

DSM Capital Markets Day 2018

Targets 2021 focused on growth, cash and value

Geraldine Matchett | CFO

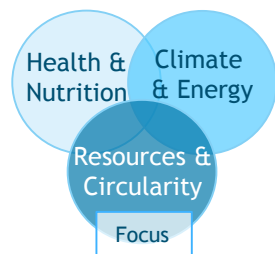
ROYAL DSM CAPITAL MARKETS DAY | LONDON (UK) - 20 JUNE 2018



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

Strategy Update: Growth & Value - Purpose led, Performance driven.



- Purpose sets scope for DSM's further portfolio evolution:
 - Focus on growth in Nutrition, Health and Sustainable Living

- Organic growth enhanced by:
 - Customer centricity
 - Solutions-oriented approach
 - Innovation focus

- Inorganic growth further 'evolving' portfolio:
 - Predominantly in Nutrition

- Enabling programs for accelerated growth:
 - Performance-driven organization, leadership & culture
 - Digitization
 - Sustainability leadership

2021 Targets¹

High single-digit percentage annual Adj. EBITDA increase

~10% average annual Adj. Net Operating Free Cash Flow² increase

+

Value-creating M&A

1. Based on underlying business', 2018 Base Line corrected for the temporary vitamin effect

2. Adjusted net operating free cash flow is cash flow before share purchases for options/ exercise of options, interest, dividend, M&A and financing activities

Ambitious targets set on a higher base

	2016-18		2021
	Targets	Achievements	Targets ¹
<u>EBITDA</u>	<ul style="list-style-type: none"> High-single digit % annual increase from ~€1.0bn 	<ul style="list-style-type: none"> 13% CAGR 2016-18² 	<ul style="list-style-type: none"> High-single digit % annual increase from <u>~€1.5bn</u>
<u>Adj. Net Operating Free Cash Flow</u>		<ul style="list-style-type: none"> ~5% CAGR 2015-17³ 	<ul style="list-style-type: none"> ~10% average increase per year
<u>ROCE</u>	<ul style="list-style-type: none"> High double-digit annual bps growth from ~7% 	<ul style="list-style-type: none"> ~200 average bps growth per year² 	<ul style="list-style-type: none"> Ambition of ~1% annual increase on <u>~13%</u>

1. Based on 'underlying business', 2018 baseline is corrected for the temporary vitamin effect

2. Approximation using 2018E. For Nutrition, based on underlying business corrected for best estimate of the temporary vitamin effect

3. Adjusted net operating free cash flow is cash flow before share purchases for options/ exercise of options, interest, dividend, M&A and financing activities

2021 Targets achieved by growth and capital efficiency

2021 Targets¹

High single-digit
percentage annual
Adj. EBITDA increase

~10% average annual
Adj. Net Operating Free
Cash Flow²
increase

Ambitions underpinning Group targets¹

1. Sales Above-market sales growth (~5%) for Group, Nutrition and Materials
2. Adj. EBITDA margin Nutrition: >20%
Materials: 18-20%
3. Working capital Reduce by 50 bps annually to ~16%
4. Capex ~6.5% of sales
5. ROCE ~1%-point increase per annum
6. Adj. EPS Increase ahead of Adj. EBITDA growth

1. Based on 'underlying business', 2018 baseline is corrected for the temporary vitamin effect

2. Adjusted net operating free cash flow is cash flow before share purchases for options/ exercise of options, interest, dividend, M&A and financing activities

