



# Presentation to Investors

Full Year and Q4 2016 results

ROYAL DSM  
HEALTH NUTRITION MATERIALS



# 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 Full Year and Q4 2016 performance can be found in the Full Year and Q4 2016 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 | Full Year 2016

- Very strong 2016, well ahead of strategic goals
- Sales up 3% to €7,920m, with 4% organic growth
- Adjusted EBITDA<sup>1</sup> up 17% to €1,262m
- ROCE up 280 bps to 10.4% driven by 38% increase in Adjusted EBIT<sup>1</sup>
- Cash from operating activities up 27% to €1,018m
- Net profit of €629m compared to €92m in 2015
- Proposed dividend increase from €1.65 to €1.75 per ordinary share
- **Outlook 2017:** DSM aims to deliver high single-digit percentage Adjusted EBITDA growth and high double-digit basis point ROCE growth in line with the targets set out in its Strategy 2018

<sup>1</sup> Main non-IFRS terms are explained on page 25 of this presentation and in the Press Release under 'Notes to the condensed financial statements'

- Sales up 5% to €2,015m, with 2% organic growth
- Adjusted EBITDA<sup>1</sup> up 21% to €315m
- **Nutrition**: 2% organic sales growth; Adjusted EBITDA up 16%
- **Materials**: 7% volume growth; Adjusted EBITDA up 17%
- Cash from operating activities up 19% to €374m

<sup>1</sup> Main non-IFRS terms are explained on page 25 of this presentation and in the Press Release under 'Notes to the condensed financial statements'

# Quote from CEO Feike Sijbesma



Feike Sijbesma  
CEO / Chairman of  
the DSM Managing Board

*“With today’s results, we are clearly delivering on the goals we set out at the end of 2015. We are pleased to report a very good year, in which we achieved strong EBITDA and ROCE growth, well ahead of the mid-term targets set out in Strategy 2018: Driving Profitable Growth.*

*Nutrition achieved a year of strong organic growth, in both Animal and Human Nutrition & Health. The Materials transformation is apparent in strong volume and margin growth, driven by our focus on specialties. In addition, we made good progress on our extensive improvement programs. Besides stepping up our financial performance, we were also able to drive our innovation and sustainability agenda in 2016, as well as taking further steps in anchoring the organizational agility and culture that we aim at.*

*While macro-economic conditions are uncertain, we are confident that in 2017 we will again deliver on our strategic objectives, despite a higher comparative base year. We will continue to execute our growth initiatives, and we are firmly on track with our ambitious, group-wide cost and productivity improvement programs. In addition, we will maintain our disciplined approach to capital allocation and working capital.”*

# Key financials | Q4 and Full Year 2016

in € million	Q4 2016	Q4 2015	% Change	FY 2016	FY 2015	% Change
Sales - Continuing Operations	2,015	1,926	5%	7,920	7,722	3%
Adjusted EBITDA - Continuing Operations	315	261	21%	1,262	1,075	17%
Adjusted EBITDA margin - Continuing operations	15.6%	13.6%		15.9%	13.9%	
ROCE - Continuing Operations (%)				10.4%	7.6%	
Adjusted net profit - Continuing Operations	130	96	35%	520	381	36%
Net profit - Total DSM	87	29		629	92	
Adjusted net EPS - Continuing Operations	0.73	0.53	38%	2.90	2.14	36%
Net EPS - Total DSM	0.48	0.12		3.52	0.45	
Cash Flow - Continuing Operations	374	313	19%	1,018	800	27%

# Net sales development | Q4 and Full Year 2016

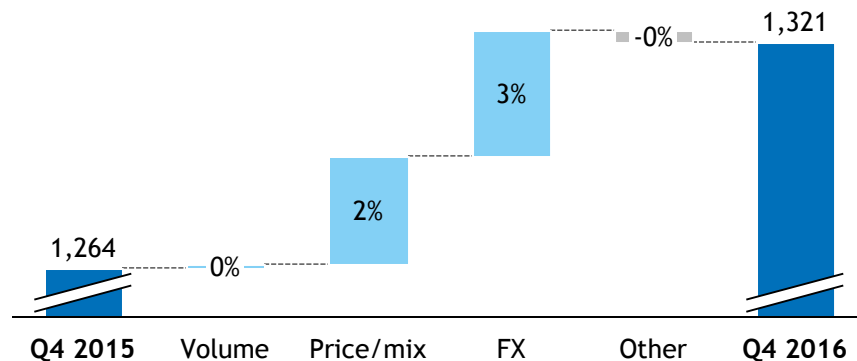
in € million	Q4 2016	Q4 2015	% Change	Volume	Price/mix	FX	Other
<b>Sales - Continuing Operations</b>	<b>2,015</b>	1,926	5%	2%	0%	2%	1%
Nutrition	1,321	1,264	5%	0%	2%	3%	0%
Materials	639	601	6%	7%	-3%	1%	1%
Innovation Center	41	40	0%	-2%	0%	1%	1%
Corporate Activities	14	21					
<i>Discontinued Operations</i>	<i>0</i>	<i>0</i>					
in € million	FY 2016	FY 2015	% Change	Volume	Price/mix	FX	Other
<b>Sales - Continuing Operations</b>	<b>7,920</b>	7,722	3%	4%	0%	-1%	0%
Nutrition	5,169	4,963	4%	3%	2%	-1%	0%
Materials	2,513	2,528	-1%	4%	-5%	-1%	1%
Innovation Center	167	155	7%	6%	0%	0%	1%
Corporate Activities	71	76					
<i>Discontinued Operations</i>	<i>0</i>	<i>1,213</i>					

# EBITDA development | Q4 and Full Year 2016

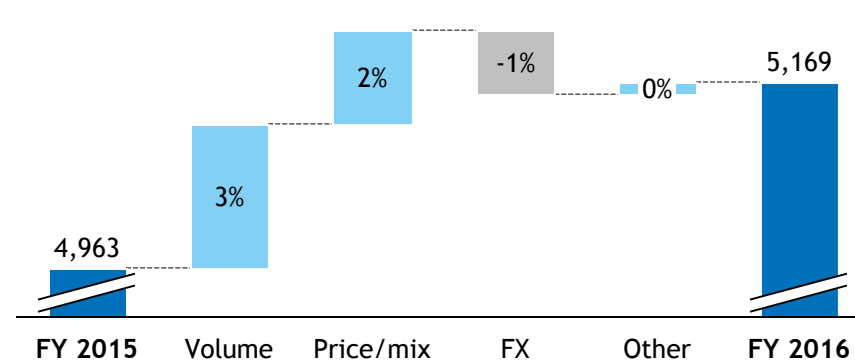
in € million	Q4 2016	Q4 2015	% Change	FY 2016	FY 2015	% Change
<b>Adjusted EBITDA - Continuing Operations</b>	<b>315</b>	261	21%	<b>1,262</b>	1,075	17%
Nutrition	<b>238</b>	206	16%	<b>931</b>	822	13%
Materials	<b>105</b>	90	17%	<b>435</b>	384	13%
Innovation Center	-1	-1		1	-9	
Corporate Activities	-27	-34		-105	-122	
<i>Discontinued Operations</i>	0	1		0	95	



