



Life Sciences and Materials Sciences

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Capital Markets Day, 5 November 2014

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.

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

DSM well positioned ...

- DSM significantly transformed
 - ✓ Increased global reach; stronger presence in High Growth Economies
 - ✓ Capital allocation strongly focused on Nutrition through targeted acquisitions
 - ✓ Value creation through sustainable innovation and new business platforms (EBAs)
 - ✓ Pharma JVs established (DSP and DPx)
- Nutrition is a high quality business
 - ✓ EBITDA margins of 20-23% with ~4% volume growth
 - ✓ Delivering ~70% of Group EBITDA
- Performance Materials: innovation driven, value-added businesses
 - ✓ Improving EBITDA margins to 13-15%
 - ✓ Set for leveraging our business/assets and strong cash generation

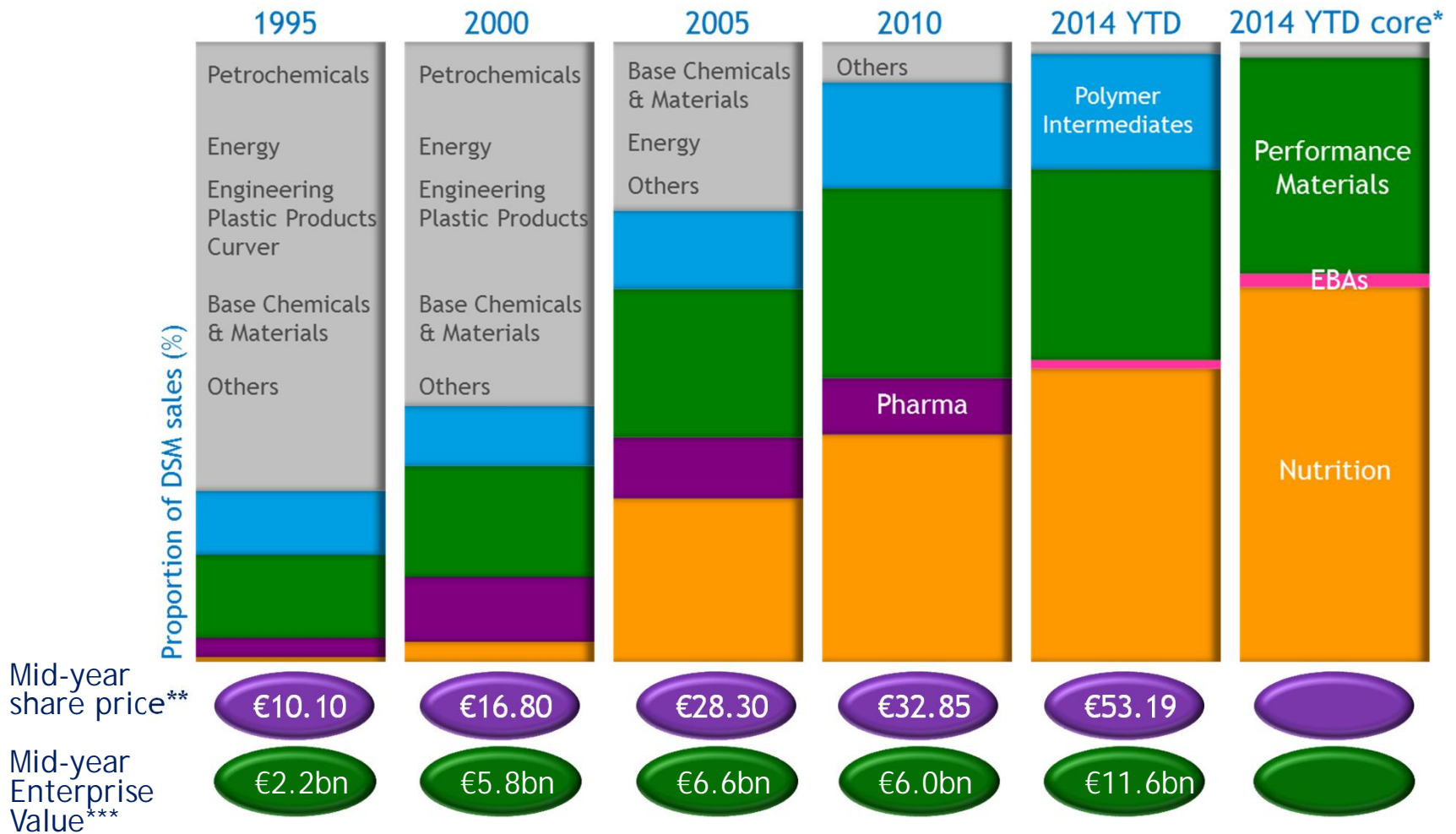
... focused on driving performance

- Focused strategy
 - ✓ Improve operational performance of the Nutrition and Performance Materials businesses
 - ✓ Ongoing portfolio management: strategic actions for caprolactam, acrylonitrile and composite resins
 - ✓ No large M&A contemplated for now: current focus is on integration of acquisitions of recent years
 - ✓ Unlocking the value from the developed innovation platforms
- Good shareholder return with ongoing commitment to dividends
 - ✓ Over €1bn in dividends paid since 2010
- Committed to long term shareholder value creation

Current focus is on driving performance whilst optimizing portfolio

- Our strategy: where are we today
- Our businesses
 - ✓ Nutrition
 - ✓ Performance Materials
 - ✓ Innovation Center
- Operational efficiencies
- Wrap-up

Significant value creation by portfolio transformation



* Core is pro-forma split after deconsolidation of polymer intermediates and composite resins
 ** Source: Bloomberg; Share price restated for split 3:1 in 1999 and 2:1 in 2005
 *** Source: Bloomberg; for 1995 and 2000 EV is year-end (no mid-year EV available in Bloomberg)