1 DSM will continue its above-market growth

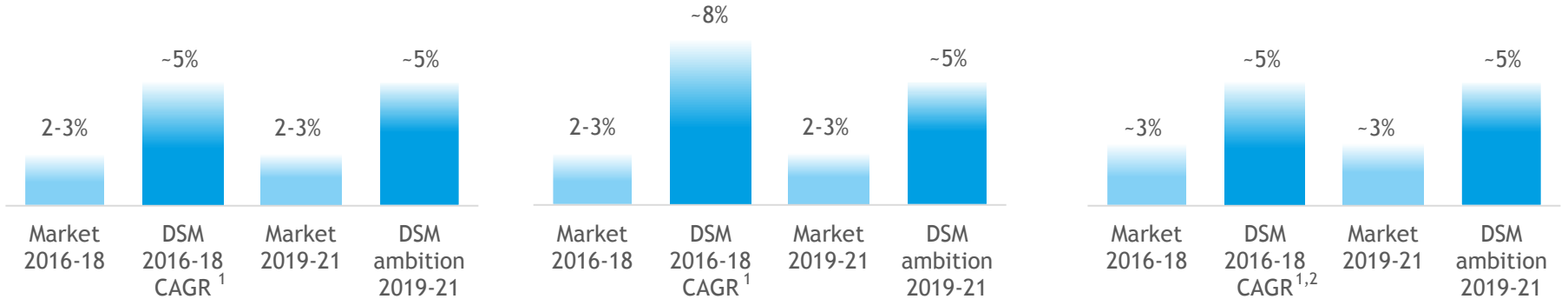
Nutrition

Materials

Human Nutrition organic growth

Animal Nutrition organic growth

Materials volume growth



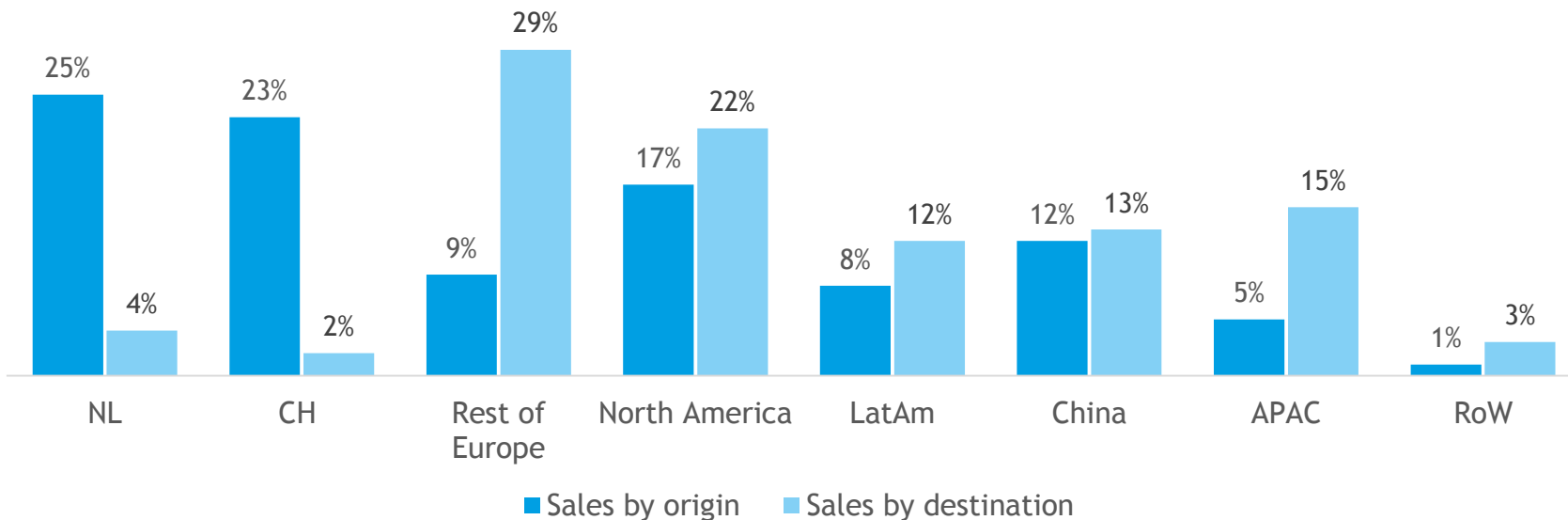
1. Approximation using 2018E. In Nutrition, underlying business corrected for best estimate of the temporary vitamin effect

2. Continuing operations

1 Well-balanced geo-split provides natural hedge for growth & FX impact

Geographical footprint

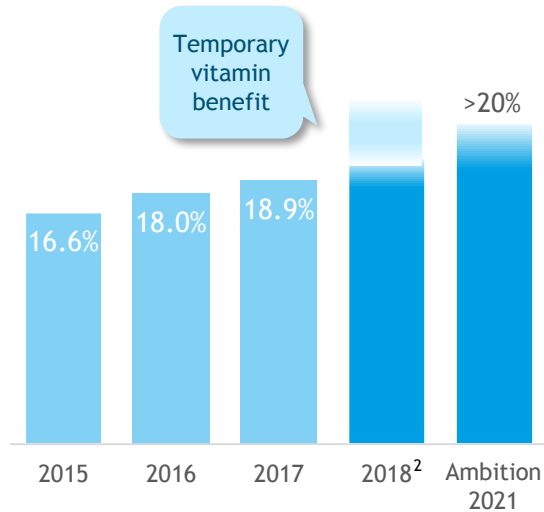
Sales by origin and destination | FY2017