## Sales bridge - Q4 2015 to Q4 2016



## Sales bridge - Full Year 2015 to Full Year 2016



- **Q4 2016 sales** increased by 5% compared to Q4 2015
  - Higher volumes in human nutrition and food specialties were offset by slightly lower volumes in animal nutrition, for which the reported growth percentage was impacted by a tough comparison with prior year
  - Prices in animal nutrition were up in a number of vitamins and premixes, while human nutrition showed a lower price/mix
  - Exchange rates had a 3% positive effect, mainly driven by a stronger US dollar and Brazilian real

# Nutrition | Key financials

in € million	Q4 2016	Q4 2015	% Change	FY 2016	FY 2015	% Change
Sales	1,321	1,264	5%	5,169	4,963	4%
Adjusted EBITDA	238	206	16%	931	822	13%
Adjusted EBITDA margin (%)	18.0%	16.3%		18.0%	16.6%	
Adjusted EBIT	160	123	30%	645	535	21%
Capital Employed				5,537	5,309	
Average Capital Employed				5,375	5,192	
ROCE (%)				12.0%	10.3%	
Total Working Capital				1,414	1,368	
Average Total Working Capital as % of Sales				28.1%	29.4%	

- **Q4 2016 Adjusted EBITDA** up 16% compared to Q4 2015, resulting from:
  - Organic growth
  - Contribution from the efficiency improvement and cost saving programs
  - Some end of year incidental costs and marketing campaigns in human nutrition

# Nutrition | DSM updated the way Nutrition results are presented

- As from Q4 2016, the sales of DSM Nutritional Products are as follows:
  - Animal Nutrition & Health
  - Human Nutrition & Health
  - Personal Care & Aroma Ingredients
  - Other
- Main changes:
  - DSM's aroma intermediates business which was reported in Human Nutrition & Health is now reported within 'Personal Care & Aroma Ingredients'
  - The pharma, custom manufacturing and services activities, which were reported mainly in Animal Nutrition & Health, are now all reported within 'Other'
- The change in presentation has no consequences for the total sales of Nutrition

## Nutrition cluster overview - 2015 Sales reported vs. New presentation

### 2015 Sales reported

Nutrition  
€4,963 million

DSM Nutritional Products  
€4,439 million

Animal Nutrition & Health  
€2,359 million

Human Nutrition & Health  
€1,845 million

Personal Care  
€172 million

Aland<sup>1</sup>  
€63 million

DSM Food Specialties  
€524 million

### 2015 New presentation

Nutrition  
€4,963 million

DSM Nutritional Products  
€4,439 million

Animal Nutrition & Health  
€2,269 million

Human Nutrition & Health  
€1,741 million

Personal Care & Aroma Ingr.  
€316 million

Other  
€113 million

DSM Food Specialties  
€524 million

<sup>1</sup> As with all acquisitions that are acquired within a book year, after its acquisition in 2015, Aland was reported separately in 2015. As of 2016, Aland is reported as part of Human Nutrition & Health

# Nutrition | Additional information on new presentation of segments

- **Personal Care** had strong organic growth across all segments, with good growth in the business unit's carefully managed global key accounts
- **Aroma Ingredients** supplies aroma ingredients to the flavor and fragrance industries. In 2016, the business showed good performance, significantly increasing its specialty ingredients portfolio, while also reducing costs and improving efficiencies
- The pharma, custom manufacturing and services activities are now reported as **Other**

## Nutrition cluster overview - 2015 vs. 2016 New presentation

### 2015 New presentation

Nutrition  
€4,963 million

DSM Nutritional Products  
€4,439 million

Animal Nutrition & Health  
€2,269 million

Human Nutrition & Health  
€1,741 million

Personal Care & Aroma Ingr.  
€316 million

Other  
€113 million

DSM Food Specialties  
€524 million

### 2016 New presentation

Nutrition  
€5,169 million

DSM Nutritional Products  
€4,633 million

Animal Nutrition & Health  
€2,399 million

Human Nutrition & Health  
€1,823 million

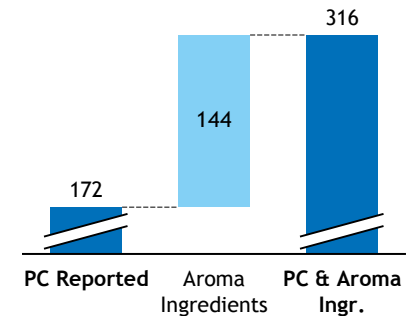
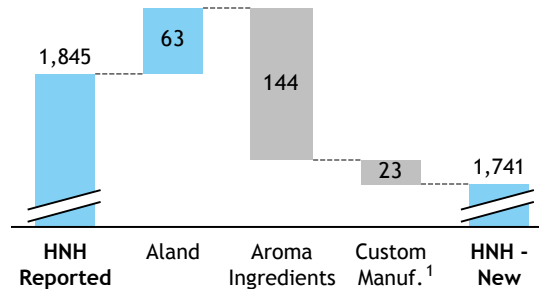
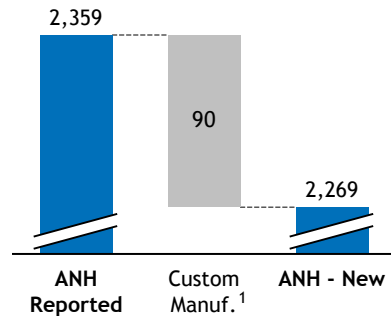
Personal Care & Aroma Ingr.  
€337 million

Other  
€74 million

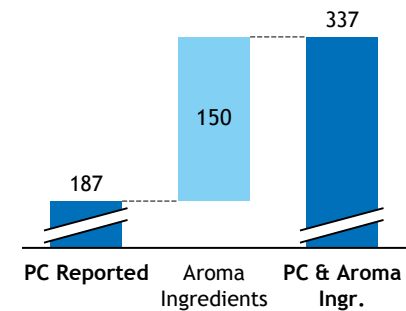
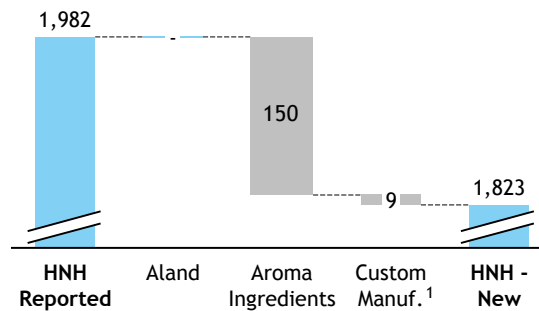
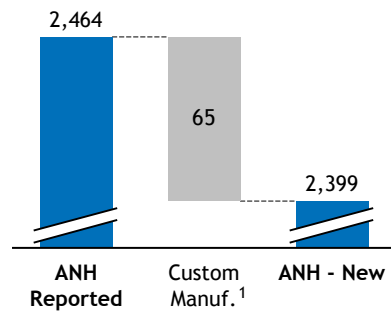
DSM Food Specialties  
€536 million

