



DPP - *Patheon*<sup>TM</sup>

DSM in motion: *driving focused growth*

DSM and JLL create leading pharma services company in US\$ 2.6bn transaction

19 November 2013

# 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

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)

As to Patheon Forward-looking statements, please see the full text as published in the press release *"Royal DSM and JLL create leading pharma services company in US\$ 2.6 bn transaction (November 19, 2013)"*

# Executive Summary 1/2

DSM and JLL	<ul style="list-style-type: none"><li>• Royal DSM and JLL create leading pharma services company in US\$ 2.6 bn transaction</li><li>• This “NewCo” combines DSM Pharmaceutical Products (DPP) and Patheon Inc. in a leading global Contract Development and Manufacturing Organization (CDMO) company</li><li>• JLL Partners (JLL) is a leading middle-market private equity firm with a 25 year track-record of adding value to complex investments</li></ul>
NewCo	<ul style="list-style-type: none"><li>• NewCo will be 51% owned by JLL and 49% by DSM</li><li>• Anticipated 2014 sales of about US\$ 2bn (pro-forma) and strong EBITDA and operational cash flow</li><li>• Global footprint of 23 locations across North America, Europe, Latin America and Australia with about 8,300 employees</li><li>• NewCo will operate as an independent standalone company</li></ul>
Strategic Rationale	<ul style="list-style-type: none"><li>• Strong strategic fit DPP and Patheon:<ul style="list-style-type: none"><li>✓ Leading global contract development and manufacturing organization with complete end-to-end offering from finished dosages (drug products) to active substances (APIs)</li><li>✓ NewCo will add scale and new value chain capabilities/technologies to expand its end-to-end service offering as a comprehensive solution provider</li></ul></li><li>• Combining DPP and Patheon is fully in line with DSM’s strategy for its Pharma cluster as well as an excellent value creation opportunity as DSM and JLL will work together to maximize the value of NewCo</li></ul>

# Executive Summary 2/2

Deal Structure	<ul style="list-style-type: none"><li>• JLL will contribute US\$ 489m in cash to NewCo</li><li>• DSM will contribute DPP and receive a seller note of US\$ 200m, thereby valuing DPP at US\$ 670m</li><li>• NewCo has entered into a definitive agreement to effect a Plan of Arrangement (POA) pursuant to the Canada Business Corporations Act with Patheon, under which NewCo would acquire Patheon for US\$ 9.32 per share in cash resulting in a:<ul style="list-style-type: none"><li>✓ Total enterprise value for Patheon of approximately US\$ 1.95bn (~ € 1.45bn)</li><li>✓ 64% Premium to Patheon's closing share price on 18 November 2013</li></ul></li><li>• Patheon's Board of Directors, acting on the unanimous recommendation of a committee of independent directors, recommends that Patheon's shareholders vote in favor of the POA</li><li>• JLL Partners and the executive officers and directors of Patheon, who collectively own ~66% of the outstanding shares of Patheon, have signed Voting Agreements in support of the POA</li><li>• Committed financing to be funded at closing of US\$ 1.65 billion has been secured from J.P. Morgan, UBS, Jefferies, Morgan Stanley and KeyBank</li></ul>
Financials for DSM	<ul style="list-style-type: none"><li>• The transaction is expected to be EPS accretive from 2015 onwards</li><li>• DPP will be classified as assets held for sale in Q4'13; Non-cash impairment loss of ~ €120m will be recognized as exceptional item in Q4 2013</li><li>• DSM to de-consolidate DPP after closing</li></ul>
Timing	<ul style="list-style-type: none"><li>• Subject to customary conditions, the transaction is expected to close in H1 2014</li></ul>

# Overview

- Overview DSM Pharmaceutical Products (DPP)
- Overview Patheon
- NewCo: a strong combination
- Deal structure