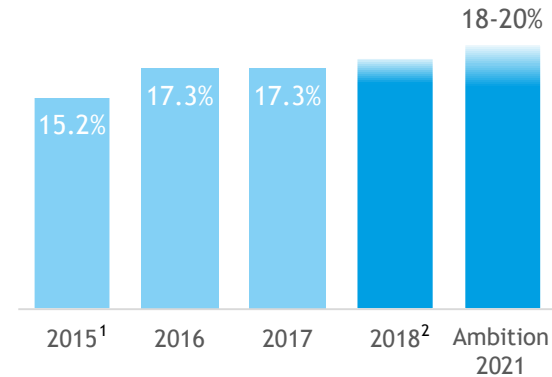
2

Improving margins by further shift to higher-margin, specialty solutions

Nutrition



Materials



1. Continuing operations

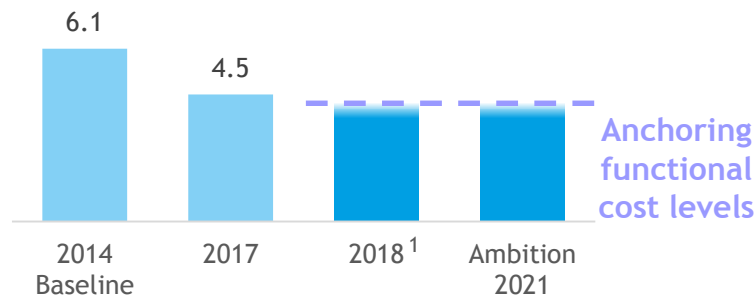
2. Approximation using 2018E. In Nutrition, underlying business corrected for best estimate of the temporary vitamin effect

2 Growing while retaining efficiency is safeguarding margins

Anchoring of support function savings

- Functional costs reduced significantly
- Anchoring efficiencies ensuring stable costs in top-quartile benchmark

Total support function costs as % of sales²



Returns-focused M&S organization

- Focus on effectiveness of M&S organization while growing the business
- Effectiveness anchored around core KPIs

1. Approximation using 2018E. In Nutrition, underlying business corrected for best estimate of the temporary vitamin effect

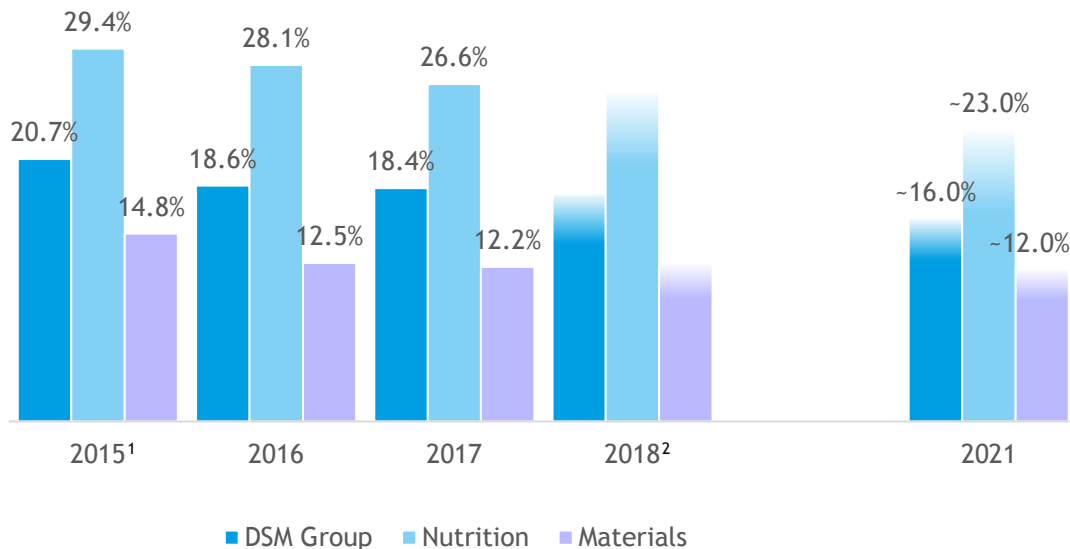
2. Total support function costs incl. Finance, GP&O, GiS/IT, Indirect Purchasing, Communications and Legal costs