# Nutrition | Additional information on new presentation of segments (cont'd)

## 2015



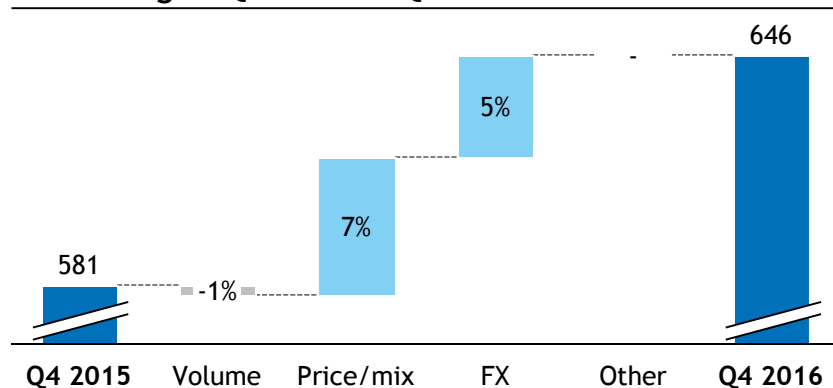
## 2016



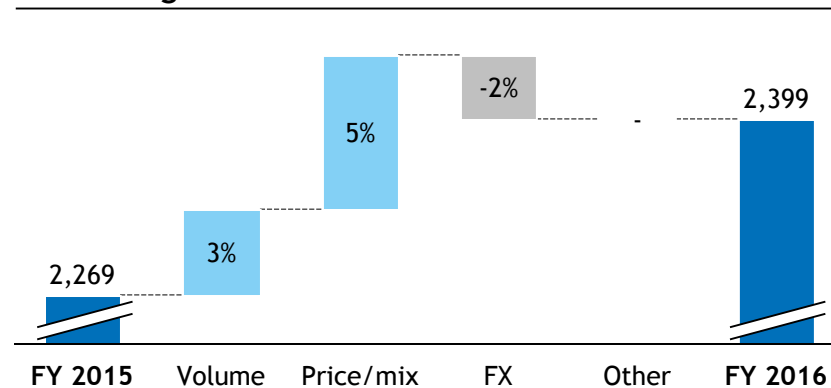
<sup>1</sup> Pharma, custom manufacturing and services activities

# Animal Nutrition & Health | Sales overview

Sales bridge - Q4 2015 to Q4 2016



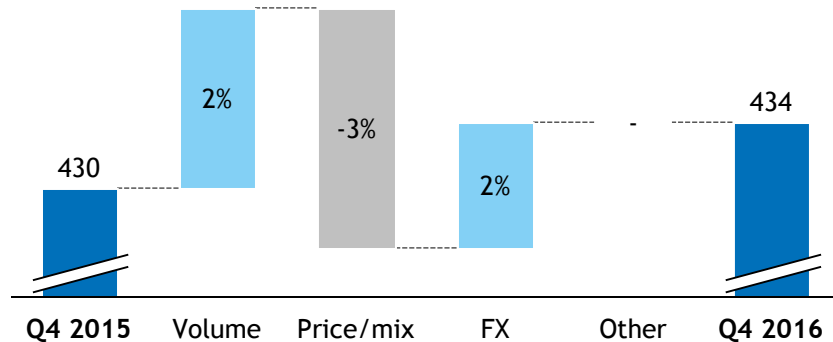
Sales bridge - Full Year 2015 to Full Year 2016



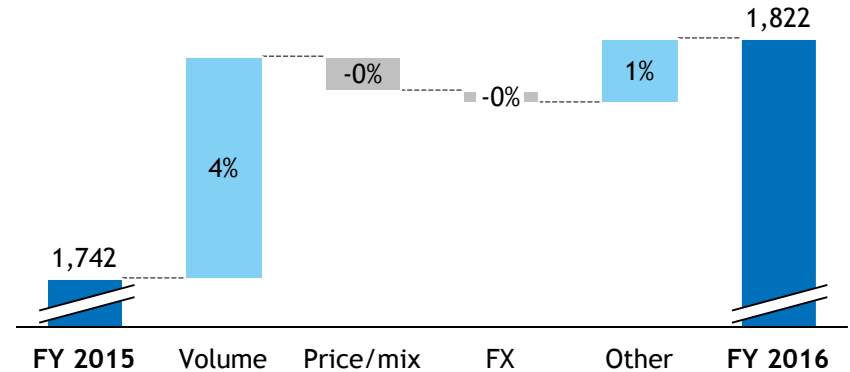
- Q4 2016 sales up 11% versus Q4 2015
  - 6% organic growth mainly driven by positive price/mix
  - Europe, Asia and North America delivered good volume growth, reflecting continued good market conditions, whereas Latin America saw lower volumes
  - The reported Q4 volume growth percentage was impacted by a tough comparison with Q4 2015
  - Prices were up in a number of vitamins and premixes

# Human Nutrition & Health | Sales overview

Sales bridge - Q4 2015 to Q4 2016



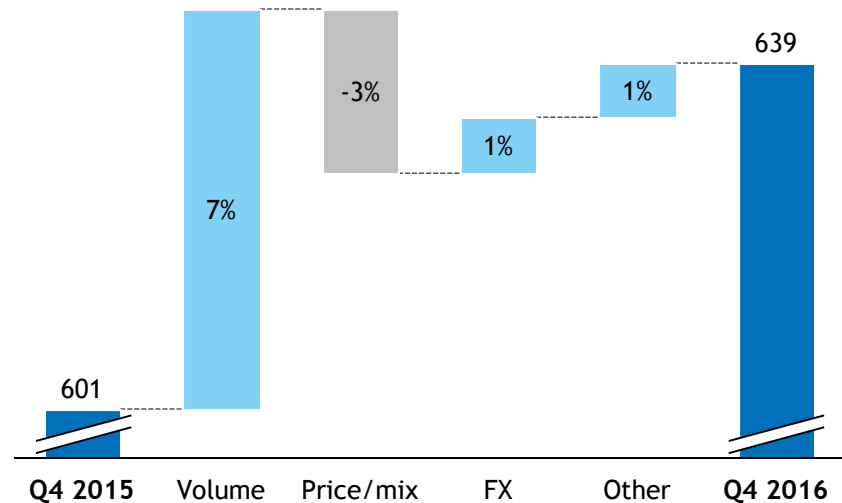
Sales bridge - Full Year 2015 to Full Year 2016



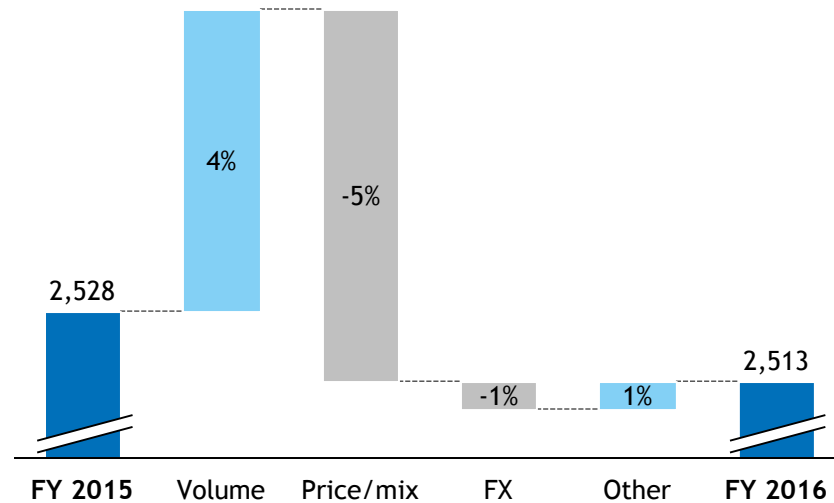
## ■ Q4 2016 sales

- Good volume growth in i-Health, food & beverages and infant nutrition
- Growth was partly offset by lower volumes in vitamin C as a result of the extended maintenance stop of our plant in China in Q3 2016
- The lower price/mix was mainly due to some special price promotion actions in dietary supplements, and a less favorable product mix