# DPP at a glance

- **DSM Pharmaceutical Products (DPP)** is a global leader in CDMO active in:
  - Drug products (finished dosages): steriles and orals
  - Active substances / active pharmaceutical ingredients (API):  
Chemical actives, microbial & mammalian biotech based actives
  - Intermediates for pharma and agro
- **Combining special formulation technologies** such as aseptic steriles and cytotoxics with special API technologies such as mammalian and microbial fermentation, biocatalysis and micro-reactor technology allows DPP to offer efficient, fast & sustainable solutions to its customers
- **10 Locations** with **2,400** employees:
  - US: Parsippany (HQ) and Greenville in the US
  - Europe: sites in Linz (Austria), Regensburg (Germany), Capua (Italy), Groningen and Venlo (Netherlands) and R&D facilities in Delft and Geleen (Netherlands)
  - Australia: Brisbane
- **Net Sales** of €543 million in 2012



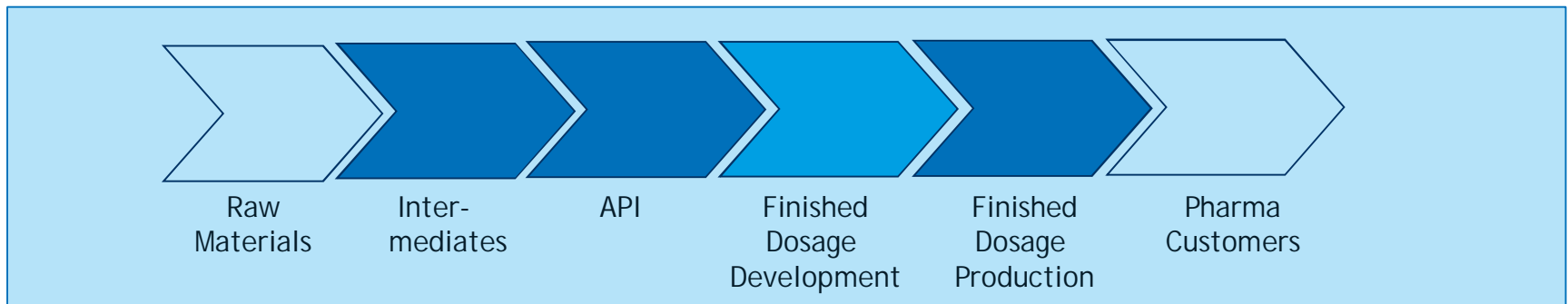
# DPP's History

- 1987 DSM acquires Andeno (CDMO-plant Venlo NL)
- 1990s Expansion in pharma chemicals via acquisitions of BMS Regensburg, and Chemie-Linz in Austria (Intermediates and API)
- 1998 Acquisition of Gist-Brocades including its microbial fermentation plant for API (Capua)
- 2000 Acquisition of the finished dosage business from Catalytica
- 2003 Business Group DSM Pharmaceutical Products established, which together with DSM Anti-infectives later constituted DSM's Pharma cluster
- 2000s Step-up in biologics including proprietary mammalian cell line and proprietary technology
- 2008 Entry into Cytotoxics (Greenville)
- 2008 XD<sup>®</sup> process technology introduced for boosting titer yields
- 2010 DSM launched Rhobust<sup>®</sup> expanded bed absorption technology
- 2013 Opening biologics plant for the future (mammalian cell large scale operation) in Brisbane
- 2013 Announcement of combining DPP and Patheon



# DPP's portfolio of CDMO competences

- **Finished Dosage (drug products): development & production**
  - Strong position in solid dosage and steriles
  - Dedicated production buildings, lines, inspection and packaging
  - Aseptic cytotoxic line, closed delivery system, automated warehouse
  - Proven manufacturing partner with leading FDA track record
- **API & Intermediates: active substances production**
  - Chemical, biological/mammalian and microbial (fermentation) platforms
  - Proprietary bio-manufacturing technologies & micro-reactor expertise such as XD<sup>®</sup> and Rhobust<sup>®</sup>
  - Recombinant proteins & monoclonal antibodies
  - Therapeutic proteins & enzymes