3 DSM aims bringing down Average Total Working Capital to ~16%

Strategy 2018 accomplishments

Ambitions underpinning Targets 2021

Avg. total working capital as % of sales



- Working Capital improvement from:
 - Inventory reduction: Customer-centric supply chain and Digitization enable customer behavior modelling
 - Accounts receivable optimization: Automation and data analytics support optimal customer terms, identification of customers enabling corrective actions, etc.

1. Continuing operations

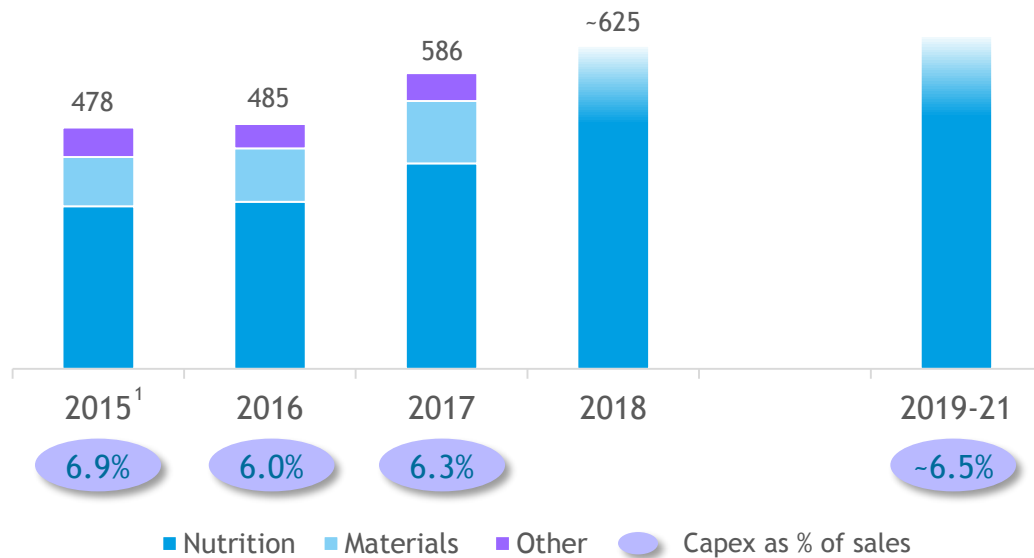
2. Approximation using 2018E. In Nutrition, underlying business corrected for best estimate of the temporary vitamin effect

4

Strict capex allocation: investments focused on growth and efficiency

Strategy 2018 accomplishments

Ambitions underpinning Targets 2021



- Strategy 2018 capital allocation:
 - Strict and targeted allocation to growth areas
 - focus on enhancing Nutrition capabilities (2/3 capex in Nutrition)
 - ~50-60% of capex focused on growth

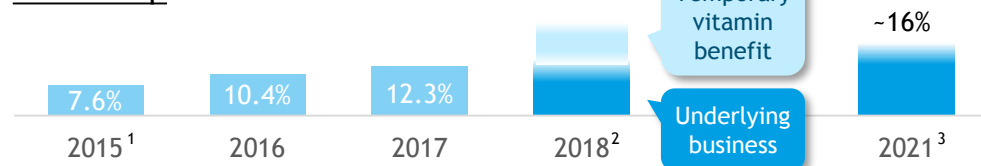
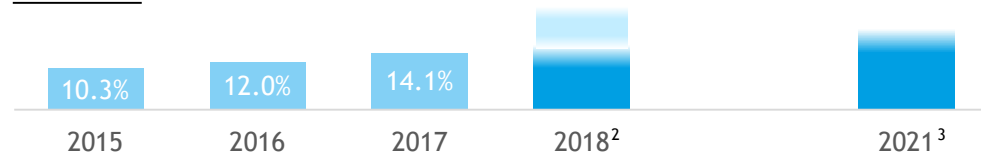
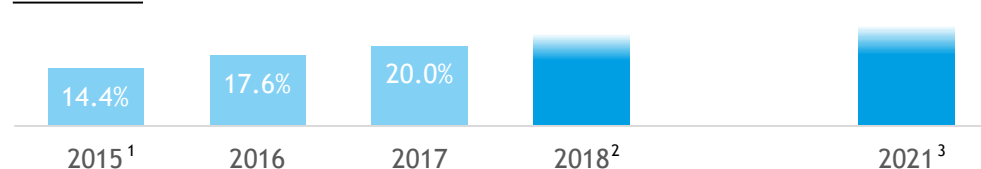
1. Continuing operations