Sales bridge - Q4 2015 to Q4 2016



Sales bridge - Full Year 2015 to Full Year 2016





## Materials | Sales overview (cont'd)

- **Q4 2016 sales** were 6% higher than the same quarter last year
  - Strong 7% volume growth driven by specialties on the back of continued favorable trading conditions
  - Prices were 3% lower, fully reflecting the low input costs
  - Seasonality effects were less pronounced than usual in Q4 2016, which is understood as demonstrating good end-use demand in many end-markets, in combination with some stocking effects as raw material costs started to increase
- **DSM Engineering Plastics**
  - **Volumes:** Good volume growth in specialties versus Q4 2015, especially in automotive
  - **Prices** were lower reflecting low input costs
- **DSM Resins and Functional Materials**
  - **Volumes:** Strong growth in all business lines compared to Q4 2015, especially benefitting from improving conditions in the European building & construction markets, the Chinese markets for sustainable waterborne coating resins, and continued strong performance in Functional Materials
  - **Prices** reflected low input costs
- **DSM Dyneema**
  - **Sales** up significantly compared to Q4 2015, driven by strong growth in life protection, especially for law enforcement

# Materials | Key financials

in € million	Q4 2016	Q4 2015	% Change	FY 2016	FY 2015	% Change
Sales	639	601	6%	2,513	2,528	-1%
Adjusted EBITDA	105	90	17%	435	384	13%
Adjusted EBITDA margin (%)	16.4%	15.0%		17.3%	15.2%	
Adjusted EBIT	77	54	43%	311	250	24%
Capital Employed				1,807	1,723	
Average Capital Employed				1,772	1,734	
ROCE (%)				17.6%	14.4%	
Total Working Capital				280	225	
Average Total Working Capital as % of Sales				12.5%	14.8%	

- **Q4 2016 Adjusted EBITDA** increased by 17% compared with Q4 2015
  - Result of disciplined margin management, strong growth in the specialty segments, and the benefits of the efficiency and cost saving programs carried out over recent years
  - Input costs were still at a low level versus prior year
- The **Adjusted EBITDA margin** of 16.4% in Q4 2016 was below the level of approximately 18% seen in the previous two quarters
  - In part due to slightly higher input costs, and incidental costs, amongst others relating to DSM's activities at the site in Augusta (USA)

# Innovation Center | Key financials

in € million	Q4 2016	Q4 2015	% Change	FY 2016	FY 2015	% Change
Sales	41	40	0%	167	155	7%
Adjusted EBITDA	-1	-1		1	-9	
Adjusted EBIT	-9	-14		-24	-43	
Capital Employed				576	560	

- For the **full year 2016**, the Innovation Center made good progress with 6% organic growth
  - Fully driven by higher volumes in both DSM Biomedical and DSM Advanced Surfaces
  - Profitability clearly improved due to a combination of organic growth, more focused innovation and reduction of costs
- **Adjusted EBITDA in 2016** achieved break-even, in line with the ambition of Strategy 2018
- **Q4 2016 sales** and **Adjusted EBITDA** stable compared to Q4 2015

# Corporate Activities | Key financials

in € million	Q4 2016	Q4 2015	FY 2016	FY 2015
Sales	14	21	71	76
Adjusted EBITDA	-27	-34	-105	-122
Adjusted EBIT	-38	-48	-141	-169

- **Full year 2016 Adjusted EBITDA** improved by €17 million compared to 2015
  - Driven by higher result at DSM's captive insurance company, as well as the execution of cost savings and efficiency improvement programs in DSM's support functions
- **Q4 2016 Adjusted EBITDA** improved by €7 million compared to Q4 2015
  - Prior year result of DSM's captive insurance company was negatively impacted by a claim related to a warehouse fire at the Chemelot site in Sittard-Geleen (Netherlands)

# Net result contribution of joint ventures / associates | Overview

in € million	Q4 2016	Q4 2015	FY 2016	FY 2015
DSM Sinochem (50%)	1	1	6	8
Patheon (33.5%)	6	68	217	56
ChemicalInvest (35%)	0	-12	-9	-14
Other	-8	-9	-20	-20
<b>Total share of the profit of associates/joint control entities</b>	<b>-1</b>	<b>48</b>	<b>194</b>	<b>30</b>

- DSM held a 49% stake in Patheon until the end of Q2 2016. Following the IPO of Patheon NV in Q3 2016, this became 33.5%
- In 2016, the share of Patheon's contribution to DSM's net result includes the €232 million gain from IPO related transactions

# Key joint ventures and associates | Financial overview

in € million, based on 100%		Q4 2016	Q4 2015	% Change	FY 2016	FY 2015	% Change
DSM Sinochem	Sales	102	86	19%	431	418	3%
	Adjusted EBITDA%	15%	16%		14%	14%	
Patheon <sup>1</sup>	Sales	570	421	35%	1,786	1,621	10%
	Adjusted EBITDA%	22%	23%		20%	23%	
ChemicalInvest <sup>2</sup>	Sales	502	391	28%	1,802	756	n.a.
	Adjusted EBITDA%	13%	-4%		6%	0%	

- **DSM Sinochem Pharmaceuticals (50% DSM)** - Good EBITDA growth in 2016, as well as in Q4 2016. This was the result of increased sales from several new product launches, a solid performance in its core antibiotics business, and supported by improved efficiencies
- **Patheon (34% DSM)** - Good results for the year, as well as for Q4 ending 31 October 2016, as reported in their Annual report (10-K form) published on 23 December 2016
- **ChemicalInvest (35% DSM)** - Mixed results over 2016, with weak performance in the first half of the year due to suppressed caprolactam results. Q4 showed improved caprolactam results. Acrylonitrile and Composite Resins continued to deliver good results

<sup>1</sup> Patheon (formerly reported as DPx Holding) respective periods are for the 4<sup>th</sup> quarter from 1 August - 31 October and for YTD from 1 November - 31 October.

2015 restated for comparative purposes

<sup>2</sup> ChemicalInvest in 2015 refers to the period from 1 August - 31 December

# Cash Flow development

## Cash flow

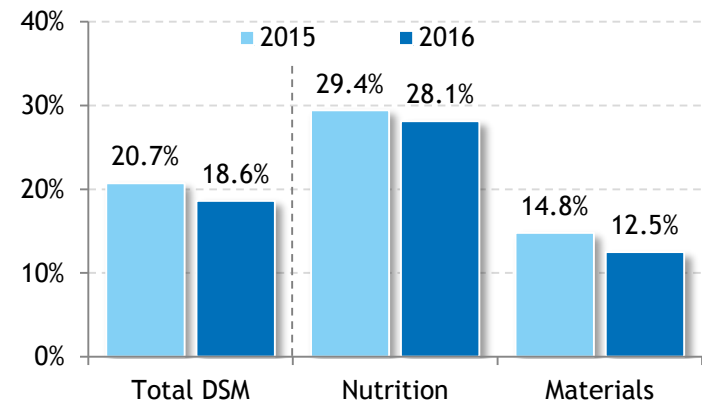
in € million	Q4 2016 <sup>1</sup>	Q4 2015 <sup>1</sup>	FY 2016 <sup>1</sup>	FY 2015 <sup>1</sup>
EBITDA	270	236	1,146	1,046
Change in Working Capital	82	137	-89	-12
Income Tax	-23	-12	-77	-75
Other	45	-47	38	-263
<b>Cash from Operating Activities</b>	<b>374</b>	<b>314</b>	<b>1,018</b>	<b>696</b>
<i>of which provided by Continuing Operations</i>	<i>374</i>	<i>313</i>	<i>1,018</i>	<i>800</i>
Cash from Investing Activities <sup>2</sup>	-144	-238	-258	-273
<b>Free Cash Flow from Operations</b>	<b>230</b>	<b>76</b>	<b>760</b>	<b>423</b>

