

# **FULL YEAR 2018 RESULTS**

**PRESENTATION TO INVESTORS**



# QUOTE OF THE CEO

## FEIKE SIJBESMA

*“This has been again a record year in which we successfully completed Strategy 2016-2018, outperforming our ambitious financial and sustainability targets. We have created a strong platform of solution-led, higher value specialty products in Nutrition, Health & Sustainable Living. This has positioned the company well to drive continued above market organic growth and deliver further improvement in profitability, shareholder return and sustainability as we execute Strategy 2021 Purpose led, Performance driven.*

*During the fourth quarter, Nutrition performed well once again, with continued good business conditions, whilst Materials delivered solid results, despite softness in some of its end-markets.*

*Reflecting excellent underlying results for the financial year and confidence in our future earnings growth profile, as also reflected in our 2019 outlook, we propose an increase in the 2018 full year dividend of about 25% to €2.30 per share, in line with guidance given at our 2018 Capital Markets Day.*

*In addition, having built a resilient portfolio with future upside from our large innovation projects, we are confident about our earnings prospects and cash generation. Based on this and our strong balance sheet we are pleased to announce a €1 billion share buy-back program which also increases capital efficiency while still retaining financial flexibility to deliver on our growth plans.”*

*Feike Sijbesma, CEO/Chairman of the Managing Board*



# FULL YEAR 2018

## HIGHLIGHTS<sup>1</sup>

- DSM reports a very strong year, including a robust Q4
- Underlying business:
  - ✓ Strong organic sales growth of 6%
  - ✓ Adjusted EBITDA growth of 6%; 10% adjusted for FX
  - ✓ ROCE of 13.3%, up 100 bps
- Total business (including temporary vitamin effect):
  - ✓ Adjusted EBITDA up 26%, including €290m temporary vitamin effect
  - ✓ Adjusted Net profit of €1,034m, up 46%, with Net profit of €1,079m
  - ✓ Cash from Operating Activities €1,391m, up 40%
- 25% dividend increase from €1.85 to €2.30 per ordinary share
- Full year outlook 2019 in line with strategic targets
- Launch of €1bn share buy-back program, reflecting strong balance sheet and resilient business

<sup>1</sup> Underlying (business) is defined as the performance measures sales and Adjusted EBITDA, corrected for DSM's best estimate of the temporary vitamin effect

# Q4 2018

## HIGHLIGHTS

- **DSM** reports a robust Q4
- **Nutrition** reports 1% organic growth with Adjusted EBITDA up 3%. Corrected for an estimated temporary vitamin effect in Q4 2017:
  - ✓ The organic growth would have been 4% against a strong prior year
  - ✓ The Adjusted EBITDA would have been up 7%.
- **Materials** reports solid results with flat sales and Adjusted EBITDA despite soft business conditions in some end-markets, against a strong prior year
- Total reported sales growth of 1% and Adjusted EBITDA growth of 3%
- Cash from operating activities of €458m, up 21%

# KEY FY 2018 FIGURES AND INDICATORS<sup>1,2</sup>

in € million	Full year 2018			Full year 2017 Reported	% Change				
	Underlying <sup>1</sup> business	Temporary vitamin effect	Total Group		Underlying <sup>1</sup> organic growth	FX & 'other' <sup>1</sup>	Underlying <sup>1</sup> total growth	Temporary vitamin effect	Total Group
<b>Sales</b>	8,852	415	9,267	8,632	6%	-4%	2%	5%	7%
Nutrition	5,722	415	6,137	5,579	7%	-4%	3%	7%	10%
Materials	2,913		2,913	2,825	5%	-2%	3%		3%
<b>Adjusted EBITDA</b>	1,532	290	1,822	1,445			6%	20%	26%
Nutrition	1,117	290	1,407	1,053			6%	28%	34%
Materials	512		512	488			5%		5%
Innovation	8		8	9					
Corporate	-105		-105	-105					
EBITDA	1,464	290	1,754	1,348					
Adjusted EBITDA margin	17.3%		19.7%	16.7%					

<sup>1</sup> Underlying (business) is defined as the performance measures sales and Adjusted EBITDA, adjusted for DSM's best estimate of the temporary vitamin effect.

<sup>2</sup> Adjusted EBITDA is an Alternative Performance Measure (APM) that reflects continuing operations.

