DSM to add world-leading animal nutrition and health specialty businesses with acquisition of Erber Group

Presentation to Investors

12 June 2020
## Acquisition Highlights (1/3)

### Transaction
- DSM to add world-leading animal nutrition and health specialty businesses with acquisition of Erber Group, for an enterprise value of €980 million
- EV/EBITDA multiple of about 14x the 2020 EBITDA (fiscal year ending September 2020)
- 2021 EPS contribution expected to be about €0.15
- 2 small units, Sanphar and EFB (representing 7% of Erber Group’s total sales) are not included in the transaction
- The transaction, which is subject to customary conditions, is expected to close in Q4 2020
- The acquisition will be debt financed, with DSM’s balance sheet remaining strong

### Strategic Fit
- Enhances DSM’s animal health and nutrition solutions for farm productivity and sustainability, with an emphasis on animal welfare, emissions reduction, feed efficiency, tackling antimicrobial resistance and better use of water and land:
  - Adds a new specialty feed ingredients segment with mycotoxin risk management
  - Enhances DSM’s position in eubiotics
  - Enlarges DSM’s global premix network
- Gives DSM access to feed and food diagnostics activities

### Synergies
- With mycotoxin risk management, DSM expands its portfolio of specialty feed ingredients. Mycotoxin risk management (enzymes, microbials, binders) have a strong strategic fit with DSM’s advanced solutions offering
- Strengthens DSM’s science-based gut health/eubiotics platform with additional pro- and prebiotics, acids, phytogenics
- Strengthens DSM’s animal premix position in Central & Eastern Europe
- Animal and human diagnostic services are synergetic with DSM’s precision nutrition developments in animal and its existing diagnostic activities in human nutrition & health
- Cross-selling, R&D and cost synergies after integration
### Acquisition Highlights (2/3)

<table>
<thead>
<tr>
<th>Key Data Acquired businesses</th>
<th>Mycotoxin risk management – MTX (Biomin)</th>
<th>Eubiotics for Gut Health (Biomin)</th>
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<tbody>
<tr>
<td>• The acquired businesses have combined sales of €330m and an Adjusted EBITDA margin above 20% for the twelve months to the end of March 2020, with a high single-digit organic sales growth rate over the past 5 years</td>
<td>• Mycotoxins are secondary metabolites produced by fungi developing on grains and other crops, that can contaminate feed and cause a toxic response when ingested in farm animals</td>
<td>• Eubiotics improve health and performance in farm animals by maintaining an optimal balance of microflora in the gastrointestinal tract. Eubiotics types include probiotics, prebiotics, organic acids and essential oils/phytogenics</td>
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<td>• Biomin: 85% of sales (mycotoxin risk management, gut health/eubiotics, premix). Romer 15% of sales (feed &amp; food testing)</td>
<td>• Biomin provides biotransformation and biodegradation solutions (through complex mixes of enzymes, microbials and binders) to detoxify feed</td>
<td>• The eubiotics market is estimated to be ~€2bn, expected to grow at an 8-10% CAGR over the next 5-10 years, driven mainly by the shift to ‘antibiotics-free’ and preventive health solutions</td>
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<tr>
<td>• Sales well split between Europe, Asia, and the Americas. Low customer concentration (top-20: ~30% of sales)</td>
<td>• Biomin has a strong position in terms of regulatory approvals and IP</td>
<td>• Biomin has a strong IP and sales position in the fastest growing Eubiotics segment of Probiotics; Biomin growth in eubiotics has been double digit over the last five years</td>
</tr>
<tr>
<td>• 12 manufacturing sites/ 15 R&amp;D sites globally; ~1,200 employees</td>
<td>• Mycotoxin detoxifiers are a €700m market, growing at 5%; Biomin growing high-single digit in MTX due to its leadership position in the premium segments</td>
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## Acquisition Highlights (3/3)

<table>
<thead>
<tr>
<th>Premix (Biomin)</th>
<th>Feed and Food Diagnostics (Romer Labs)</th>
<th>DSM in Animal Nutrition &amp; Health</th>
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</table>
| • Erber Group adds 3 premix facilities to DSM’s global premix network  
• Austrian state-of-the-art premix plant supports growth in Central & Eastern Europe | • Romer Labs is active in the attractive market for diagnostic solutions for food and feed safety primarily as a kit manufacturer but also has several reference labs and the ability to consult  
• Romer is focusing on testing of mycotoxins, allergens, microbiology & pathogens, GMO and veterinary drug residues  
• Food & feed safety testing is a €4bn market, growing high-single digit  
• Romer Labs has annual sales of €50 million, growing double digit | • Animal Nutrition & Health (ANH) is DSM’s largest business with ~€2.9bn sales (2019)  
• DSM is the #1 in this industry with the largest product portfolio and largest global premix network, supplying solutions for all species, with a strong focus on innovation  
• ANH delivered a 7% organic sales CAGR over the last 5 years, well above market |
Erber Group