1) DSM - Total (incl. discontinued operations)

2) Excl. changes in fixed-term deposits, incl. acquisitions

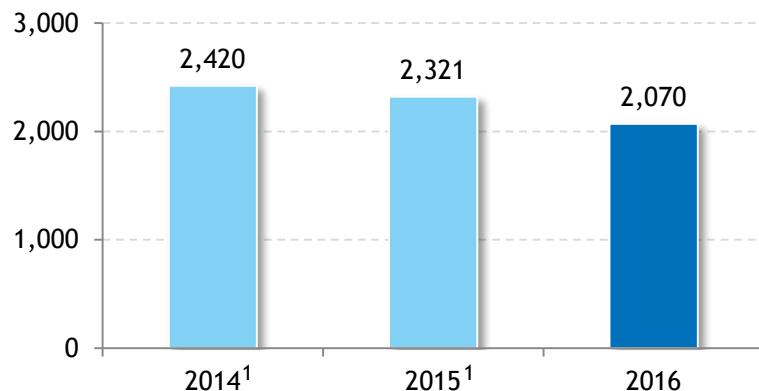
- **Cash flow from operating activities** amounted to €374 million in Q4 2016 showing an improvement of €61 million compared to Q4 2015. Full year cash flow from operating activities increased by 27% from €800 million to €1,018 million
- **Total Working Capital** amounted to €1,481 million year-end 2016 compared to €1,343 million at the end of 2015, which represents 18.4% as a percentage of annualized Q4 sales (year-end 2015: 17.4%)
  - The increase of 1% was for 0.4% related to operating working capital and 0.6% related to non-operating working capital following lower cash-related liabilities to joint ventures
  - On average, the working capital as a percentage of net sales amounted to 18.6% in 2016 (20.7% in 2015)

## Average Working Capital%

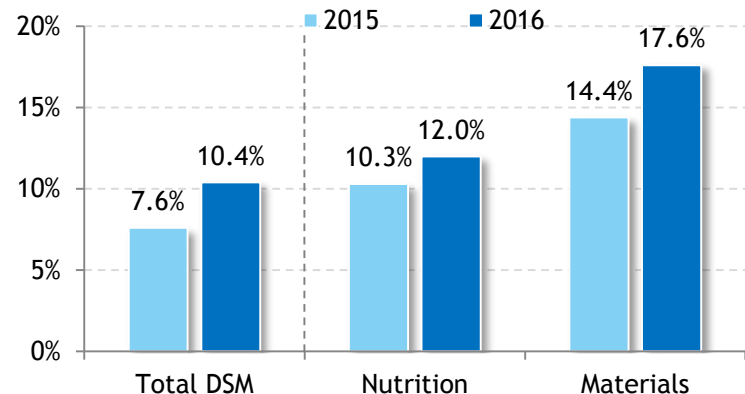


# Net debt and ROCE development

## Net debt



## ROCE



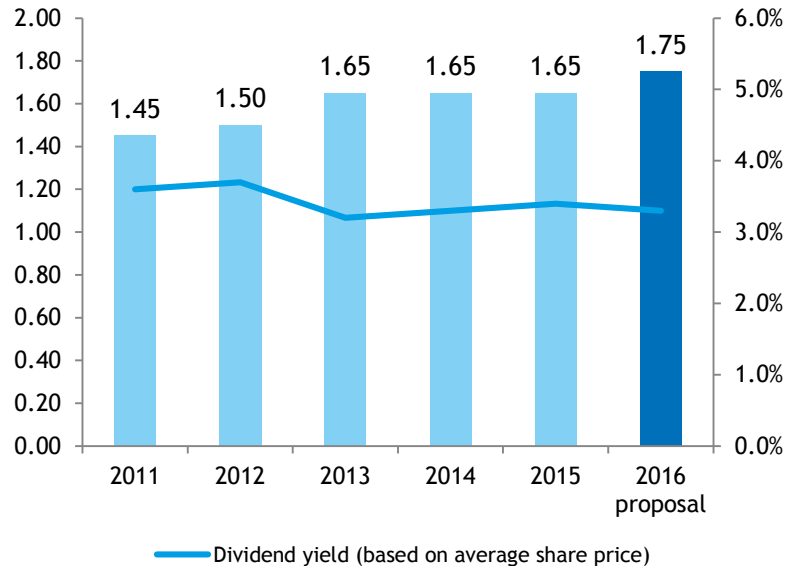
- **Net debt** decreased by €251 million compared to the end of 2015 and stood at €2,070 million
  - The decrease was mainly due to the receipt of dividend and proceeds from the secondary offering of Patheon amounting to a total of €235 million
- **ROCE** up 280 bps to 10.4% (vs. 7.6% in 2015) driven by 38% increase in Adjusted EBIT

<sup>1</sup> Before reclassification to held for sale



# Dividend proposal to AGM: Increase dividend to €1.75 per ordinary share

Dividend per ordinary DSM 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 3 May 2017: Increase dividend from €1.65 to €1.75 per ordinary share in 2016
  - €0.55 interim dividend (paid in August 2016)
  - €1.20 final dividend (payable 26 May 2017)
- 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 5 May 2017

# Reconciliation to Alternative Performance Measures | Overview

- In presenting and discussing DSM's financial position, operating results and cash flows, DSM uses certain alternative performance measures ('APMs') not defined by IFRS
- These APMs are used in order to provide important measures of DSM's business development and management performance, and should be used as supplementary information in conjunction with IFRS measures
- In light of the European Securities and Markets Authority ('ESMA') guidelines on APMs, DSM has updated the way these APMs are presented
- Henceforth, material items of profit or loss that management deems necessary to adjust to measure operational performance will be referred to as 'APM Adjustments', resulting in the APMs 'Adjusted EBITDA' and 'Adjusted net profit' in line with common practice