# KEY Q4 2018 FIGURES AND INDICATORS<sup>1</sup>

in € million	Q4 2018			Q4 2017	% Change				
	Underlying <sup>1</sup> business	Temporary vitamin effect	Total Group	2017 Reported	Underlying <sup>1</sup> organic growth	FX & 'other' <sup>1</sup>	Underlying <sup>1</sup> total growth	Temporary vitamin effect	Total Group
<b>Sales</b>	2,208	-	2,208	2,176	1%	0%	1%	-	1%
Nutrition	1,444	-	1,444	1,428	1%	0%	1%	-	1%
Materials	698		698	693	0%	1%	1%		1%
<b>Adjusted EBITDA</b>	370	-	370	359			3%	-	3%
Nutrition	270	-	270	267			1%	-	1%
Materials	119		119	119			0%		0%
Innovation	7		7	4					
Corporate	-26		-26	-31					
EBITDA	340		340	316					
<b>Adjusted EBITDA margin</b>	16.8%		16.8%	16.5%					

<sup>1</sup> Adjusted EBITDA is an Alternative Performance Measure (APM) that reflects continuing operations.

# GROUP

## KEY FINANCIALS (INCL. TEMPORARY VITAMIN EFFECT)

in € million	full year			Q4 2018	Q4 2017	% Change
	2018	2017	% Change			
Sales	9,267	8,632	7%	2,208	2,176	1%
Adjusted EBITDA	1,822	1,445	26%	370	359	3%
Adjusted EBITDA margin	19.7%	16.7%		16.8%	16.5%	
ROCE (%) <sup>1</sup>	16.8%	12.3%				
Effective tax rate <sup>2</sup>	17.4%	16.8%				
Adjusted net profit <sup>3</sup>	1,034	706	46%	182	202	-10%
Net profit - Total DSM <sup>3</sup>	1,079	1,781	-39%	258	178	45%
Adjusted net EPS	5.84	3.92	49%	1.02	1.11	-8%
Net EPS - Total DSM	6.10	10.07		1.46	0.98	
Operating cash flow <sup>4</sup>	1,391	996	40%	458	377	21%

<sup>1</sup> ROCE of underlying business at 13.3%, up 100 bps

<sup>2</sup> Over Adjusted net taxable result

<sup>3</sup> Including result attributed to non-controlling interest

<sup>4</sup> Cash net of consumer funding

# NUTRITION

## KEY FINANCIALS

- Underlying (business) is defined as the performance measures sales and Adjusted EBITDA, corrected for DSM's best estimate of the **temporary vitamin effect** due to exceptional supply disruptions in the industry in the first nine months, providing estimated **additional sales of €415 million** and a corresponding Adjusted EBITDA of €290 million.
- These supply disruptions began already in November 2017. While we did not quantify an **additional benefit in Q4 2017**, we estimate a contribution of **€40 million to total sales** and a corresponding Adjusted EBITDA impact of **€15 million**. In the explanation of the sales and Adjusted EBITDA growth of total Nutrition and Animal Nutrition, comparisons are made versus the reported Q4 2017 figures, as well as the figures excluding these temporary vitamin effects.

Underlying in € million (estimated)	full year		
	2018	2017	
Sales	5,722	5,579	3%
Adjusted EBITDA	1,117	1,053	6%
Adjusted EBITDA margin (%)	19.5%	18.9%	

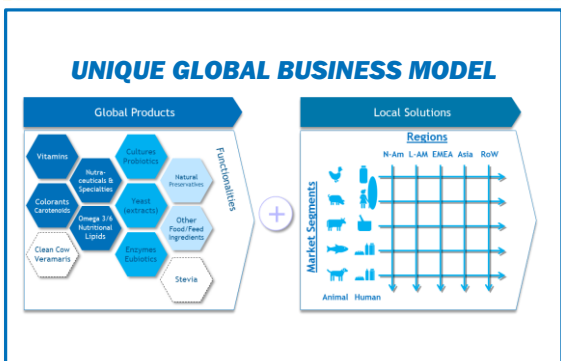
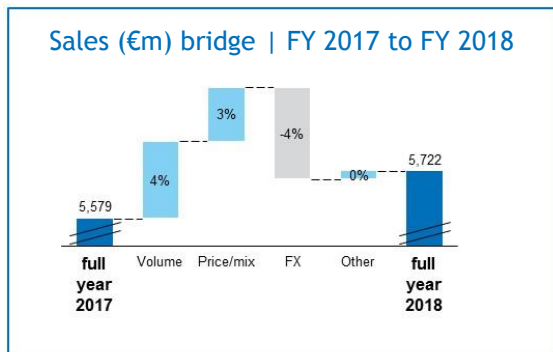
Temp Vitamin effect in € million (estimated)	full year		
	2018		
Sales	415		
Adjusted EBITDA	290		