Mycotoxin risk management
Eubiotics/ Gut health
Premix
Feed and Food Diagnostics
Erber Group’s animal nutrition & health specialty businesses

- Privately held Austrian innovation-led company, founded in 1983. Biomin and Romer Labs together have:
  - Combined sales of €330m and an Adjusted EBITDA margin above 20% for the twelve months to the end of March 2020
  - ~1,200 employees
  - Global footprint with 12 production sites and 15 R&D sites
  - Sales in 130 countries; Specialty sales force of ~200 people across 40 countries
- Sanphar and EFB (two very small divisions of Erber Group are not included in above numbers; will be carved out before closing)
- Leader in mycotoxin risk management solutions, as the pioneer in the field supported by scientific claims, strong position in gut health/eubiotics as well as in premix and diagnostics for feed and food
  - International focus and their in-house research and development department are key elements of their success and have contributed to growth & sustainability for more than 30 years
  - Strong IP protection; patents and trade marks
  - Long-standing global customer base with customized solutions for key accounts

1. Across acquired perimeter (Biomin and Romer only).
Erber Group: a global company with 12 production sites around the world

- Stadtoldendorf, Germany (acquired 2012)
- Herzogenburg, Austria (1990)
- Haag, Austria (under construction, 2020)
- USA (Newark)
- Panama (Arraijan)
- Brazil (Piracicaba)
- Germany (Stadtoldendorf)
  - Tulln (a.d. Pram)
  - Haag am Hausruck
  - Herzogenburg
  - Stöttera
- Austria (Wuxi)
- China (Wuxi)
- Vietnam (Hanoi)
- Vietnam (Binh Duong)
- Singapore (Woodlands, Singapore (1996))
Mycotoxin risk management

- Mycotoxins are secondary metabolites produced by filamentous fungi developing on grains and other crop plants. Fungal growth can occur:
  - On the field depending on weather conditions
  - During harvest depending on conditions
  - During storage (improper storage conditions)

- Different fungi can be involved
  - Field – e.g. Fusarium (and Aspergillus)
  - Storage – e.g. Penicillium and Aspergillus

- Mycotoxins can cause a toxic response (mycotoxicosis) when ingested in farm animals or a reduced performance

- Distinct regional trends with climate as key determinant; as a consequence of climate change, mycotoxins are increasingly occurring
## Mycotoxin risk management

*Biomin is the leader in the Premium and Advanced segments of the mycotoxin detoxifiers market*

<table>
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<tr>
<th>Market description</th>
<th>Key Players</th>
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<tr>
<td><strong>Premium</strong>&lt;br&gt;~€300m (growing 7%/yr)</td>
<td><strong>Biomin (#1)</strong>, Alltech</td>
</tr>
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<td>Complex combinations of biodegrading/bio-transforming agents (microbes and enzymes) and binders, capable of selectively neutralizing a wide array of toxins while preserving the nutritional quality of feed. High &amp; increasing barriers-to-entry (regulatory, IP)</td>
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<td><strong>Advanced</strong>&lt;br&gt;~€300m (growing 4%/yr)</td>
<td><strong>Biomin (#1)</strong>, Alltech, Kemin, EWN</td>
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<td>Combinations of binders and absorbers or micronutrients, usually targeting more than one mycotoxin</td>
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</tr>
<tr>
<td><strong>Simple</strong>&lt;br&gt;~€100m (growing 2%/yr)</td>
<td>Bayer, AmLan, Cargill</td>
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<td>Simple binding agents (typically clays). Usually only binding 1-3 mycotoxins, at the risk of also binding useful micronutrients</td>
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Total mycotoxin detoxifiers market of ~€700m growing around 5%/yr; Biomin sales of ~€150m growing high-single digit
Mycotoxin risk management

Biomin with strong innovation roots and a well protected position in Mycotoxin Risk Management

**Industry thought leadership/ strong innovation roots**
- 37 inventions, covered by 262 granted patents + 100 filed patent applications in 50 countries
- 84 peer-reviewed scientific publications in the last 5 years
- Biomin Research Center in Tulln with strong connect to University and other leading academics + regional centers

**First and only company with EU-registration (US-registration underway)**
- Company led the creation of new functional regulation group
- 3 key ingredient groups covered
- Allows Biomin to use stronger product efficacy claims than competitors

**Sophisticated mycotoxin testing for customers**
Provided through Romer Labs

**Global Mycotoxin Risk Monitor**
Longest running and most comprehensive of its kind, showing incidence of 6 most present mycotoxins
Eubiotics for gut health