5

EBITDA growth and capital efficiency drive ROCE improvement

Strategy 2018 accomplishments

Ambitions underpinning Targets 2021

DSM GroupNutritionMaterials

1. Continuing operations

2. Approximation using 2018E. In Nutrition, underlying business corrected for best estimate of the temporary vitamin effect

3. Estimate excluding M&A

Page 11

- Ambition of ~1%-point ROCE increase per annum
- ROCE could be negatively impacted by M&A-related intangibles and goodwill
 - After M&A, DSM aspires to bring ROCE to ~15% as soon as possible

6 Stronger free cash flow and earnings per share¹

High single-digit annual Adj. EBITDA growth

Supported by above-market sales growth (~5%) in all businesses

Improving EBITDA margins

Nutrition: >20%
Materials: 18-20%

Average Total Working Capital reduction

Reduce to ~16%

Balanced capex

Disciplined capex; focus: growth & Nutrition (~6.5% of sales)

Tax

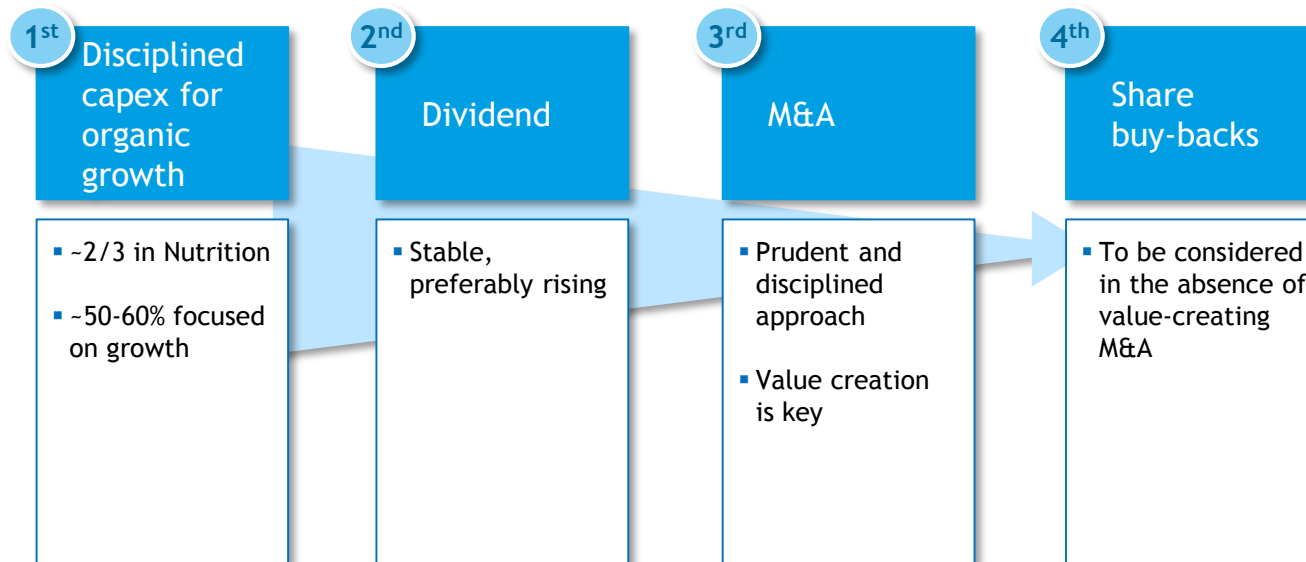
18-20%

~10% average annual increase of Adj. Net Operating Free Cash Flow

Earnings per share to increase ahead of Adj. EBITDA growth

1. Based on 'underlying business', 2018 baseline is corrected for the temporary vitamin effect

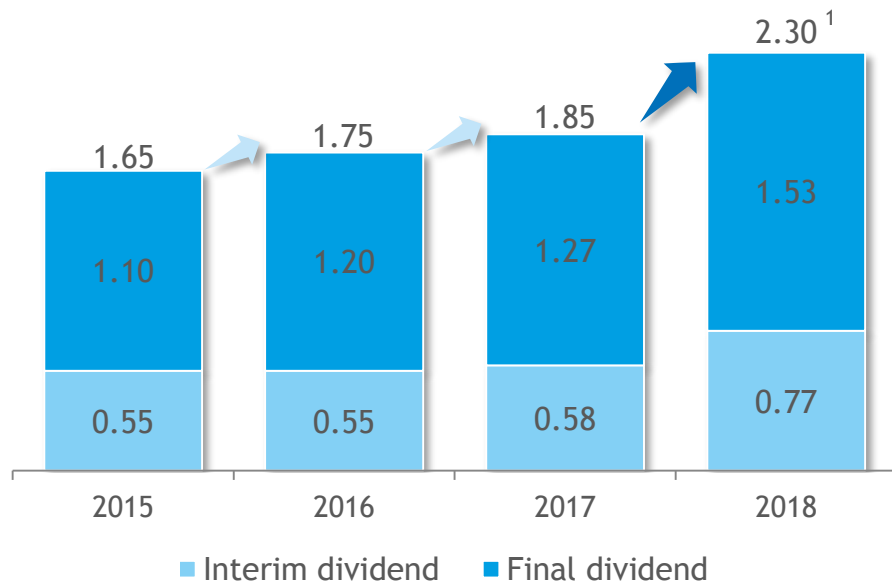
Cash allocation policy unchanged