## Reconciliation to Alternative Performance Measures

in € million	Q4 2016			Q4 2015		
	Cont. operations	Discont. operations	Total	Cont. operations	Discont. operations	Total
<b>EBITDA</b>	270	0	270	230	6	236
Acquisitions/divestments	2	0	2	1	-5	-4
Restructuring costs	43	0	43	36	0	36
Other	0	0	0	-6	0	-6
Sub-total EBITDA adjustments	45	0	45	31	-5	26
<b>Adjusted EBITDA</b>	315	0	315	261	1	262
<b>Operating profit (EBIT)</b>	139	0	139	36	14	50
Adjustments to EBITDA	45	0	45	31	-5	26
Impairments of PPE and Intangible assets	6	0	6	48	-8	40
Sub-total adjustments to operating profit (EBIT)	51	0	51	79	-13	66
<b>Adjusted operating profit (EBIT)</b>	190	0	190	115	1	116
<b>Net profit</b>	87	0	87	32	-3	29
Adjustments to operating profit (EBIT)	51	0	51	79	-13	66
Adjustments to financial income and expense	0	0	0	0	0	0
Income tax related to adjustments	-13	0	-13	-17	14	-3
Adjustments to share in result associates	5	0	5	2	0	2
Sub-total adjustments to net profit	43	0	43	64	1	65
<b>Adjusted net profit</b>	130	0	130	96	-2	94
<b>Net profit available to holders of ordinary shares</b>	86	0	86	29	-8	21
Adjustments to net profit	43	0	43	64	1	65
<b>Adjusted net profit available to holders of ordinary shares</b>	129	0	129	93	-7	86
Average number of ordinary shares (million)	175.9			174.9		
Earnings per share (EPS) (in €):						
Net earnings per share	0.48	0.00	0.48	0.17	-0.05	0.12
Adjusted net earnings per share	0.73	0.00	0.73	0.53	-0.04	0.49



# Update on Strategy 2018 | *Driving Profitable Growth*

# Strategy 2018: *Driving Profitable Growth*

## Two headline financial targets

High single-digit percentage annual Adjusted EBITDA growth

2016 achievements:

- 17%



High double-digit basis point annual ROCE growth

2016 achievements:

- 280 bps



## Clear actions identified to achieve targets

Businesses aim to outpace market growth

2016 achievements:

Nutrition

- 5% organic growth



Materials

- 4% volume growth



€250-300m cost reduction & efficiency improvements

2016 achievements:

- On track: ~€110m cumulative savings by year-end 2016



Consistent improvements in capital efficiency

2016 achievements:

- Cash from operating activities up 27%
- Capex at €475m, <€500-550m guidance
- Total Working Capital at 18.4%, better than aspiration level



## Additional items underpinning strategy

Stepping up sustainability aspirations

2016 achievements:

- On track



Global organizational and operational adjustments

2016 achievements:

- On track



Extract value from Pharma and Bulk Chemicals JVs

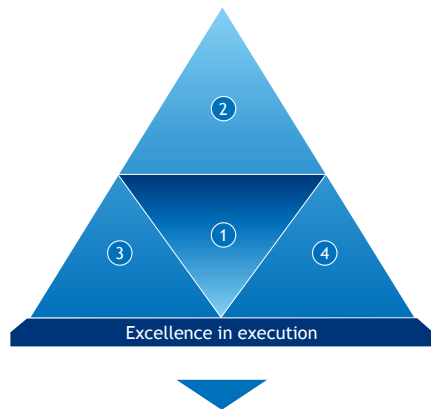
2016 achievements:

- 1<sup>st</sup> step taken with sale of 4.8m shares in Patheon



# Businesses aim to outpace market growth | Growth projects in Nutrition are delivering

## Nutrition Strategy 2018 and 2016 milestones



### 2016

- Organic growth: 5%
- EBITDA growth: 13.3%
- ROCE: 12.0%

### 1 Expand the core

- New vitamin B6 plant and expansion of the gellan-gum and pectin facilities all in China;



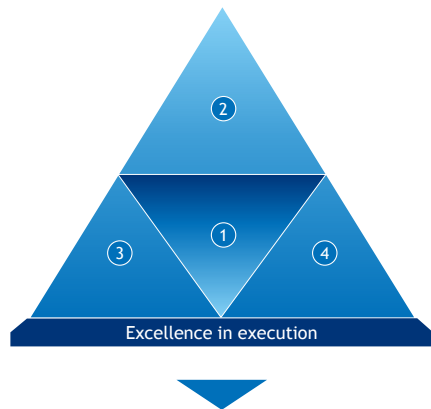
### 2 Add new products and solutions

- Product offering broadened e.g. eubiotics for antibiotic-free poultry;
- Good progress in the “GreenOcean” and “CleanCow” projects;



# Businesses aim to outpace market growth | Growth projects in Nutrition are delivering (cont'd)

## Nutrition Strategy 2018 and 2016 milestones



### 2016

- Organic growth: 5%
- EBITDA growth: 13.3%
- ROCE: 12.0%

### 3 Expand in new segments/regions

- Launch of MEG-3® Ultra allowing for varieties of (high-concentrate) DHA and EPA;
- Successful expansion of fast-growing i-health consumer line of products outside of the US;



### 4 New business models

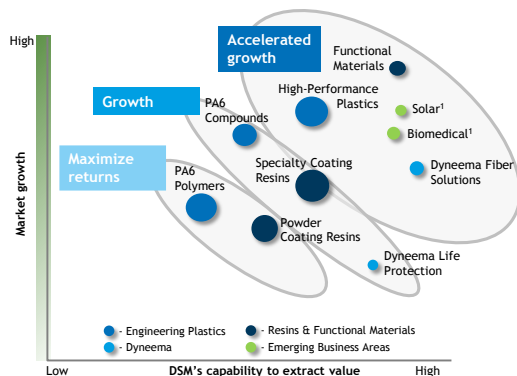
- Business to farmer (B2F) network expanded with new brand (YiWeiZhuang) and new mobile order platform

益维壮®



# Businesses aim to outpace market growth | Materials stepped up its transformation towards a more specialty portfolio

## Materials Strategy 2018 and 2016 milestones



### 2016

- Volume growth: 4%
- EBITDA growth: 13.3%
- ROCE: 17.6%

- For DSM's specialty materials, DSM is using new technologies and (sustainable) customer solutions to **accelerate growth**:

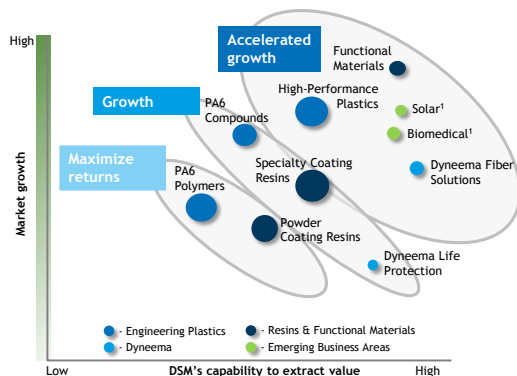
#### – Engineering Plastics

- Used in new ultra-thin USB Type-C connectors
- Launch of next-generation high-temperature polyamides
- New high-performance thermoplastic copolyester



# Businesses aim to outpace market growth | Materials stepped up its transformation towards a more specialty portfolio (cont'd)

## Materials Strategy 2018 and 2016 milestones



### 2016

- Volume growth: 4%
- EBITDA growth: 13.3%
- ROCE: 17.6%

### – Dyneema

- Launch of Dyneema® Carbon hybrid composite, offering the low weight, high strength qualities of carbon fiber without the characteristic of shattering



### – Resins & Functional Materials

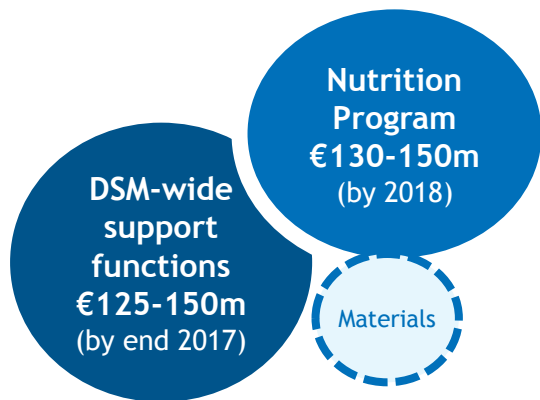
- Good progress with sustainable waterborne coatings for marine containers in China;
- High acceptance of powder and waterborne coatings in Europe