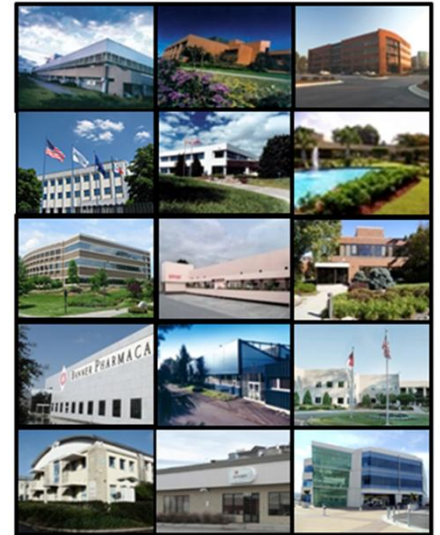


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- Overview DSM Pharmaceutical Products
- [Overview Patheon](#)
- NewCo: a strong combination
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# Patheon at a glance

- **Patheon** is a leading provider of contract development and commercial manufacturing services to the global pharmaceutical industry, with a focus on drug products (with a full array of solid and sterile finished dosage forms)
- Through recent acquisition of Banner Pharmacaps - a leader in soft gelatin capsule technology - Patheon now also includes a proprietary products and technology business
- **13** Locations across North America and Europe with **5,900** employees
- Listed on the Toronto Stock Exchange (Ticker: TSX-PTI)
- **Sales** of US\$ 943m and pro-forma consolidated **EBITDA** (per credit agreement definition) of US\$ 188m (in 12-months ending 31 July 2013)



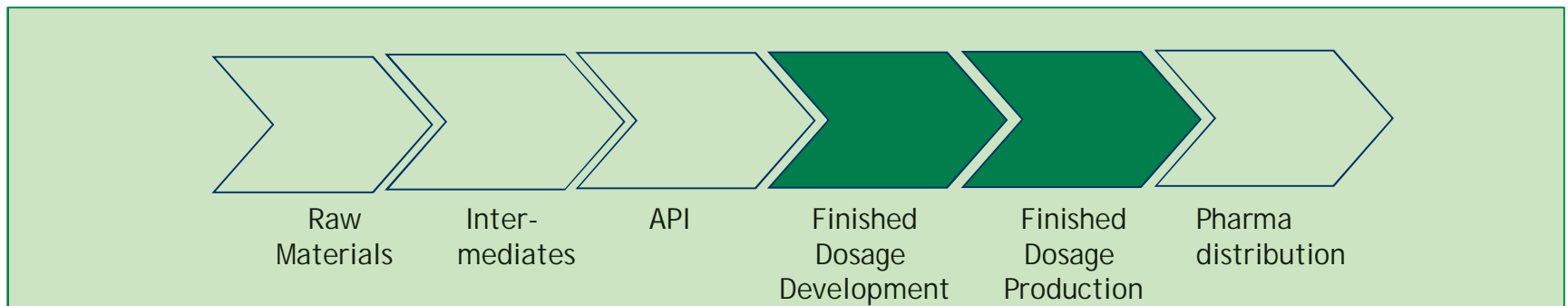
# Patheon's history

- 1974 Contract manufacturing business established in Fort Erie, Canada: Custom Pharmaceuticals Ltd.
- 1980s Expansion CMDO operations in Canada, Europe and US
- 1993 Change name to **Patheon**, listed at Toronto Stock Exchange
- 1990's Various acquisitions in finished dosages/ sterile packaging including facilities from Roche, Boehringer, Hoechst and Aventis
- 2007 JLL Partners acquires first stake in Patheon
- 2012 Acquisition of Banner, leader in soft gelatin capsule technology
- 2013 Announcement of combining Patheon and DPP



# Patheon's portfolio of CDMO competences

- Finished dosage commercial services, including
  - Commercial manufacturing services
  - Manufacturing, packaging
  - API sourcing support
  - Regulatory services
- Finished dosage development services, including:
  - Early development services (incl. R&D services)
  - Late development services
- Focus in value chain on attractive finished dosage products:
  - Solid dose forms
  - Soft gels
  - Sterile dose forms
  - Highly regulated products



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- Overview Patheon
- [NewCo: a strong combination](#)
- Deal structure