Megatrends more significant than ever; driving our growth

Health & Wellness



Aging population

Healthcare issues

Food composition

Health

Global Shifts



Population growth

Urbanization drive

Wealth increase

Nutrition

Climate & Energy



Sustainability concerns

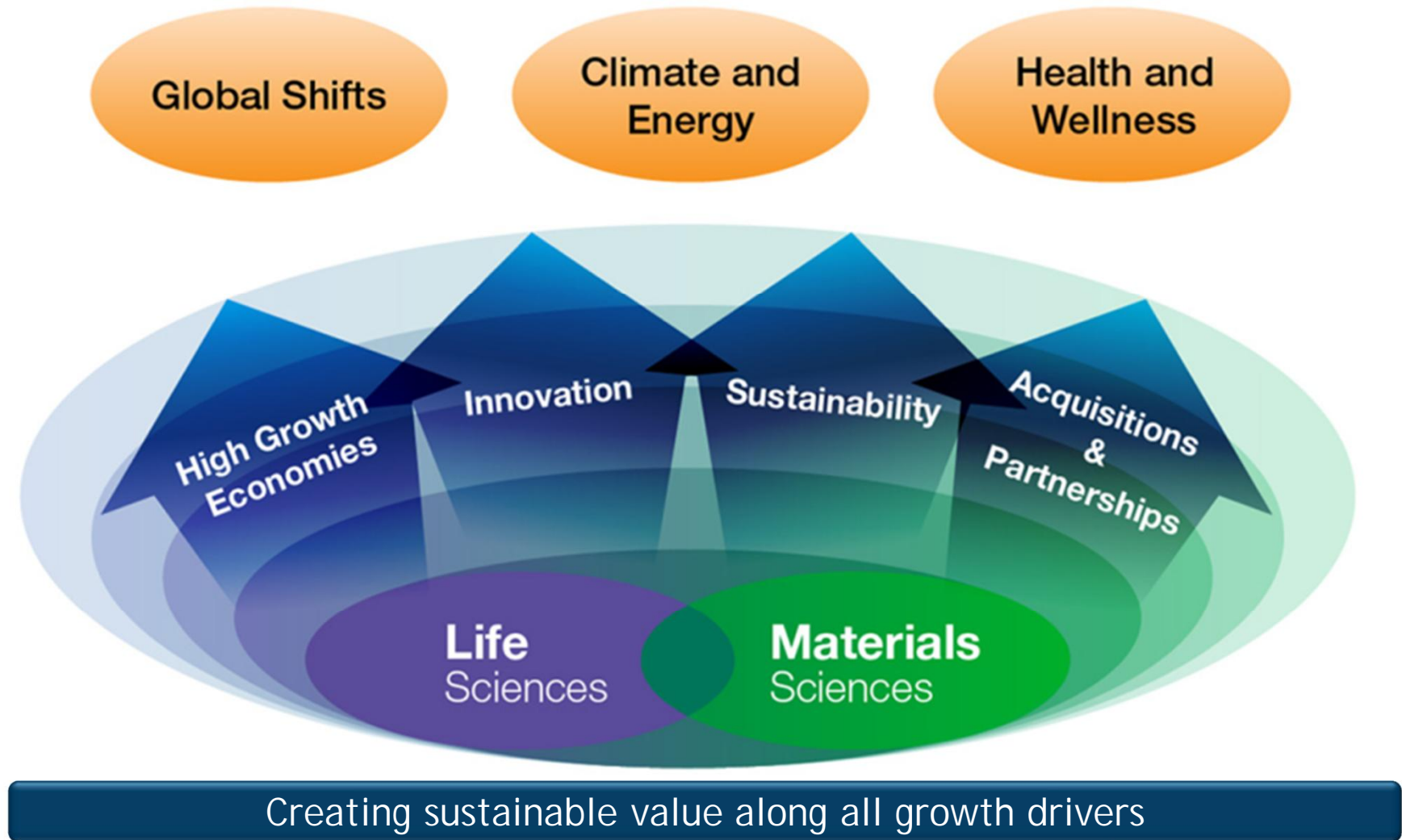
Resources constraints

Energy concerns

Materials

DSM well positioned to capitalize on key megatrends

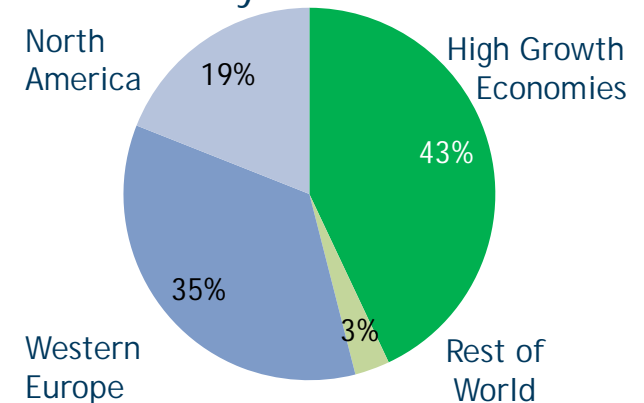
DSM in motion: *driving focused growth*



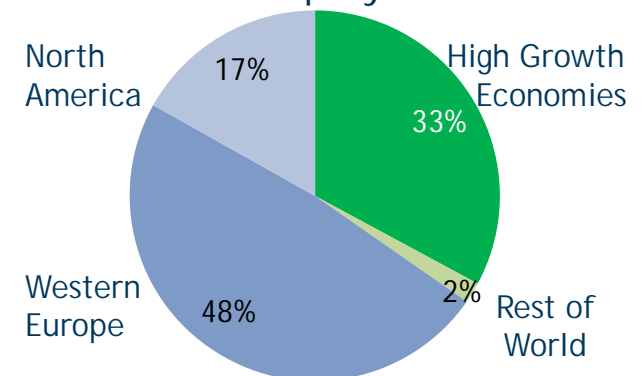
Significantly expanding global presence

- Position in US strengthened
- Sales to High Growth Economies (HGEs) increased from 32% in 2010 to 43% YTD Q3'14
- Future economic growth mainly driven by HGEs
- Current slowdown HGEs likely not structural
- DSM will continue to expand presence in HGEs (incl. Africa) driving growth from these regions:
 - Locally tailored products/services
 - Continue to expand local presence (research, innovation, production, M&S)
 - Since 2010, >60 executive positions moved outside the Netherlands

Sales by destination*



Global employee base*



Well positioned to capture global growth including High Growth Economies

* YTD Q3 2014 numbers

Innovation driving higher growth and margins

- DSM strongly committed to innovation in existing businesses as well as in emerging business platforms
- Good progress achieved:
 - ✓ Sales from innovative products / solutions, introduced over last 5 years, account for 18% of sales YTD Q3'14 (target 20%)
 - Nutrition at 17%, Performance Materials at 24%
 - ✓ Three emerging business platforms (EBAs) established
- Sustainable innovations in existing businesses are delivering higher growth and >5% higher gross margins



DSM's FERMENTATIVE STEVIA



Improving financial performance through a younger, greener portfolio

Sustainability is a strong business driver

- YTD Q3'14 ECO+ sales slightly above 45%
- Well on track towards 2015 aspiration of 50%
- More than 90% of DSM's innovation pipeline is ECO+, strongly driving a greener portfolio
- ECO+ sales have grown ~10%/year since 2010
- ECO+ sales have significantly higher contribution margins versus non-ECO+ sales
- People+: DSM at the forefront of a new methodology to measure impact of products on people's life, creating credibility and transparency



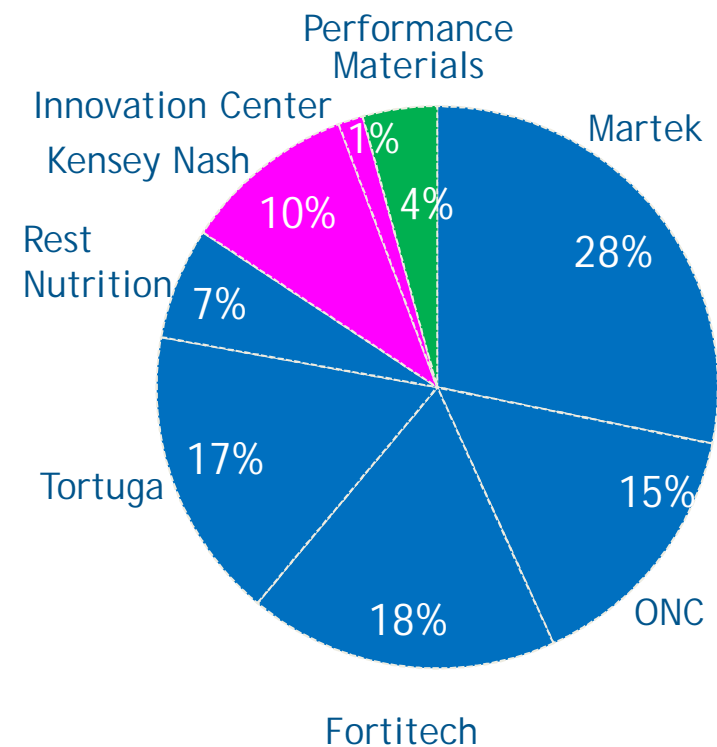
Bio-based Coating Resins

Sustainable solutions delivering higher growth and higher margins

Active portfolio management delivering results

- More than €2.8bn of acquisitions since 2010:
 - ✓ Created a leading **Nutrition** business position
 - ✓ Established a new business: **DSM Biomedical**
- Value creation confirmed:
 - ✓ Martek/Fortitech/Tortuga: ~2.0x EV paid
 - ✓ Ocean Nutrition Canada: ~1.5x EV paid
- Partnerships established in Pharma:
 - ✓ DSM Sinochem Pharmaceuticals
 - ✓ DPx Holdings: 2015 value of DSM share estimated at ~€1bn
- Other value-enhancing partnerships:
 - ✓ POET-DSM Advanced Biofuels
 - ✓ Reverdia with Roquette
 - ✓ Actamax with DuPont

