Acquisition of Ocean Nutrition Canada

Adding world’s largest fish oil derived Omega-3 supplier

Investor Relations
May 18, 2012
Overview

- **Transaction highlights**
- Ocean Nutrition Canada at a glance
- Acquisition rationale
Transaction highlights Ocean Nutrition Canada

**Acquisition**
- Total enterprise value CAD 540m (~ € 420m), in an all cash transaction
- Expected 2012 net sales approx. CAD 190m with EBITDA CAD 55-60m
- Value creating acquisition; EPS accretive as from 2013

**Strategic fit**
- Consistent with Nutrition cluster strategy: “continued value growth”
- Strengthens and complements DSM’s global Nutritional Lipids growth platform, based on healthy, polyunsaturated fatty acids (PUFAs)
- Extends DSM’s portfolio of Omega-3 towards different markets

**Growth**
- Strengthening DSM in North American dietary supplement market
- Leveraging DSM global infrastructure in dietary supplement markets outside North America and in the food and beverage markets worldwide
- Expanding the range of applications and products by leveraging forms, encapsulation and emulsification technologies
Nutritional lipids, a fast growing market

Healthy Nutritional Lipids
- Different sources; microbial Omega-3 (DHA) and Omega-6 (ARA) and fish-oil derived Omega-3 (EPA / DHA)
- These have different value propositions and pricing

Growing body of scientific evidence
- Health benefits supported by scientific evidence
- Average intake is below recommendation
- High consumer awareness, almost universal

Fast growing Market
- Sizeable market with double digit growth
- At an early stage yet well established
- Attractive margins

Awareness of Omega-3 is almost universal

Source: Leatherhead GOED report, Xinhua News Agency
A growing body of scientific evidence

Omega-3 cumulative # studies: 20,000+

Abundant science for many health benefits

**Brain/nerve**
- Infant brain development
- Mental/cognitive development
- Memory performance
- Alzheimer/Parkinson Disorders (ADHD, Bipolar)
- Depression /Mood
- Brain damage recovery

**Cardiovascular**
- Coronary heart disease
- Atherosclerosis
- Blood pressure
- Heart rhythm disturbances
- Secondary events risk

**Eye**
- Eye development
- Macular degeneration
- Dry eye syndrome

**Other**
- Cancer
- Obesity
- Menopausal relief

Source: DSM analysis

Legend:
- Research Studies
- EPA/DHA intake level recommendations
- Media Stories
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Ocean Nutrition Canada, leader in fish-oil Omega-3

Revenues
- Average annual growth in local currencies nearly 20% over the past 5 years
- Expected 2012 net sales approximately CAD 190m with EBITDA CAD 55-60m

Company
- HQ in Halifax, Nova Scotia (Canada)
- Founded in 1997
- ~415 employees
- Production sites in Canada, USA and Peru

Core capabilities
- Good technology for production of concentrated Omega-3, for premium dietary supplement segments
- Access to sustainable sources of fish oil

Strong presence in North America
- North America
- Europe
- Asia
- ROW

Majority of sales in Dietary Supplements
- Dietary Supplements
- Food & Beverage
- Pharma
High quality and strong brand recognition

The brand: MEG-3® - trust the source®

Excellent, well certified quality

- GOED (Global Organization of Omega-3 EPA and DHA Omega-3)
- CFIA (Canadian Food Inspection Agency)
- HC (Health Canada, Natural Health Products Directorate)
- EU (European Union)

• MEG-3® 30% oils
• MEG-3® Concentrate oils (40-75%)
• MEG-3® Powder
• MEG-3® Emulsions

Dietary Supplements

Food & Beverage
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**Nutrition: Continued value growth**

**Aspiration by 2015**
- Growth GDP + 2%
- EBITDA margin >20 - 23%

**Strategic progress**
- Expanded offering through M&A:
  - Martek (microbial DHA/ARA)
  - Microbia / Vitatene (natural carotenoids),
  - Premix plants (RO, KO),
  - Food enzymes business and technology (Verenium)
- Expanded to 51 premix facilities
- Successful process developments; improving cost position
- Assets optimization/restructuring

**Continuous profit increase**

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![Chart showing Quarterly EBITDA and Rolling 4Qs EBITDA from Q1-07 to Q1-12.](chart.png)
Next step in Nutrition’s value growth strategy

Key elements of Nutrition strategy

- Continued strengthening of the core of the business
- Establishment of new growth platforms in adjacent areas
- Increased leveraging of the cluster’s unique full value chain position
- Use innovation headroom for further differentiation

Acquisition of Ocean Nutrition Canada

- Strengthens and complements DSM’s global Nutritional Lipids growth platform
- Strengthens DSM’s position in the North American dietary supplement market by adding fish oil derived Omega-3 to its portfolio
- Allows DSM to further leverage its global infrastructure to expand Ocean Nutrition Canada’s sales in dietary supplement markets outside North America and in the food and beverage markets worldwide
- Strengthens DSM Nutritional Products’ innovation pipeline
Creating Nutritional Lipids growth platform

- Acquisition strengthens and complements DSM’s global Nutritional Lipids growth platform
  - DSM is active in microbial Omega-3 (DHA) and Omega-6 (ARA)
  - Ocean Nutrition Canada is active in fish-oil derived Omega-3 (EPA / DHA)
  - These are highly complementary product as they address different customer needs and reach different market segments
- Good strategic fit; accelerated revenue growth through material revenue synergies with expanded distribution, marketing and product development. Customary operational efficiencies will also be realized in the integration process.
- The combination creates a strong global Nutritional Lipids growth platform for DSM in double digit growing market
Opportunities for accelerated growth

**Dietary Supplements**
- Strengthening DSM in North American dietary supplement market
- Leveraging DSM global infrastructure to expand in dietary supplement markets outside North America

**Food & Beverages**
- Leveraging DSM global footprint, customer relationships and position as the quality leader to accelerate sales growth globally
- Expanding the product offering with different range of Omega-3, targeting different applications and market segments

**Wider offering**
- Leveraging DSM forms know-how and innovation partnerships with global customers to increase product launches
- Expanding the range of application and products by leveraging forms, encapsulation and emulsification technologies
Value creating, EPS accretive as from 2013

Financial impact

- Expected 2012 net sales approximately CAD 190m with EBITDA CAD 55-60m
- EPS accretive as from 2013
- Predominantly sales synergies, some cost synergies

Expectations by 2015

- Ongoing double digit sales growth
- With continued high margins

- Subject to customary conditions, the transaction is expected to close H2 2012
Conclusion

- Fully supports DSM’s growth strategy “DSM in motion: driving focused growth”
- Good strategic fit with Nutrition cluster strategy
- Acquisition strengthens and complements DSM’s global Nutritional Lipids growth platform in a double digit growing market
- Material growth synergies in building on Ocean Nutrition Canada’s strong position in dietary supplements and its active involvement in the rapidly developing food and beverage markets
- Value creating acquisition; EPS accretive as from 2013
- DSM on the way to achieve its 2013 targets
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- A more comprehensive discussion of the risk factors affecting DSM’s business can be found in the company’s latest Annual Report, a copy of which can be found on the company’s corporate website, www.dsm.com
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