Total in € million	full year			Q4 2018	Q4 2017	% Change
	2018	2017	% Change			
Sales	6,137	5,579	10%	1,444	1,428	1%
Adjusted EBITDA	1,407	1,053	34%	270	267	1%
Adjusted EBITDA margin (%)	22.9%	18.9%		18.7%	18.7%	
Adjusted EBIT	1,111	770	44%	193	195	-1%
Capital Employed	5,683	5,420				
Average Capital Employed	5,574	5,447				
ROCE (%)	19.9%	14.1%				
Total Working Capital	1,410	1,339				
Average Total Working Capital as % of Sales	24.9%	26.6%				



# NUTRITION

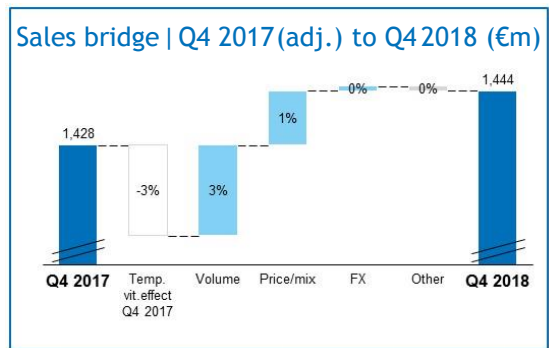
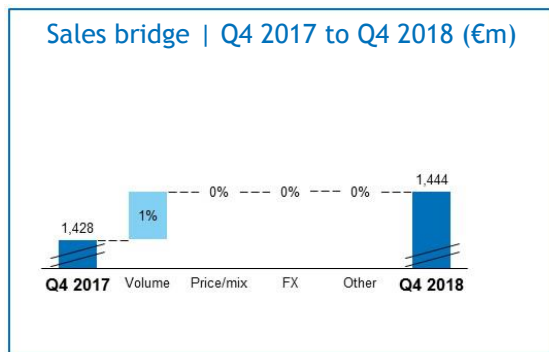
## FY 2018 BUSINESS OVERVIEW



- Nutrition realized 7% **organic sales growth in 2018**, in the underlying business, with strong volumes, up 4%, as well as 3% price growth, supported by good conditions across most regions and market segments. Nutrition continues to deliver on its aspired above-market growth ambition through further leveraging its unique ‘global products & local solutions’ business model, supported by marketing & sales excellence and customer-led innovation.
- **Full year 2018 Adjusted EBITDA** growth in the underlying business was 6% against a very strong prior year. This was driven by strong volume growth, pricing strength, and contributions from the savings and efficiency improvement programs, partly offset by significant negative foreign exchange effects.
- The **Full year Adjusted EBITDA margin** in the underlying business was 19.5%, versus 18.9% over 2017.

# NUTRITION

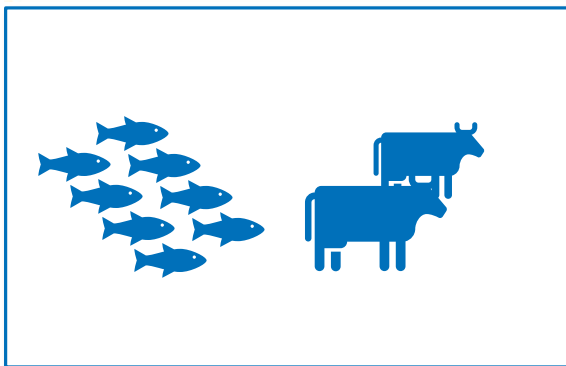
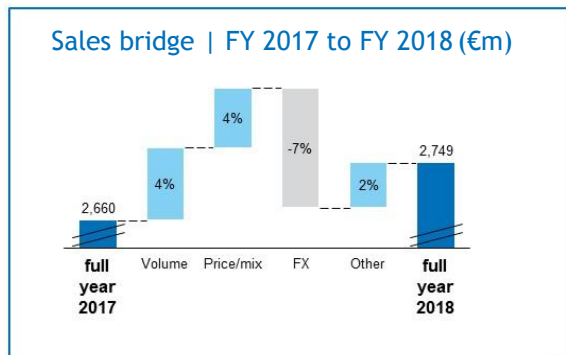
## Q4 2018 BUSINESS OVERVIEW