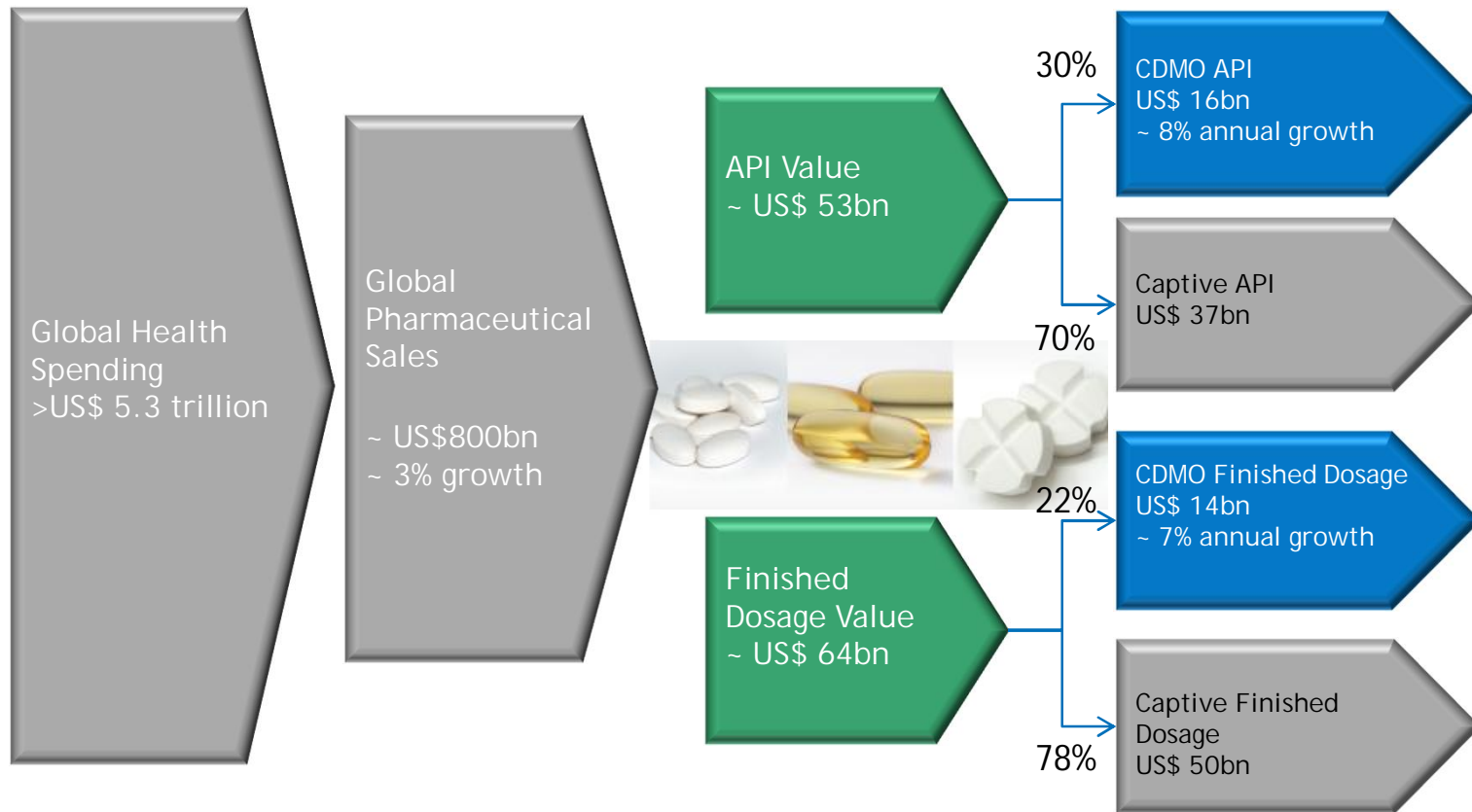
# NewCo: Creating leading global pharma CDMO

- NewCo will be a leading global contract development and manufacturing organization with anticipated 2014 sales of about US\$ 2 billion (pro-forma) and a strong EBITDA and operational cash flow
- NewCo will have a unique breadth of service offerings with a focus on finished dosage / drug products and APIs with a wide range of technologies and will be able to offer comprehensive end-to-end solutions to a broad spectrum of companies ranging from large pharmaceutical and biotech companies to specialty pharma companies, generics and emerging pharma companies.
- The combined company will also be a leader in proprietary softgel formulations for over-the-counter, prescription and nutritional consumer products. The exclusive synthesis products and intermediates are targeted to the crop protection, personal care, and fine chemicals products industries