Support the phasing out of antibiotic growth promoters

Total market for eubiotics for gut health is currently ~€2bn; Potential of >€3bn by 2025
## Enhances DSM’s portfolio in eubiotics

<table>
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<tr>
<th>Eubiotic type</th>
<th>Nature of products</th>
<th>Effects</th>
<th>Key Players</th>
</tr>
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<tbody>
<tr>
<td>Probiotics</td>
<td>Micro-organisms, direct feed microbials: live bacteria and live yeast</td>
<td>Colonizing the gut with healthy bacteria, production of specific antibacterial substances</td>
<td>Chr. Hansen, DuPont, Calpis, Alltech, Biomin, DSM</td>
</tr>
<tr>
<td>Prebiotics</td>
<td>Dead yeasts, yeast extracts, oligosaccharides</td>
<td>Feeding the intestinal bacteria and thereby stimulate activity which contribute to health and performance</td>
<td>Diamond V, Lesaffre, Lallemand, Alltech, Biomin and many others</td>
</tr>
<tr>
<td>Organic Acids</td>
<td>Organic acids such as benzoic, butyric, fumaric, citric, formic acid, lactic, sorbic acids</td>
<td>Reduction of gut pH. Modulation of intestinal microbiota, increases pepsin activity and reduces diarrhea</td>
<td>BASF, Perstorp, Eastman, FF Chemicals, Norel, Novus, Biomin, DSM</td>
</tr>
<tr>
<td>Essential oils/ Phytogenics</td>
<td>Ingredients present in various plants and spices</td>
<td>Modulation of intestinal microbiota, stimulating endogenous enzyme excretion</td>
<td>Delacon, ADM, Adisseo, Phytosynthese, Biomin, DSM</td>
</tr>
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</table>

Total Biomin’s eubiotics sales of ~€65m, growing double digit
Romer Labs is an internationally leading supplier of diagnostic solutions for food and feed safety

- Market size: €4bn globally (of which >€2bn in testing services, €0.7bn in testing kits, and remainder in equipment hardware, certification and consulting). Market growing around 7% per year
- Romer Labs is primarily a kit manufacturer but also has several reference labs and the ability to consult
- Romer Labs is active in mycotoxins, allergens, microbiology & pathogens, GMO and veterinary drug residues testing
- Main competitors and their main focus include
  ✓ Neogen (food and feed testing unit, mycotoxin testing, allergens)
  ✓ Charm Sciences (dairy testing)
  ✓ R-Biopharm (pathogen detection and clinical diagnostics)
  ✓ EnviroLogix (GMO and environmental testing)
- Romer Labs has an excellent reputation and is known for problem-solving and technical support capabilities
- DSM Food Specialties is active in antibiotic residue testing in dairy

Total Romer Labs sales of ~€50 growing double digit
DSM’s position in Animal Nutrition & Health
DSM in Animal Nutrition: active over the full value chain

€2.9bn sales (2019) diversified across species, geographies, and channels

Feed value chain

Agricultural Commodities

25% AN&H Sales

Application-based formulations

65% AN&H Sales

Specialty (Premix) Solutions

10% AN&H Sales

Direct to Farm

Feed producers

Farmers and Processors

Sales by ingredient (%)

Fat soluble vitamins
Water soluble vitamins
Carotenoids
Enzymes
Eubiotics
Minerals
Other blending ingredients

Sales by species (%)

Aqua
Pet
Swine
Poultry
Ruminant

Sales by region (%)

Europe
North America
Latin America
Asia (excl China)
China
Rest of World
DSM uniquely positioned versus competition

*With the biggest portfolio of specialty feed ingredients and premix solutions*

- **Agricultural Commodities** (soy, corn, etc.)
  - €140bn
- **Specialty Feed Ingredients**
  - ~€13bn
- **Premix Solutions**
  - ~€11bn

**Compound Feed**
- €200bn

**Farmers/Processors**
- >€1,200bn

> 7% CAGR in last 5 years, well above market growth
In an attractive market

*Productivity & sustainability drive specialty feed ingredients*

Higher inclusion rates driven by:

- Helping tackle antimicrobial resistance
- Reducing our reliance on marine resources
- Making efficient use of natural resources
- Reducing emissions from livestock
- Improving lifetime performance of farm animals
- Improving the quality of meat, milk, fish and eggs, while reducing food loss & waste

The acquisition further enhances DSM’s animal health and nutrition solutions for farm productivity and sustainability, with an emphasis on animal welfare, emissions reduction, feed efficiency, tackling antimicrobial resistance and better use of water and land.
DSM leading in sustainability, health and digital solutions

- Global food systems need to be transformed and made more sustainable, with increased productivity and circularity, and decreased loss and waste. There is a clear need to extract more nutrition from less livestock feed, ensuring that animals perform to their best potential throughout their lifespans. DSM makes this possible; with its current unique portfolio and its science-based innovation programs.