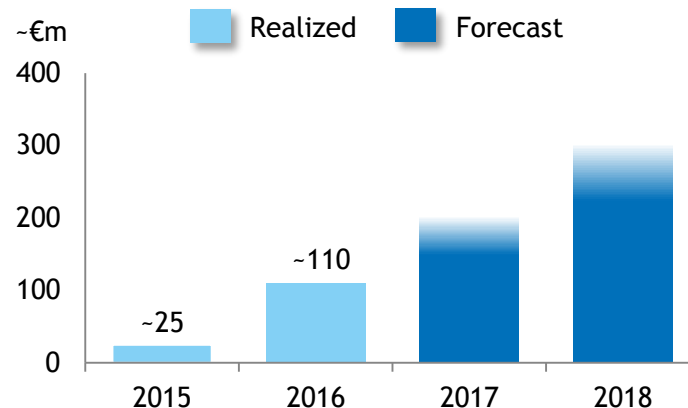


# Ambitious improvement programs firmly on track

## Cost savings: total €250-300m by 2018



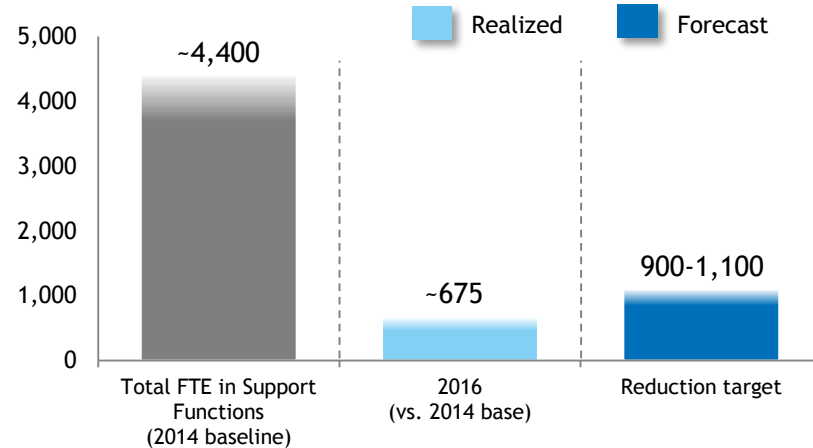
## Timing of cumulative cost savings



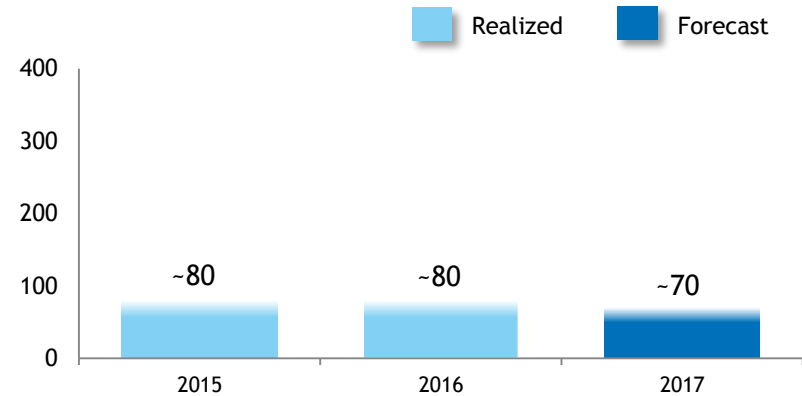
- DSM is rigorously executing its ambitious cost reduction and efficiency improvement programs across the company
- The plans are firmly on track to reach the overall savings of €250-300 million by 2018 (vs. the 2014 baseline)

# FTE reduction on track and one-time costs within budget

## Cumulative FTE reduction<sup>1</sup>



## One-time costs



- FTE reduction in service organization on track to reach target:
  - FTE reduction up to and incl. FY2016 is ~675 FTE vs. an ambition of 900-1,100 FTE (end of 2017)
- One time restructuring costs in 2016 amounted to ~€80m

<sup>1</sup> Vs. 2014 baseline

# DSM-wide savings in support functions & staff | Strong progress made with globally leveraging support functions at lower costs

Savings: €125-150m<sup>1</sup>

Support  
Funct.

Progress (%)	Remarks	■ Actual 2015/2016 ■ Forecast 2017/ Run Rate EoY
Finance	<ul style="list-style-type: none"> <li>Shared Services Improvement Plan completed, incl. shift of most activities to Global Service Centre in India</li> <li>Finance Regions (EMEA, North America, Asia) staffed and operational in Financial, Commercial &amp; Operations Control</li> </ul>	65 35
HR	<ul style="list-style-type: none"> <li>Shared Services operational and payroll outsourced</li> <li>Updated processes and tools for talent development, career review, recruitment, learning &amp; development</li> </ul>	85 15
IT	<ul style="list-style-type: none"> <li>IT Operating Model defined and related FTE reductions announced, implementation has started</li> <li>Standardization/outsourcing of personal workplaces and other saving initiatives realized</li> </ul>	50 50
Ind. Sourcing	<ul style="list-style-type: none"> <li>Supplier base rationalization, FTE reduction and related savings in external spend progressing well</li> </ul>	75 25
Comms	<ul style="list-style-type: none"> <li>Global external &amp; internal Communications function fully operational across regions and business groups</li> <li>Supplier rationalization in (Marketing-)Communications progressing well</li> </ul>	85 15
Shared Services	<ul style="list-style-type: none"> <li>One Shared Services Organization with Global Delivery Centre in India and satellite in China live</li> <li>One multi-functional Service Desk and Portal in development</li> </ul>	30 70
<ul style="list-style-type: none"> <li>Operating Models implemented (FTE reduction of ~40%); good progress in implementing new mandates</li> <li>Regional organizations brought in line with new DSM Operating Model; Finance, HR implementing Functional Operating Models</li> </ul>		

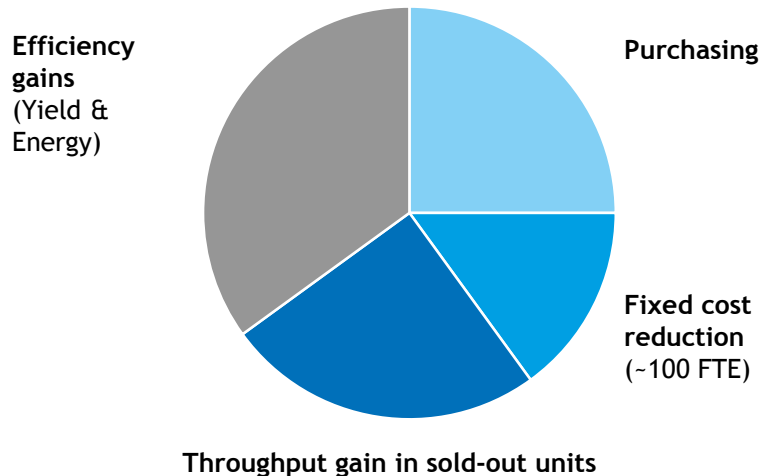
Funct.  
Excell.  
Regions

<sup>1</sup> Vs. 2014 baseline

# Nutrition-specific improvement program | Overall program running well with purchasing savings being ahead of plan and cost-reductions on track