Optimally positioned to be a comprehensive solution provider to the industry

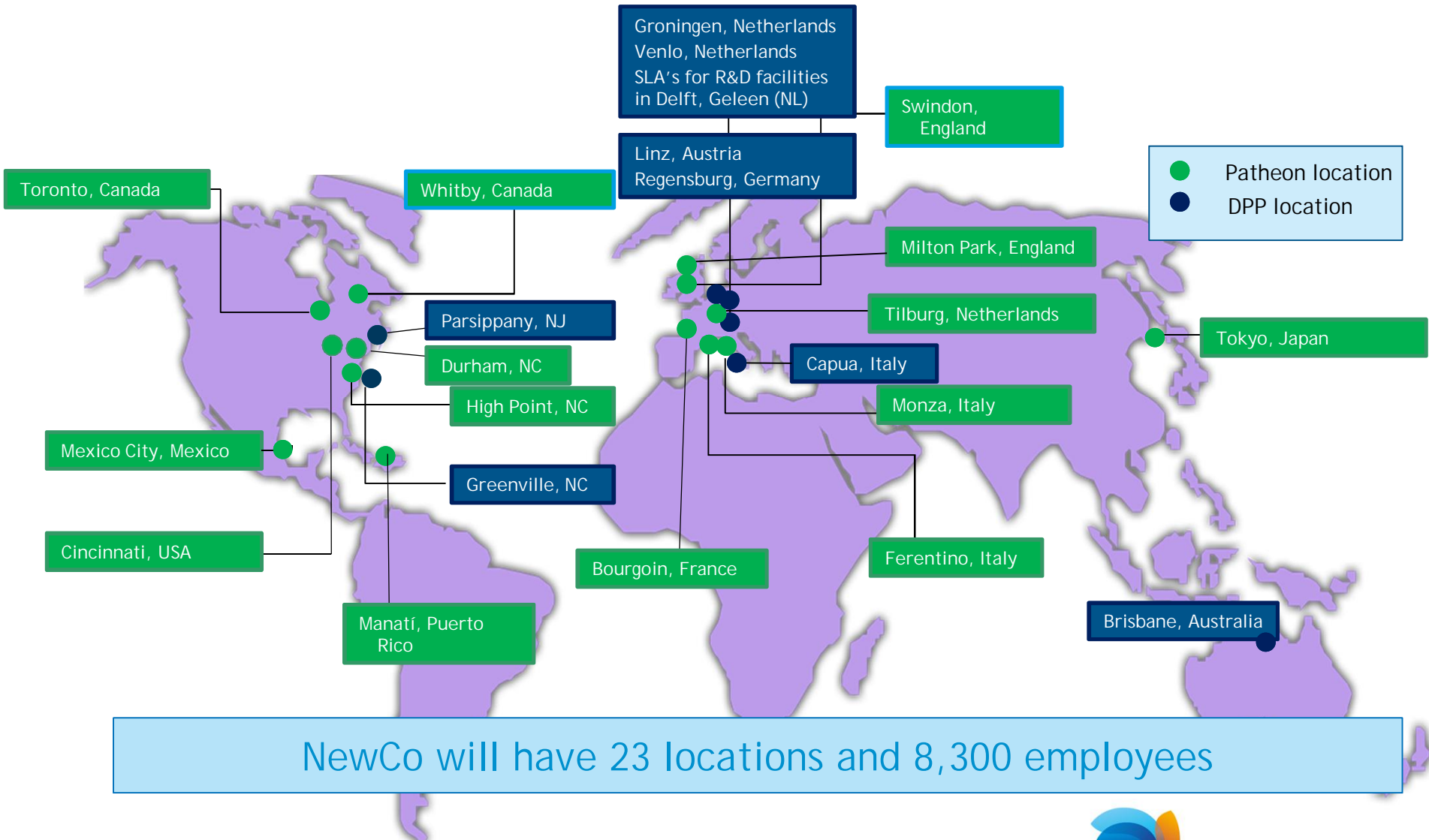
# NewCo: Serving attractive markets



Total CDMO market for *outsourced* API and Finished Dosage ~ US\$ 30bn

Source: WHO, EvaluatePharma, A.C.Nielsen, UBS, PharmSource, Drug Discovery Today

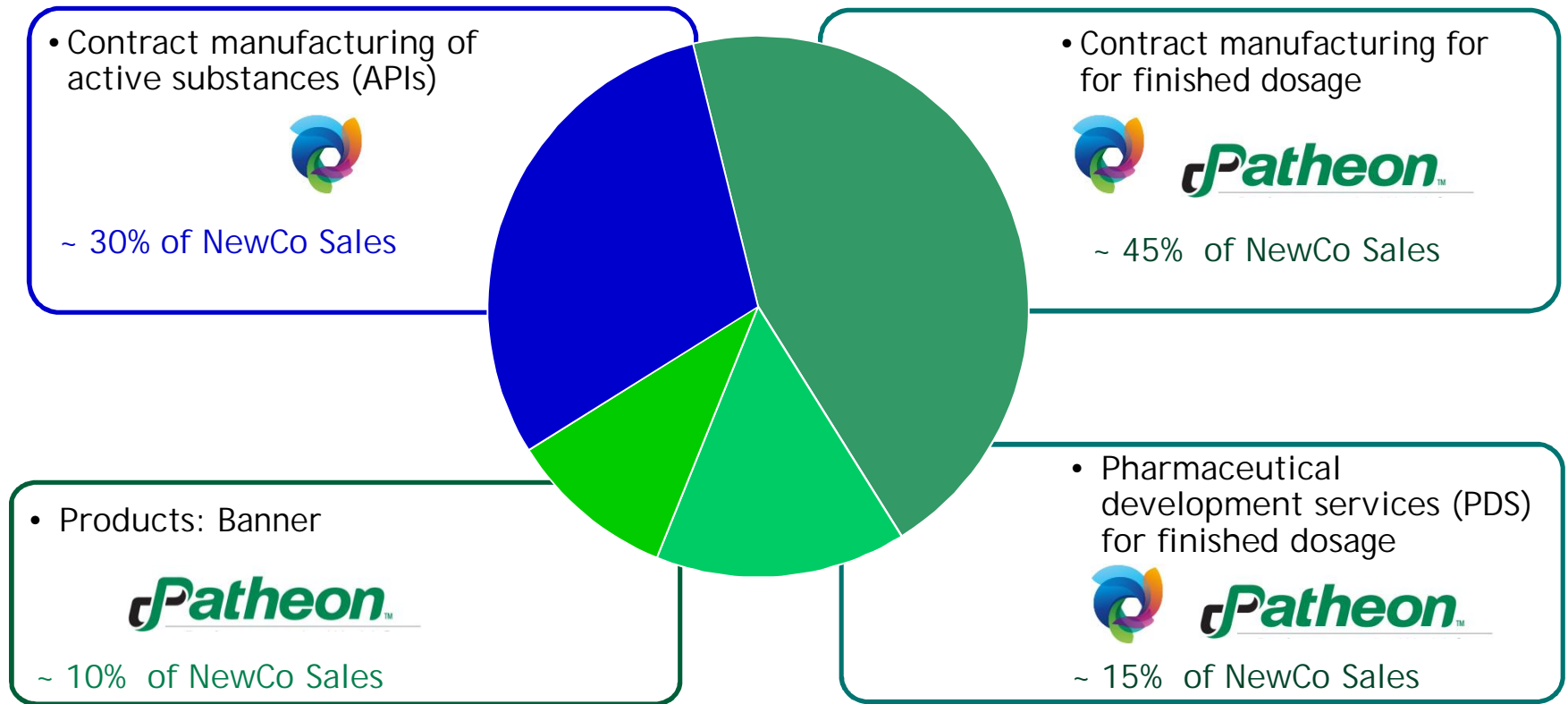
# NewCo: Global CDMO footprint



NewCo will have 23 locations and 8,300 employees



# NewCo: A unique offering to the market

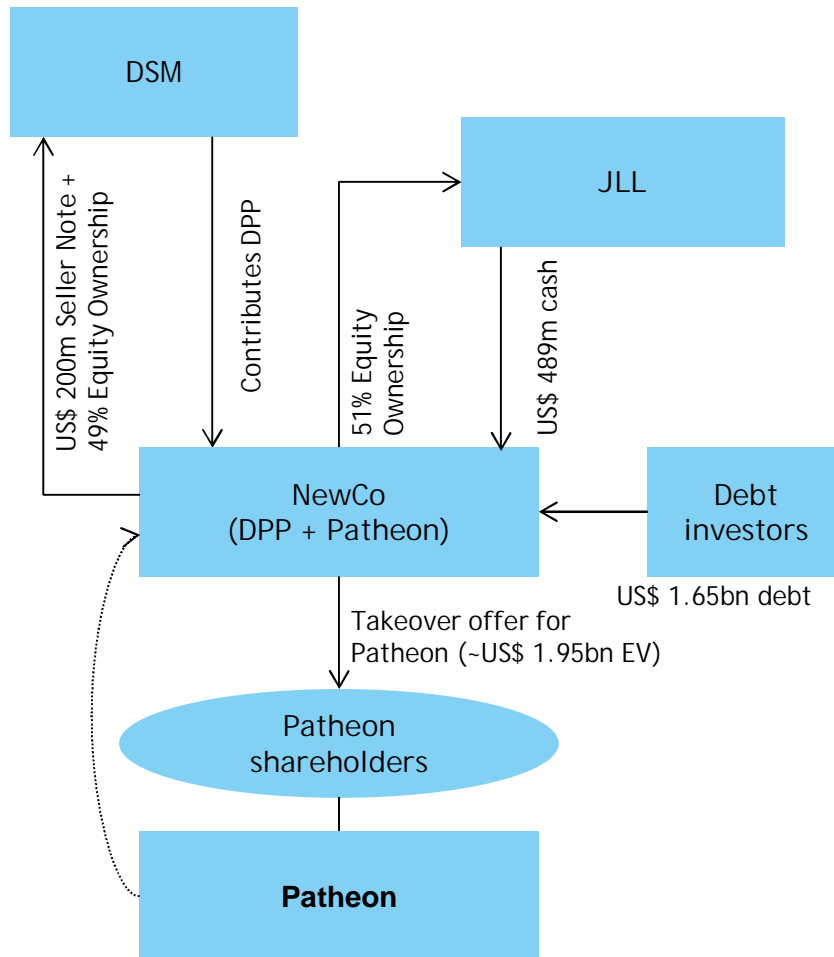


Complete end-to-end offering from finished dosage / drug products to APIs

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- Overview DSM Pharmaceutical Products
