7-8m on EBITDA
- Other material sensitivities include Japanese Yen, GB Pound and High Growth Economy currencies incl. the Brazilian Real and the Chinese Yuan
- There are also important secondary effects due to underlying currency movements in sales and purchasing contracts and the impact of the changes in the portfolio
- Since Q1'15:
  - ✓ USD weakened ~2-3ct versus € and CHF
- Based on current exchange rates and the 2015 hedge effects, an **overall annual positive impact on 2015 EBITDA** is estimated at **approximately €35 million**, should current rates persist throughout the remainder of the year (versus the €45 million indicated in Q1 2015)

## FX-Hedges in place for 2015:

- USD 209m at EUR/USD 1.31
- USD 475m at USD/CHF 0.93
- JPY 1.1bn at EUR/JPY 138
- JPY 4.0bn at CHF/JPY 114
- GBP 50m at GBP/CHF 1.50

# Business Conditions

## Animal Nutrition

- Good demand in animal feed markets
- Vitamin E prices volatile, prices seems to have troughed in Q2
- Large maintenance shutdowns in Q3 / Q4

## Human Nutrition

- F&B: North & South America weak; Europe improving
- US retail sales of vitamin-based dietary supplements are improving
- US Fish-oil based omega-3 dietary supplements are still weak
- Infant Nutrition markets have normalized, although at lower than historical growth rate

## Performance Materials

- Continued volatility in Polyamide-6 value chain
- Margins in H2 to normalize as the benefits of the elevated Q2 margins are expected to fade



# 2015 Outlook maintained

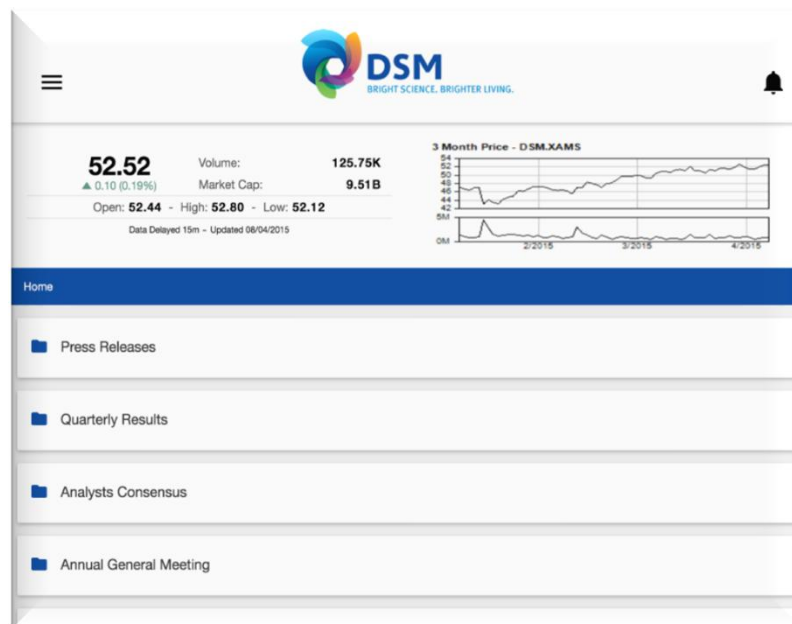
- Macro-economic uncertainty has increased, impacting DSM's end-markets, with continued low growth in Europe, somewhat weaker growth in North America and a prolonged slowdown in key emerging economies
- Assuming current low spot prices in vitamin E persist, the negative price impact on DSM's 2015 EBITDA is estimated to be €80 to €90 million compared to 2014
- The volatility in currencies, including the strengthening of the Swiss franc and the US Dollar against the Euro, will have a mixed effect on DSM's 2015 results compared to 2014. Based on current exchange rates and the 2015 hedge effects, an overall annual positive impact on 2015 EBITDA is estimated at approximately €35 million versus the estimated €45 million indicated in Q1 2015, should current rates persist throughout the remainder of the year
- Taking the above into account, DSM maintains its full year outlook: *DSM aims to deliver an EBITDA in 2015 ahead of 2014, the increase mainly driven by positive foreign exchange effects*

# Annex: DSM's IR App @your service

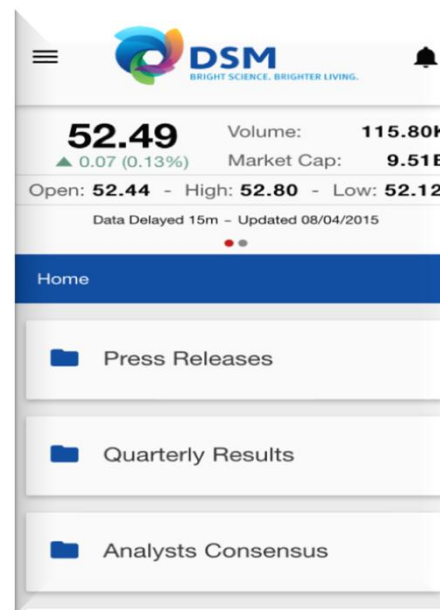
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