~85% of M&A spend in Nutrition



Where we are versus 2015 targets

<u>Profit targets 2015</u>		YTD 2014
• EBITDA margin (%)	14% - 15%	13%
• ROCE	11% - 12%	8-9% (FY14E)
<u>Sales target 2015</u>		
• Organic sales growth	5% - 7% annually	3%
• China sales	towards US\$ 3bn	>US\$ 2.0bn (FY14E)
• High Growth Economies sales	about 45% of total sales	43%
• Innovation sales	20% of total sales	18%
• ECO+ sales	towards 50% of total sales	45%
<u>Cluster targets 2015</u>		
• Nutrition	EBITDA margin 20% - 23%	20.2%
	Sales growth GDP+2%	1%
• Performance Materials	EBITDA margin 13% - 15%	12.2%
	Sales growth at double GDP	2%

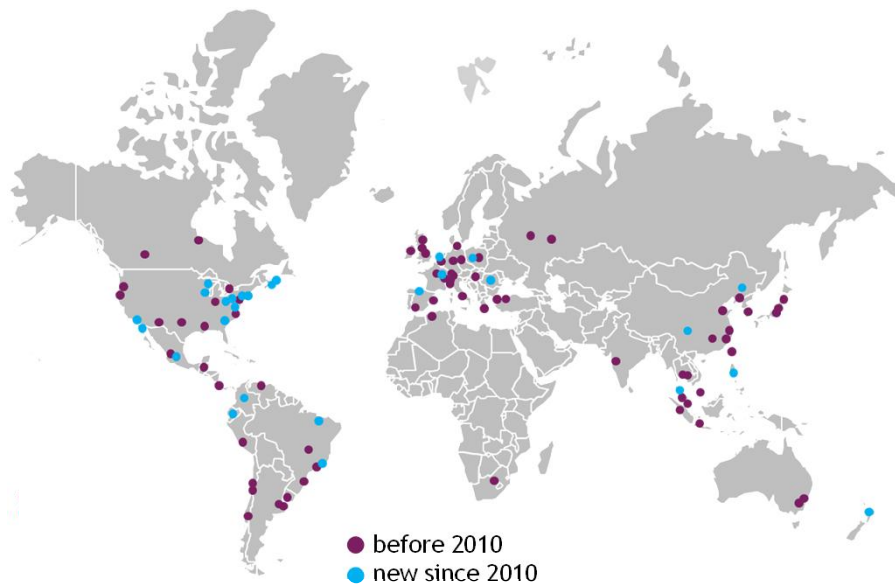
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Nutrition: global products & local solutions

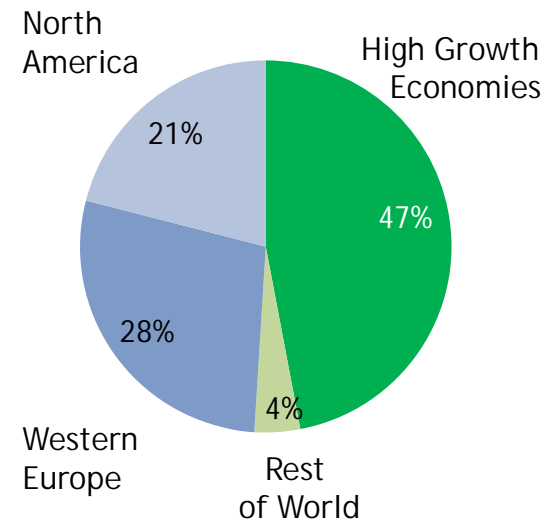
Strong growth in Nutrition, both organically and through €2.4bn acquisitions since 2010:

- ✓ Broadest *portfolio* of nutrition ingredients in diversified end-markets
- ✓ Unparalleled *value chain* presence and *customer intimacy*
- ✓ Significant *global presence*
- ✓ *Margins* within the target range despite substantial negative FX impacts

Nutrition's Global Presence

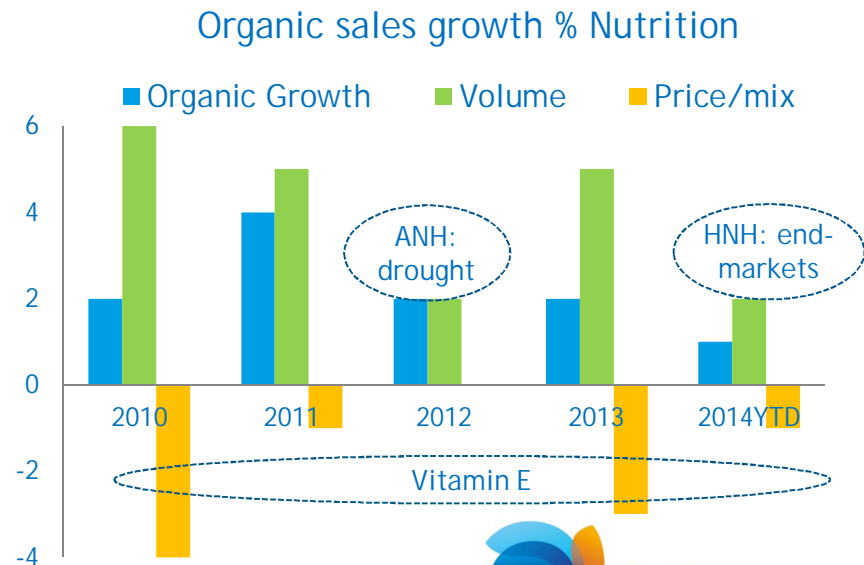
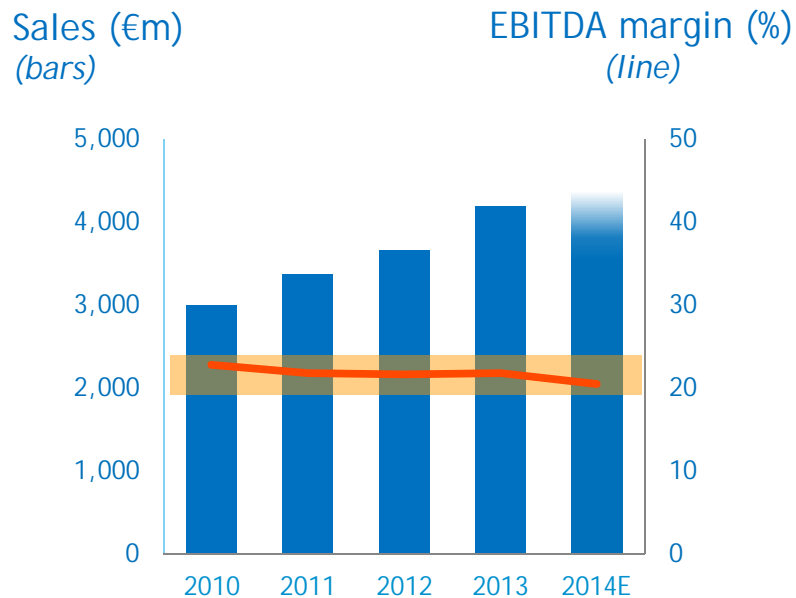