- Mid-term capital structure: 1.5-2.5x net debt / Adj. EBITDA
- Committed to maintaining a strong investment grade credit rating

Stable, preferably rising dividend policy; step-up linked to cash generation

Dividend per ordinary share (€)

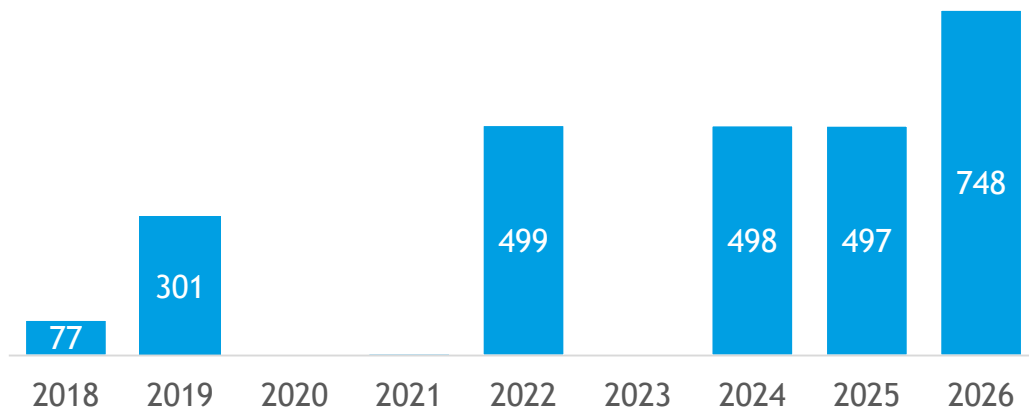


- Maintaining dividend policy: *stable and preferably rising*
- Proposal to *increase* ordinary dividend with 25% over 2018 to €2.30 per share
 - Reflecting future earnings/ cash generation
 - DSM to pay one third of the proposed dividend over 2018 (€0.77 per ordinary share) as interim dividend in August
- DSM's performance expected to result in further dividend growth
- As a result, expected average *payout* of 40-50% of adjusted (underlying) earnings

1. Subject to AGM approval

Balance sheet to enable organic and inorganic growth

Debt maturity profile



- Healthy debt maturity profile
- DSM linked GHG emission reduction to interest rate in new €1bn Revolving Credit Facility
- Net debt at €578m (as per Q1 2018)
- Extracting value from remaining partnerships will provide further financial headroom
- No significant liabilities in DSM's pension funds

Key assumptions

▪ No major macro-economic downturn assumed

- Global GDP growth rate of ~3.8%¹ is assumed for 2019-21
- Stable geopolitical environment