Savings: €130-150m<sup>1</sup>

## Cost improvements (recap)



## Work streams closely monitored and on track

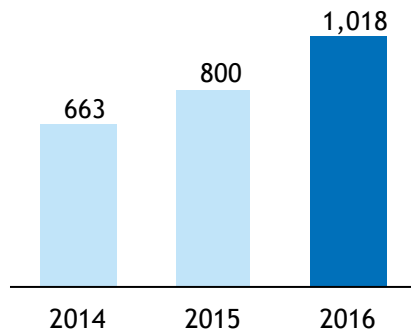
	Current status:	Actions	Financial benefits
Purchasing	<ul style="list-style-type: none"><li>Purchasing savings so far exceeding target, helped by low commodity prices</li></ul>		
Fixed cost reduction	<ul style="list-style-type: none"><li>Cost reduction programs are being executed. Remaining part will be captured in the upcoming period</li></ul>		
Throughput gains	<ul style="list-style-type: none"><li>Program on track, planned benefits end of 2016 realized. Target gains are expected to be secured</li></ul>		
Efficiency gains	<ul style="list-style-type: none"><li>Program on track, planned benefits end of 2016 realized. Target gains are expected to be secured</li></ul>		

# DSM maintains its disciplined approach to capital allocation

- Capital efficiency is a key driver of cash generation; in 2016 we undertook a number of improvement projects in this area throughout DSM
  - One of these has been to take a more integrated approach to business planning, in particular in our Nutrition cluster
  - Holistically addressing processes instead of approaching them as a series of individual steps has resulted in clear improvements in inventory management, production and distribution efficiencies.

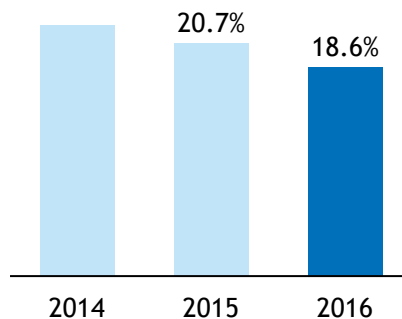
## Driving financial performance

- Cash from operating activities (continuing operations) up 27%



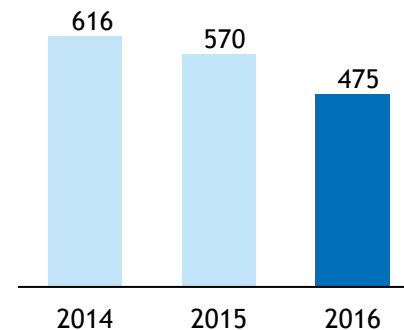
## Reducing working capital<sup>1</sup>

- Average Total Working Capital better than aspiration level <20%



## Strict capital allocation

- Capex €475m below €500-550m guidance



<sup>1</sup> 2014 figure added for comparison only: based on non-audited, restated estimates adjusting for divestitures, acquisitions and other non-recurring items

# DSM has stepped up its sustainability aspirations<sup>1</sup>

## Key sustainability focus areas

- Nutrition
- Climate change and renewable energy
- Circular and bio-based economy

## Sustainability as Business Growth Driver

Eco+

People+

### Brighter Living Solutions: ECO+ and People+

- Profitable solutions better for people and planet
- Aspiration: 65% of DSM products by 2020

2016

63%

## Securing Sustainable Operations

GHG and Energy  
Efficiency  
Renewable  
energy

Health & Safety  
Engagement  
Diversity

### Operational Aspirations

- Leading in reporting benchmarks
- GHG efficiency improvements
- Energy efficiency improvements
- Purchased electricity from renewables
- Employee engagement favorable score
- Safety: Frequency recordable index

### Long-term goals

Gold class DJSI  
40-45% (2008-2025)  
>10% (2016-2025)  
50% by 2025  
75% by 2020  
0.25 by 2020

2016  
Gold class  
23%  
2%  
8%  
71%  
0.33

<sup>1</sup> Please see DSM's Annual Report for definitions and additional information

# In 2016, DSM launched the 'Brighter Living Solutions' program in order to steer products and innovations that are better for people and the planet

## Examples of 'Brighter Living Solutions'



### Uralac® Ultra

- Coating solutions for furniture that gets heavy-duty use
- Uralac® technology uses less water and energy along the life cycle than comparable alternatives



### Dyneema® heavy marine ropes

- Ropes for mooring and towing tankers and other ships
- The ropes are up to 30% lighter compared to polyester, resulting in reduced emissions and easier to handling than traditional alternatives made of steel wire



### Pack-Age®

- Moisture-permeable membrane that allows cheese to ripen naturally
- Replaces conventional cheese ripening methods such as coatings without any need for additional preservatives
- Also prevents cheese losses during the ripening time and processing of cheese

# Key joint ventures and associates | Overview

## DSM Sinochem Pharmaceuticals (50%)

Pharma - Antibiotics

- JV with Sinochem created in 2011 when Sinochem took a 50% interest in DSM Anti-Infectives
- Global leader in generic anti-infective molecules selling raw materials, intermediates, (enzymatic beta-lactam) APIs and finished dosage

In € million at 100%	2016
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Sales	431
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Adjusted EBITDA%	14%
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## Patheon (34%)

Pharma - Contract Manufacturing

- Created in 2014, when DSM combined DSM Pharmaceutical Products with JLL Partners' Patheon in return for a 49% stake
- Produces a unique breadth of offerings from finished dosage (drug products) to active substances (APIs)

In € million at 100%	2016 <sup>1</sup>
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Sales	1,786
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Adjusted EBITDA%	20%
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## ChemicalInvest (35%)

Bulk Chemicals

- ChemicalInvest includes the former (bulk chemical) activities of DSM in caprolactam, acrylonitrile and composite resins in which DSM still holds a 35% stake (65% owned by CVC Capital Partners)

In € million at 100%	2016
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Sales	1,802
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Adjusted EBITDA%	6%
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<sup>1</sup> Book year 1 November until 31 October. Based on continuing operations



# Key business/innovation projects driving earnings growth beyond 2018

- DSM has set itself strategic targets for the period to 2018. At the same time, we are also preparing for further longer-term growth
- Range of key business and innovation projects across the clusters will drive earnings growth beyond 2018 and we will continue to develop more initiatives in light of market dynamics

## Nutrition

- Vitamers (high-potency vitamins)
- New infant ingredients
- New bio colorants (blue/red)
- Algae-derived low-cost Meg-3
- Stevia (sweetener)
- Hydrocolloids (texture)
- Proteins for the future
- New skin solutions (Personal Care)
- India B2C businesses
- i-Health (B2C nutrients)
- New premix solutions
- Eubiotics (cultures)
- New enzymes
- Clean Cow (feed ingredient)
- Algae-based low-cost Meg-3 (with Evonik)

## Materials

- ForTii® (HPPO polymer)
- Niaga® (recycle carpets)
- Ultra (low-temp. powder coating)
- Decovery® (bio-based resins)
- Apparel (Dyneema® textile apps)
- Force multiplier technology (light personal protection)

## Emerging Business Areas

- 3D options (combine Somos/Resins, Biomedical & Engineering Plastics)
- New Bio-Medical products
- Solar materials
- Bio-based Products & Services



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