Sales by destination: €3.2bn YTD Q3' 14

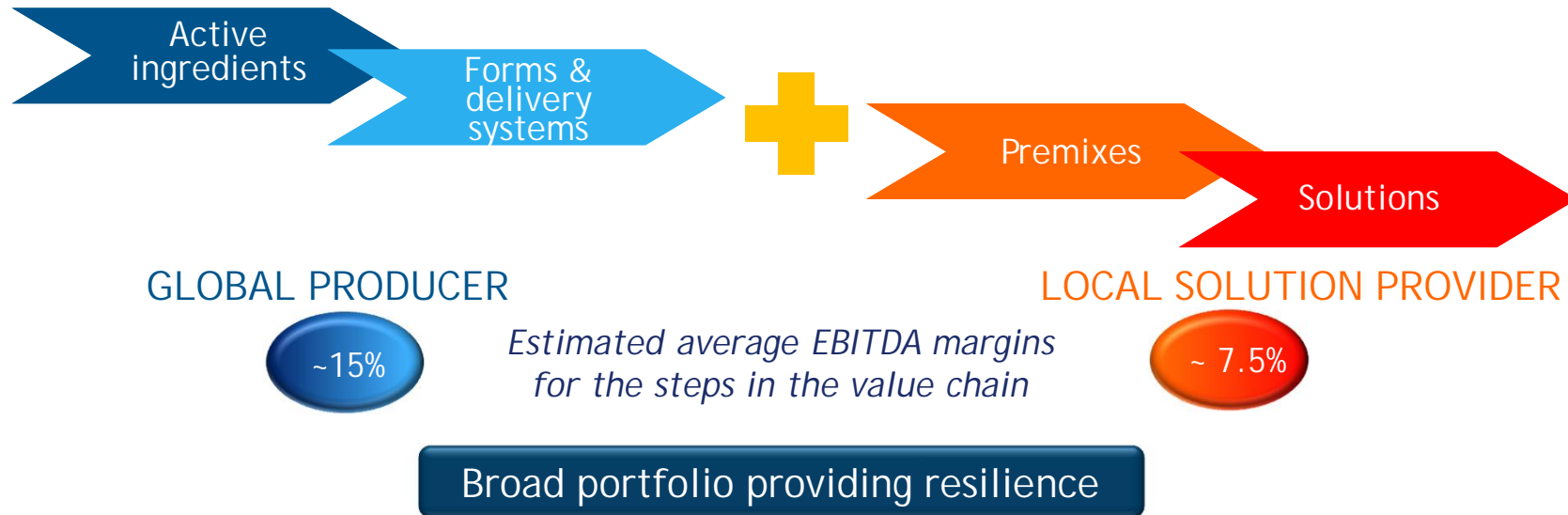


Good volume growth & margins

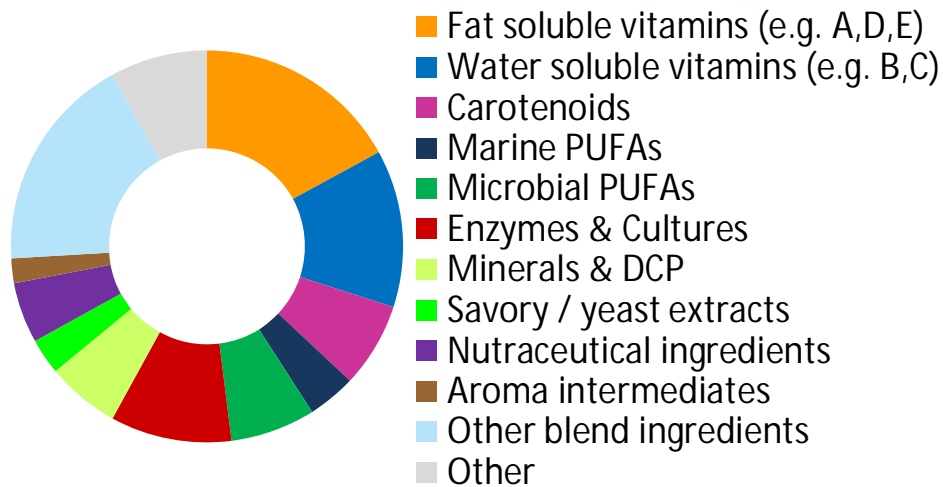
- 4% volume growth since 2010 on average / year (HNH 2% / ANH 5%)
 - ✓ Food/meat consumption-growth now less correlated to GDP-growth
- Margins within 20-23% target range
 - ✓ Supported by M&A but negatively impacted by FX and Vitamin E prices
- Diversified portfolio of products, end-markets, regions and presence in all steps of the value chain provides resilience



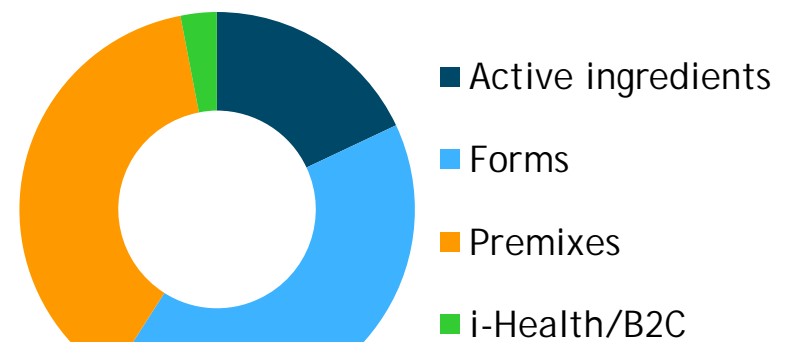
Capitalizing on every step of the value chain