▪ No major shifts in key raw materials pricing assumed

▪ Well-balanced profile provides protection against certain risks

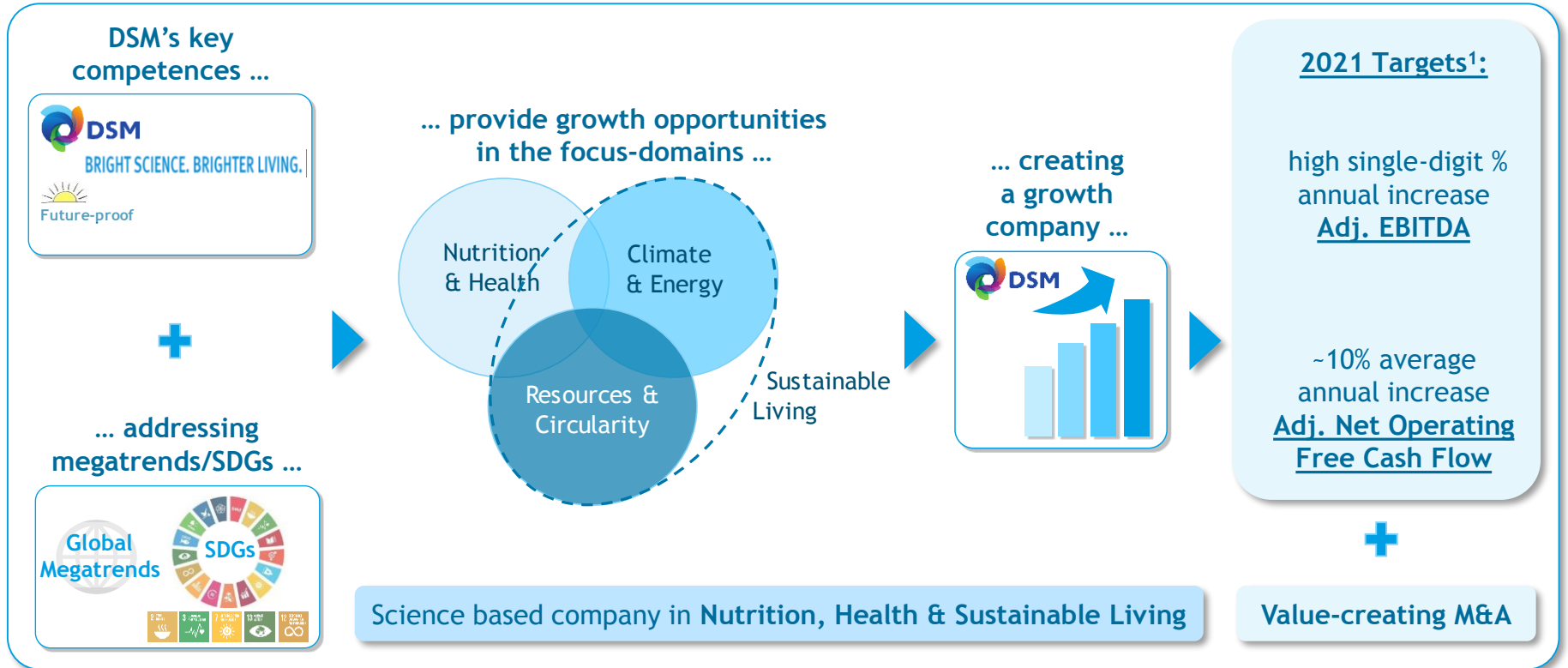
- No product/ customer represents more than 5% of underlying group sales and profit
- Sound geographical and segment distribution provide natural hedge for growth

▪ Assumed FX rates and sensitivities

- USD: 1.18 - CHF: 1.16
BRL: 3.90 - RMB: 7.90
- Hedging of ~50% of key USD and CHF exposure to EUR
- Rules of thumb:
Adj. EBITDA impact before hedging - at current FX:
 - 1 ct USD = ~€12m
 - 1 ct CHF = ~€5m
 - 10 ct BRL = €2.5m - 3.5m
 - 10 ct RMB = ~€1m

1. According to IMF World Economic Outlook Database, April 2018 - % change of GDP at constant prices: 3.943 (2019), 3.764 (2020), 3.750 (2021)

DSM Strategy: Growth & Value - Purpose led, Performance driven



1. Based on 'underlying business', 2018 baseline is corrected for the temporary vitamin effect



BRIGHT SCIENCE. BRIGHTER LIVING.™