- In Q4 2018 Nutrition reported 1% organic sales growth in the underlying business. However, when adjusted for the estimated €40m temporary vitamin effect in Q4 2017, the organic sales growth was 4% with volumes up 3% and price 1%, despite a strong organic sales growth in prior year.
- Nutrition reported 1% growth in Q4 2018 Adjusted EBITDA at an Adj. EBITDA margin of 18.7%. However, when adjusted for the estimated €15m temporary vitamin effect in Q4 2017, the Adj.EBITDA growth was 7% in the underlying business.

# ANIMAL NUTRITION & HEALTH

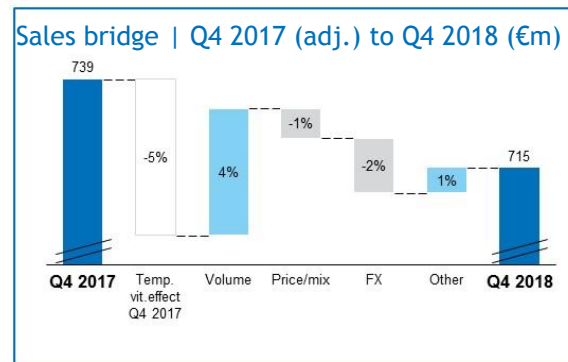
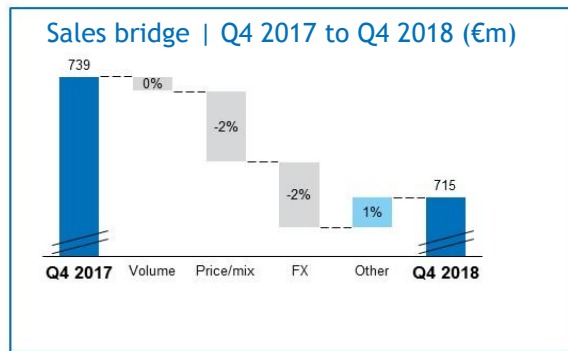
## SALES OVERVIEW



- **Full year 2018 organic sales:** Animal Nutrition delivered a strong year, with 8% organic growth in the underlying business. Volumes showed 4% growth, achieved against a tough prior year. Business conditions in almost all regions were favorable in 2018. Sales to Brazil were softer due to temporary shut downs, mainly caused by strikes in Q2.
- Prices in the underlying business increased by 4% driven by pricing initiatives to mitigate higher costs of sourced ingredients and the impact of negative exchange rate developments. Furthermore, prices were supported by the effects of the 'Blue Skies policies' in China.
- In 2018, we made significant progress in **Veramaris®**, our joint venture with Evonik to produce the omega-3 fatty acids EPA and DHA from natural marine algae as an alternative to fish oil-based omega-3. Norwegian salmon producer Lingalaks AS has started to replace fish oil by feeding 50 percent of their salmon a diet which includes omega-3 oil produced by Veramaris, in order to ensure greater sustainability and differentiation of their products.
- We also made good progress with **Project Clean Cow**, our new, highly innovative, feed solution that reduces methane emissions from cattle by more than 30%. We have successfully gathered the data needed to file for regulatory approvals in our targeted launch markets for this project.

# ANIMAL NUTRITION & HEALTH

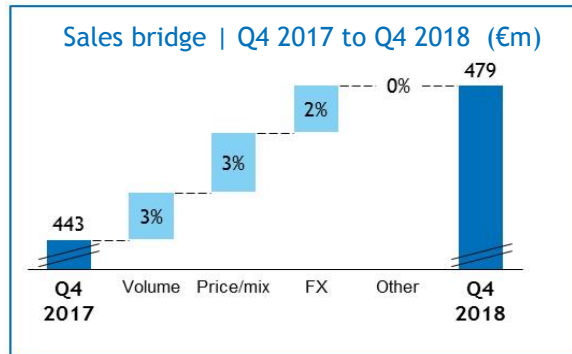
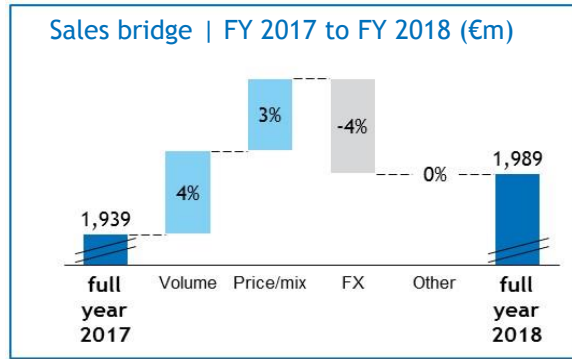
## SALES OVERVIEW –CONT