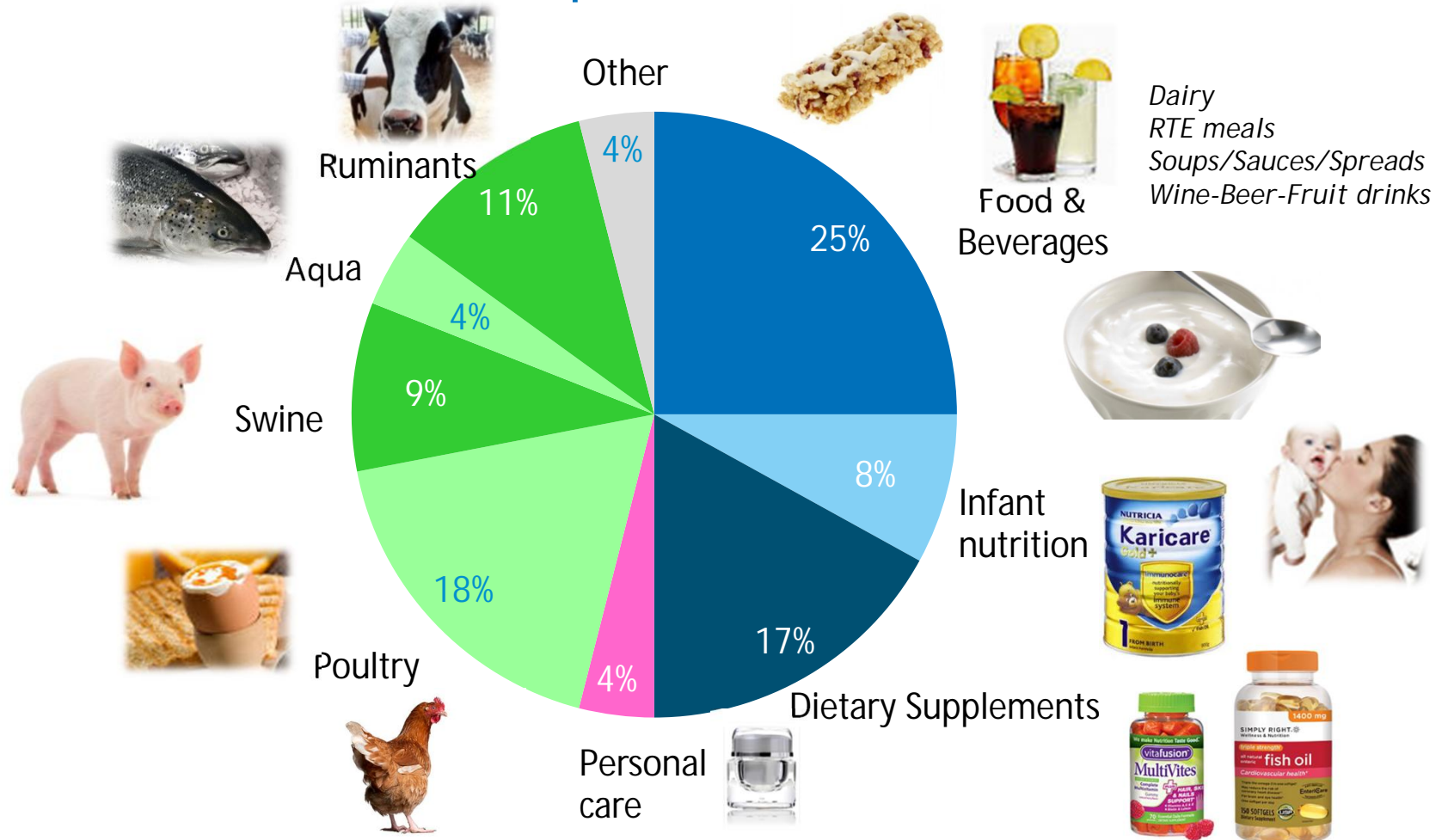
Broadest portfolio of ingredients (2013)



2013 Sales, split over steps value chain



Diversified into multiple end-markets



End-market diversification as strong natural hedge providing resilience

Headwinds impacting 2014 growth & margin

Topic	Sales exposed	Remarks/ actions
Vitamin E: Increasing price pressure in Vitamin E due to intensified competition	9% of Nutrition	<ul style="list-style-type: none"> • See slide 19
Sluggish Western Food & Beverage markets; declining consumer spending in mid-segment	10% of Nutrition	<ul style="list-style-type: none"> • Supporting customers by launching new innovations • Focus on growth opportunities in HGE • Macro-blends and forward solutions strategy
Weakness US vitamins and fish-oil based Omega-3 Dietary Supplements markets	5% of Nutrition	<ul style="list-style-type: none"> • See slide 20 and 21
Disturbance Asian Infant Nutrition markets have slowed down demand and caused destocking	2-3% of Nutrition	<ul style="list-style-type: none"> • Destocking expected to be over in H1'15 with return to CAGR of 3-4%
Exchange Rates (FX)	75% of Nutrition	<ul style="list-style-type: none"> • Hedging policy • Global asset spread

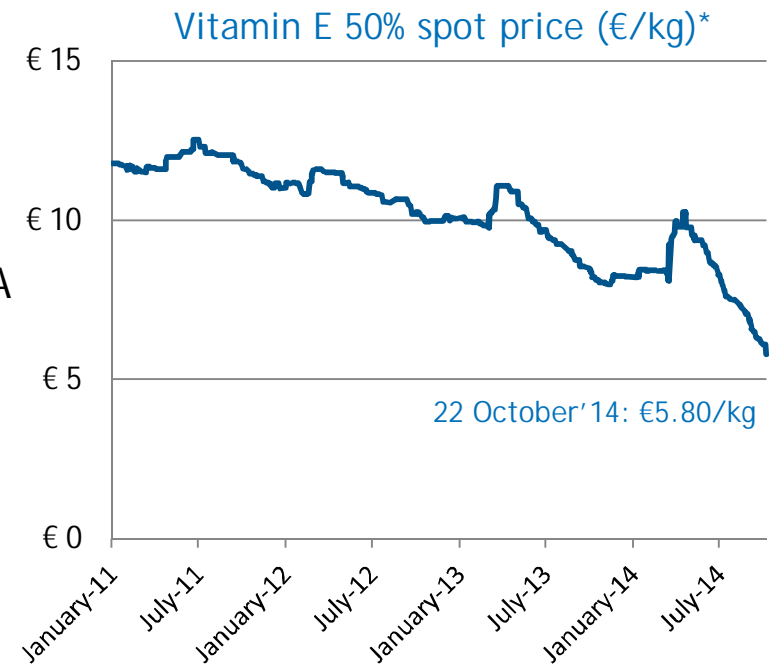
Organic growth impacted by ~3% and EBITDA >€100m

Significant impact from lower Vitamin E prices

- Good demand in animal feed, with limited local disturbances (diseases, weather)
- Increasing price pressure in Vitamin E due to intensified competition
- Spot-prices declined significantly in Q3; should these prices persist, the possible EBITDA impact could be ~€15-20m per quarter
- DSM well positioned as a lowest cost supplier
- Attractiveness for smaller Chinese players has significantly eroded

DSM's response

- Actively protecting market share leveraging our low cost base
- Further reduce costs
- Expand market: leverage strong science to move customers to increased inclusion levels
- Product form differentiation



* Source: www.feedinfo.com

Business conditions in US Dietary Supplements

- US Multivitamin DS markets weakened due to negative media attention in H2 2013 (IRI-data Sept 2014: 1% lower volumes over last 3 months versus previous year)
- Recent scientific publications and media have been more positive
- Vitamin D & E not impacted, supported by additional science and active DSM advocacy / communications initiatives
- Dietary supplement market outside US continues to show good growth
- Continued strong growth DSM's i-Health business (Culturelle[®], Estroven[®], Azo[®])

DSM's response

- DSM is leading the development of a multivitamins industry coalition in the US to promote Dietary Supplements
- Working closely with retailers to grow the category



Current business conditions in US Omega-3

- US fish-oil based Omega-3 DS market impacted by increased fish oil costs, leading to sharp retail price increase. This was combined with negative media events (IRI-data Sept 2014: 6% lower volumes over last 3 months vs previous year)