<table>
<thead>
<tr>
<th>Clean Cow</th>
<th>Veramaris</th>
<th>Balancius</th>
<th>Spearhead</th>
</tr>
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<tbody>
<tr>
<td>Reduction of methane (&quot;Clean Cow&quot;), ammonia, nitrate</td>
<td>Algae-based omega-3 fatty acids as replacement and/or enrichment of fish oil</td>
<td>Enzymes for gut health/ supporting antibiotic replacement</td>
<td>Data-driven nutrition optimization business model</td>
</tr>
</tbody>
</table>

![Images of dairy cows, fish, and chick representing Clean Cow, Veramaris, and Balancius products.]

Peer Reviewed Scientific Literature
Status and Recommendations
Recommendation Engine
Erber Group enhances DSM’s specialty animal nutrition offering
Erber strengthens DSM’s unique business model in Animal Nutrition

Adding to our portfolio of specialty feed ingredients and solutions

- Adds mycotoxin risk management
- Enhances DSM’s position in eubiotics

- Gives DSM access to feed and food diagnostics activities
- Creates big-data-driven Farm-to-Fork food safety platform

- Enlarges DSM’s global premix network
- Adds to markets, regions, species
- Adds to DSM innovation/ R&D power
Commercial, R&D & Cost synergies

Integration to take 18-24 months

- Cross-selling:
  - DSM will be able to sell its enzymes, eubiotics and Hy-D products through the Erber Group specialty salesforce
  - DSM can leverage its global (premix) network to grow mycotoxin risk management (MTX)

- Science & Innovation:
  - Combining R&D in animal nutrition & health including gut health/ eubiotics and precision nutrition platforms

- Grow share in Premix Central Europe

- The new Biomin Austrian premix facility can support growing DSM’s share in Central Europe

- Combining food & feed testing

- Fast growing food & feed quality diagnostic solutions has synergies with DSM Food Specialties’ testing business (DelvoTest) for food & beverages

- Cost synergies

- Synergies in overhead/ support functions and purchasing
Integration approach and timeline

*Clear ambition to maintain and scale the Biomin Specialty Feed Additive engine*

- Integrate the DSM ANH global specialty sales team and the Biomin Specialty Feed ingredients team
  - Maintain close-knit ties between innovation and product management
  - Integrate gut health innovation platforms
- Region-by-region integration of the marketing & sales teams

- Integration into DSM ANH premix network

- Romer Labs will be kept intact as an organization. In due time, DSM’s antibiotics residue testing business (Food Specialties’ DelvoPro) to be integrated into Romer Labs organization

- Full integration of the Erber Group support functions (FIN, P&O, IT, corporate staff) in the DSM staff & support function organization

- Transaction expected to be closed in Q4 2020
- Integration planned to take 18-24 months
- Dedicated Integration Management team (DSM + Erber Group)
A wonderful addition to DSM

People at Erber Group share DSM’s purpose-led mission

- Enables DSM to further accelerate its growth in Animal Nutrition & Health
- Makes DSM the undisputed, science-based, customer-centric global specialty feed solutions leader in fast growing attractive market segments
- Adds #1 position in mycotoxin risk management
- Enhances DSM’s position in eubiotics for gut health
- Expands our global premix network with a state-of-the-art premix plant in Central-Europe
- Gives DSM access to feed and food diagnostics activities via Romer Labs with potential to become data-driven Farm-to-Fork food safety data platform
- Strong cultural fit, combined with organizational and cost synergies
Financial Strength

Strong balance sheet supports Erber Group acquisition

Balance sheet
• DSM continues to benefit from a strong balance sheet, with Q1 2020 Net Debt to EBITDA of 0.8x (1.2x after settlement of the Glycom acquisition in April), supported by strong cash generation
• As a prudent measure given the current Covid-19 environment and given the acquisition of Erber Group, DSM has decided to cancel the remainder of its €1bn share buy-back program which was first announced on 14 February 2019. The total number of shares repurchased to date under this program is 6.6 million shares for a total consideration of €745 million

Available liquidity
• DSM has strong available liquidity, supported by committed, undrawn revolving credit facilities of €1.5 billion. DSM’s banking facilities, comprised of a €1 billion revolving credit facility maturing in 2025 and €500 million new revolving credit facilities concluded in April 2020, are not subject to any financial covenants or a MAC clause
• Furthermore, the company has no bond maturities in 2020 and 2021

Financing Erber Group acquisition
• Acquisition of Erber will be debt financed, with committed bridge financing in place
• DSM’s balance sheet remains strong post acquisition
• Furthermore, DSM remains committed to maintaining a strong investment-grade credit profile
Disclaimer

- 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 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 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.
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