- Overview Patheon
- NewCo: a strong combination
- Deal structure

# Deal structure



## DSM and JLL form NewCo

- JLL provides US\$ 489m equity capital to NewCo
- JLL receives a 51% ownership of NewCo equity
- DSM contributes DPP at US\$670m
- DSM receives 49% ownership of NewCo equity and a seller note of US\$ 200m
- NewCo borrows US\$ 1.65bn of debt funding
- NewCo acquires Patheon for US\$ 9.32 per share, valuing Patheon at ~ US\$1.95bn Enterprise Value

## NewCo governance

- NewCo will operate as an independent company under the leadership of Jim Mullen, CEO
- Board of Directors will consist of 5 seats for JLL, 3 seats for DSM and 1 for the CEO
- There will be customary minority protection rights in place

# Wrap-up

- Royal DSM and JLL to create a leading global pharma services company, by combining DPP and Patheon, in a US\$ 2.6bn transaction
- NewCo will be optimally positioned to be a comprehensive solution provider to the industry
- NewCo offers the best option for substantial value creation for DSM:
  - EPS accretive expected from 2015 onwards
  - Transaction meets DSM's financial and strategic criteria
- DSM to deconsolidate DPP, which will be recognized as a financial asset from closing onwards

Best option for DSM for substantial value creation with DPP



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