DSM's response

- DSM initiated the GOED Omega-3 Dietary Supplements industry coalition's campaign to revive growth in the category (www.alwaysomega3s.com)
 - ✓ Social media, broadcast, billboards
 - ✓ Retailers, in store promotions
- Upgrade of the Omega-3 production facility in Mulgrave
 - ✓ Increasing flexibility in fish oil sources
 - ✓ Reducing, effective unit cost
 - ✓ Enabling access to new markets / applications



Overview actions to improve performance (1)

- Market development:

- ✓ Science and promotion based industry coalitions and retail alliances regarding Dietary Supplements / Omega-3
- ✓ Science based promotion of vitamins in feed

- Market position:

- ✓ Actively protect market shares (e.g. Vitamin C with pending Aland acquisition and Vitamin E)
- ✓ Stronger market penetration (e.g. HGE and leveraging acquired products globally)
- ✓ Introduction new forms (VE) and products (e.g. Clean Cow and Stevia)
- ✓ Leverage stronger tailor-made products/solutions/premixes, customer-intimacy, service and high quality position/image ('increase share of wallet', esp. HNH)
- ✓ Continued i-Health (B2C) growth

DSM is actively responding to current headwinds

Overview actions to improve performance (2)

- Improve cost position:
 - ✓ Further improve cost position of fat soluble vitamins & carotenoids (e.g. VE)
 - ✓ Enhance competitiveness of water soluble vitamins (e.g. B6 and VC)
 - ✓ Upgrade and improve cost position Nutritional lipids (e.g. Mulgrave facilities) and yield increases in algae-based Omega-3
 - ✓ Projects implemented targeting €50m per annum in savings by 2015 which will be partly reinvested into external (open) innovation and local, front-line support
 - ✓ Ongoing, continuous streamlining of ERP systems
- Rigorous [Operating Working Capital improvements](#)
- [Align organization](#) to maximize benefits of business model Global Products & Local Solutions

DSM is actively responding to current headwinds

Structural growth drivers intact

- Growing population, urbanization, health- and environmental concerns and rising standards of living drive increased consumption of fish/meat and healthy (processed) foods
 - ✓ ANH: Need for safe, efficient, healthy and sustainable animal protein production
 - ✓ HNH: Desire for health, wellness, convenience, longevity and active ageing drive demand for dietary supplements, infant nutrition, and healthy food & beverage choices



DSMs Nutrition business: well positioned for growth

- Our strategy: where are we today
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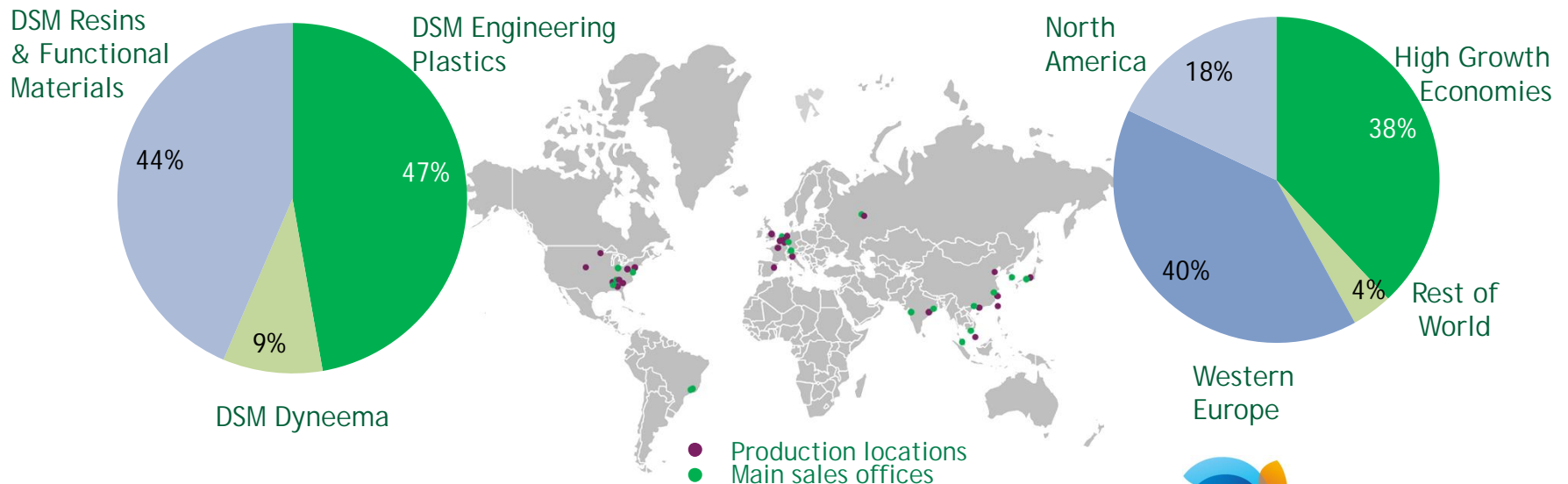
Performance Materials well positioned for growth

- Continuous upgrade of product portfolio; shift to greener, higher margin products and solutions
 - ✓ 24% of sales* in Performance Materials are innovation sales
 - ✓ 59% of sales* is Eco+
 - ✓ 38% of sales* to High Growth Economies

YTD Q3'14 sales: €2.1bn

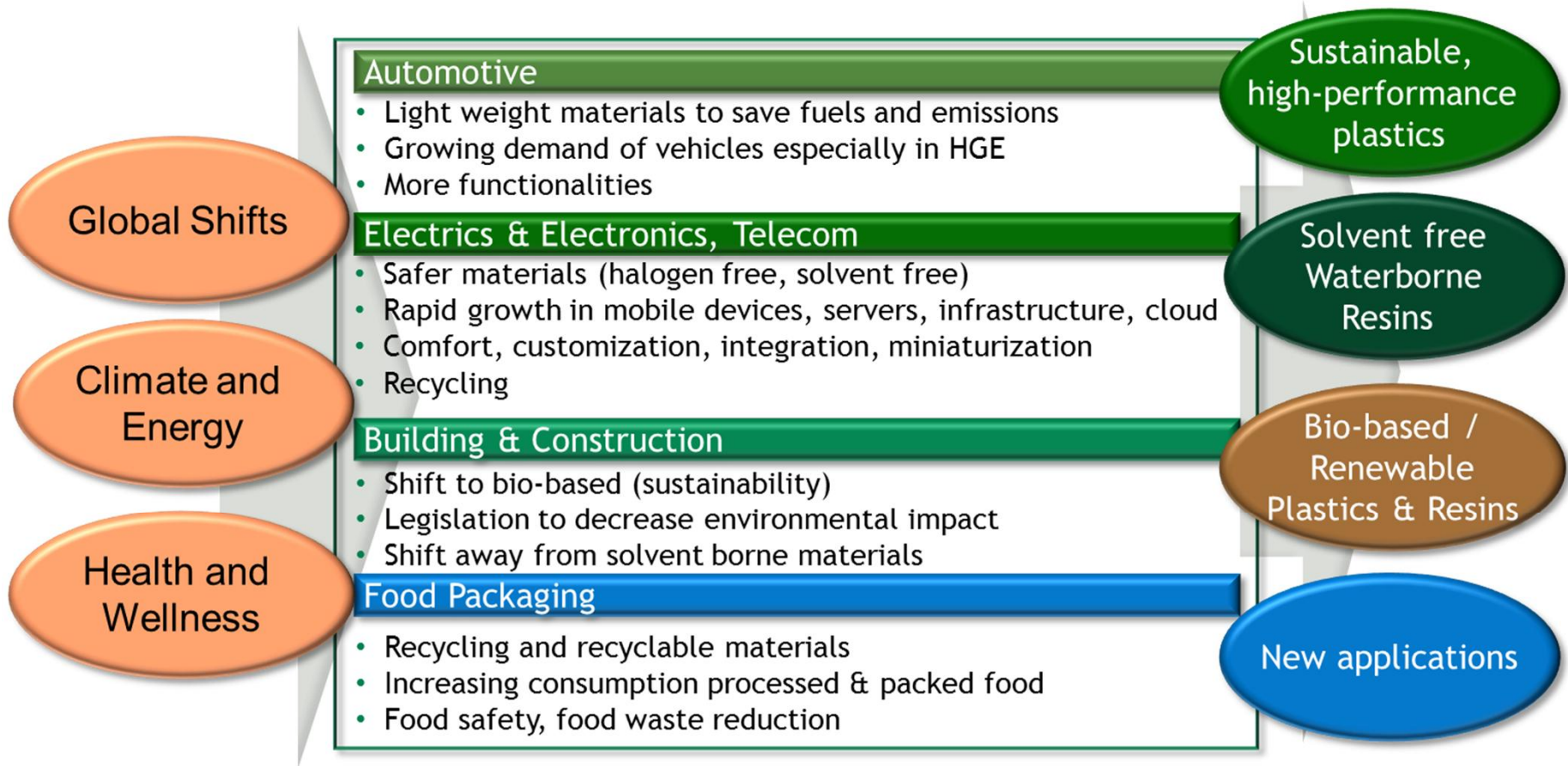
Global presence

Sales split by destination*



* YTD Q3 2014 numbers

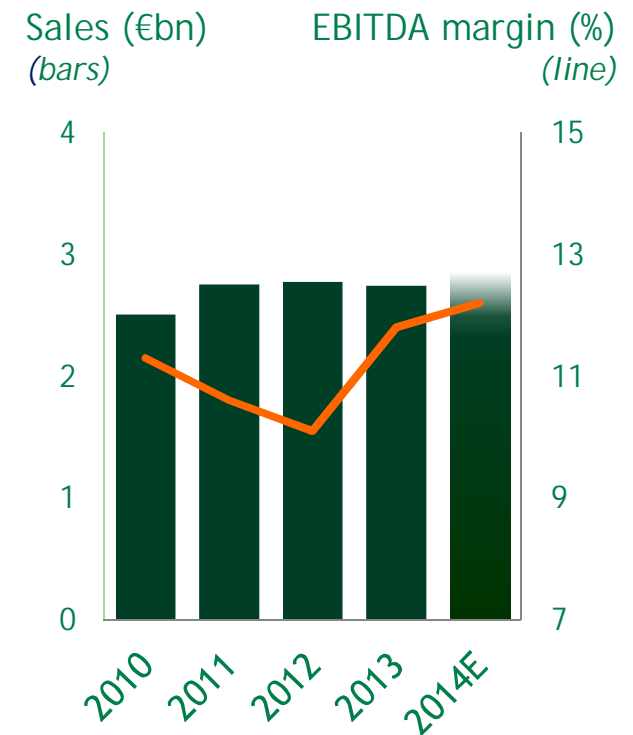
Megatrends are driving our end-markets



Megatrends will further accelerate growth of sustainable innovations

Good progress in volatile environment

- Gradual margin improvement despite:
 - Macro-weakness in Europe and weak FX
 - No special tenders in vehicle protection anymore
 - Caprolactam effect in DSM Engineering Plastics
- Successful implementation Profit Improvement Program
 - DSM Resins ("Zero"), DSM Dyneema ("Reset"): done
 - In progress at DSM Engineering Plastics ("Summit")
- Opportunities for operational/asset leverage
- Well positioned for strong cash generation

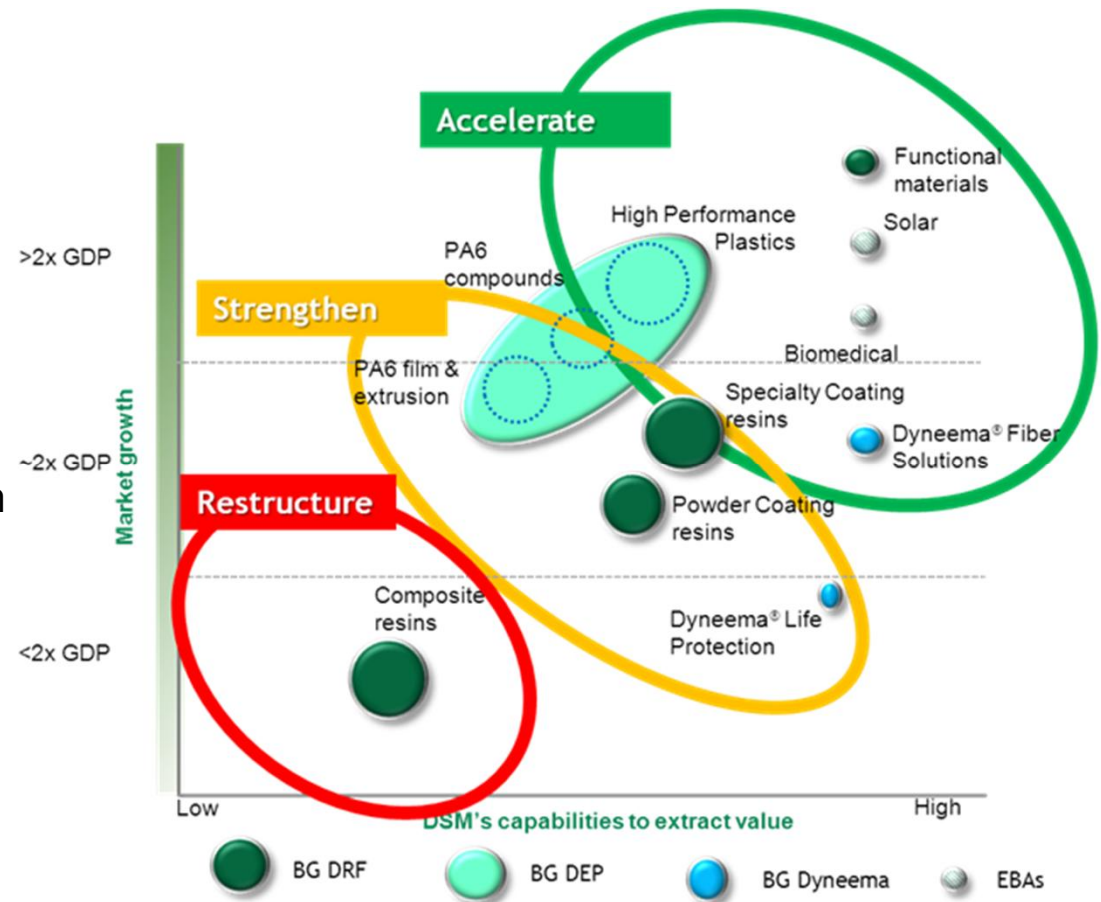


Businesses well positioned for future growth

Performance Materials strategy

Differentiated strategy:

- Accelerate:
Accelerate growth in highly innovative markets to fully benefit from megatrends
- Strengthen:
Combine sustainable innovation sales growth with margin optimization programs
- Restructure:
Composite Resins



Further portfolio upgrade via a differentiated strategy

Ongoing portfolio enhancement

Further strategic actions are being pursued:

- Polymer Intermediates:
 - ✓ Caprolactam: €0.95bn sales YTD Q3'14
 - 3 plants in China, the Netherlands and the US
 - ✓ Acrylonitrile: €0.35bn sales YTD Q3'14
 - 1 plant in the Netherlands
- Composite Resins (Performance Materials): €0.25bn sales YTD Q3'14
 - 4 plants in China, The Netherlands, France and Italy

Growth of new businesses via innovation:

- Biomedical
- Bio-based products
- Advanced Surfaces (solar materials)

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Attractive emerging business areas established



DSM Biomedical

Innovative materials for Medical Devices delivering clinical improvements



DSM Bio-based Products & Services

Advanced enzymes and yeasts for Bio-Energy & Bio-based chemicals



DSM Advanced Surfaces

Smart coatings and surface technologies boosting solar performance

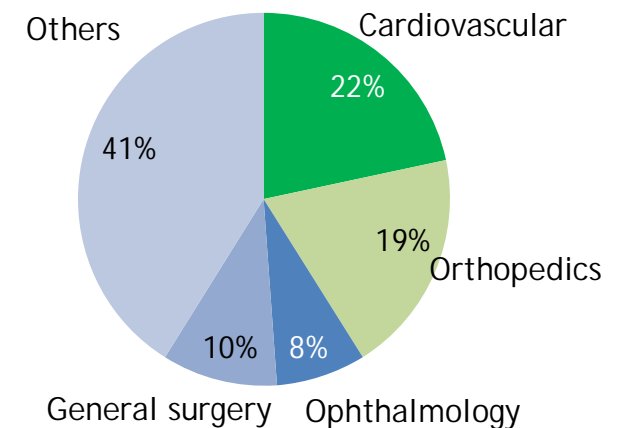
Attractive end-markets growing high single digit

DSM Biomedical: scalable business

- Accessible medical device material solution market: ~US\$1-2bn (high single digit growth)
- DSM Sales ~€140m (2014 expectation); EBITDA margins >25% (~20% R&D)
- Growth: organically (global reach) and 2 ventures; Drug Delivery & JV DuPont (Actamax)
- DSM key product groups: mechanical- & natural-materials and tissue engineering

DSM Sales (%)	Key DSM products	Competition
Cardiovascular (20%)	Vascular closing	Captive (Abbott, Cardinal)
	Pacing Leads	Lubrizol
Orthopaedics (40%)	High strength sutures	Spectra
	Bone graft substitutes	Captive (Zimmer, Baxter, Medtronic), Collagen, Integra
Ophthalmology (25%)	Silicon Hydrogels	Toray, Geleste, Contamac
General surgery (10%)	Hernia mesh/a.o.	KCI/Lifecell, Integra
	Anti-adhesive Actamax	Human trials ongoing (Baxter/Genzyme)
Other (5%)	Hydrophilic Coating	Urology (captive, Bard) Surmodics

Global medical devices market: US\$180bn (2013)



Highly attractive business providing significant future value

POET-DSM movie



DSM Bio-based Products & Services: big potential

- Bio-Energy

- ✓ *Emerging market Advanced Biofuels (2nd generation cellulosic bio-ethanol) estimated at >US\$10bn in 2020 of which enzymes/yeast are about US\$3bn*

(ref: 1st Generation Biofuels is now ~US\$25-30bn with ~US\$1bn enzyme/yeast market)

- POET-DSM's JV: 20-25 million gallon plant USA in start-up
- DSM best in-class enzymes/yeast, outperforming competition
- Significant market potential, timing depending on global climate discussion; DSM (full concept) well positioned to take substantial market shares
- Competition: DuPont (full concept), BetaRenewables (technology package) and Novozymes (enzymes)

- Bio-based Chemicals

- ✓ *Emerging market Bio-Based Chemicals; size in 2020 projected at several US\$bn*

- Reverdia (JV Roquette-DSM): bio-succinic acid (10kT Italy; best technology)
- Patented, yeast based, best-in-class carbon footprint
- Competition: BioAmber (Nasdaq-listed), Myriant and Succinity (JV BASF / Corbion)

Focus on current projects and exploring Brazil/China/India

DSM Advanced Surfaces: boosting solar yields

- **Anti-reflective KhepriCoat®** applied for solar panel cover glass (industry-benchmark):
 - ✓ Attainable market of €250-300m (2020); solar panel market growth of 10-15%/yr
 - ✓ DSM outcompetes on patents, quality, durability, strong product know-how
- **“Light trapping” film technology** evaluated with industrial partners in Solar PV industry
 - ✓ Radical new approach boosting solar PV performance with 6-12%
 - ✓ Attainable market of €1-3bn (2020)
 - ✓ Suitable for retrofitting existing modules as well as for new solar modules
 - ✓ DSM is first mover, has patents on optimal film-structure and strong knowledge base on outdoor durable resins (compared with alternative film competitors)
- In Q3'14, DSM opened a 1MW solar facility at its premises in Pune (India), demonstrating and showcasing the performance of DSM's anti-reflective coatings
- Further **growth acceleration** via new partnerships bringing performance enhancing functional films to the Solar PV market, leading to reduced energy-costs

“Game changer” technologies for Solar energy - break-even in 2-3 years

DSM Innovation Center: significant value

EBA	FY14E Sales	FY14E EBITDA	Comments / Potential
DSM Biomedical	~€140m	~€35m	EBITDA margins: > 25% R&D spend: ~20% of sales Organic growth: high single digit
DSM Bio-based Products & Services	~€5m	~(€25m)	Potentially very significant upside
DSM Advanced Surfaces	~€10m	~(€10m)	In coming 2-3 years at least break-even
DSM Innovation Center (incubation, venturing & innovation excellence)	-	~(€20m)	Focus on existing projects in near term
Total	~€155m	~(€20m)	DSM Innovation Center expected to be break-even by 2016

Current value estimated at €0.5 - 1bn

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Operational performance initiatives

- DSM will achieve further **operational efficiencies**, via:
 - ✓ Improving ICT-infrastructure and optimizing across the company Finance, HR and Purchasing
 - ✓ Leveraging our strong scientific base and manufacturing experience to provide solutions in growing markets
 - ✓ Stronger Marketing & Sales excellence (e.g. price/margin management)
 - ✓ Integration of acquisitions
 - ✓ Further improving cost efficiencies, beyond the original Profit Improvement Program of €210-240m by 2015 as announced in 2011-2012
 - ✓ Reducing working capital
- DSM will make further **organizational adjustments** in its corporate structure to further optimize its steering over businesses, functions and regions

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- [Wrap-up](#)

Wrap-up

- **Attractive portfolio** with high quality, Nutrition and Performance Materials businesses with a good growth and return profile
- **Focused strategy** to improve financial performance and consolidate portfolio further:
 - ✓ Drive improved performance of the Nutrition and Performance Materials businesses
 - ✓ Active portfolio management: strategic actions to be pursued for Polymer Intermediates and Composite Resins
 - ✓ Unlock hidden pockets of value in Pharma and Innovation assets
 - ✓ Focus on cash generation
 - ✓ Strict capital allocation
 - ✓ No large M&A contemplated for now;
current focus is on integration of Nutrition acquisitions of recent years
 - ✓ Committed to policy of stable, preferably rising, dividend

DSM actively generating shareholder value



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