- **Q4 2018 organic sales:** Q4 saw continued good business conditions across all regions. The effect from the African swine flu in China and Eastern Europe was largely mitigated by strong growth in other regions and species, demonstrating the resilience of DSM's integrated and diversified business model and our ability to address a wide range of species as well as a diversified geographical presence.
- **Animal reported -2% organic growth** in the underlying business. Currencies had a slight 2% negative impact in the comparison with Q4 last year, with a weak Brazilian real largely compensated for by a stronger US dollar.
- However, when adjusted for the estimated €40 million temporary vitamin effect in Q4 2017, the **organic sales growth was 3%** with volumes up 4% and price -1%, despite a strong comparison.

# HUMAN NUTRITION & HEALTH

## SALES OVERVIEW



- **Full year 2018 organic sales:** Human Nutrition delivered a strong year with 7% organic growth and 4% volume growth. All regions and segments continued to perform well with an especially strong growth in dietary supplements, i-Health and the pharma segment. Early life nutrition showed solid performance in all regions. Construction started on DSM's second premix solutions facility in Poland, which will be exclusively dedicated to the maternal and infant nutrition market. Sales to food & beverages continued to develop well driven by tailored multiple-ingredient premix solutions, supported by marketing & sales excellence and local application know-how.
- Prices were up by 3% driven by a combination of a favorable mix due to strong growth in premix and i-Health, as well as benefits from higher prices for premix and advanced formulations, supported by the effects of the 'Blue Skies policies' in China.
- **Q4 2018 organic sales:** Volumes grew with 3%, with continued good sales in all regions. Segment-wise, Dietary Supplements, i-Health and Pharma performed strong. Early Life Nutrition and Food & Beverages maintained their solid performance across all regions. Premix solutions across the segments performed strong.
- Prices were up with 3%, in line with the first three quarters of 2018

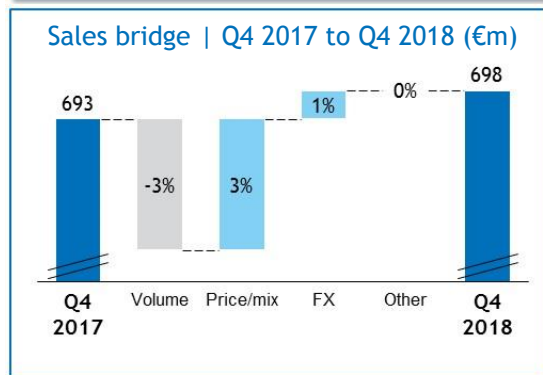
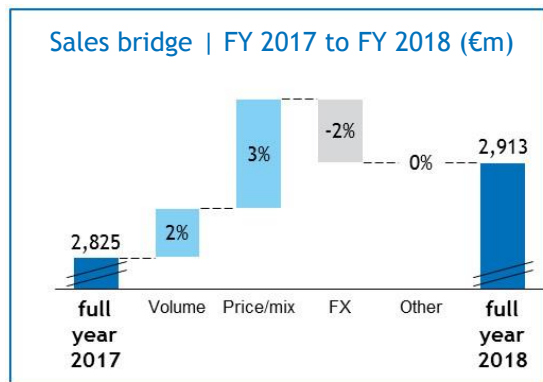
# FOOD SPECIALTIES – PERSONAL CARE

## SALES OVERVIEW

- In **Food Specialties**, full year 2018 sales were 9% lower compared to 2017, due to the deconsolidation of Yantai Andre Pectin and negative currency effects. Good sales growth in Hydrocolloids, Enzymes & Cultures were partly off-set by soft sales in savory ingredients caused by capacity limitations early in the year that prevented the business from fully capitalizing on the positive market conditions. This resulted in an overall organic growth of 1%.
- After a successful initial market introduction in North America in mid-2018, DSM accelerated its large innovation project for fermentative ‘Stevia’ by establishing a joint venture with Cargill as announced last November. Stevia is a zero-calorie, cost-effective sweetener that can substitute sugar in food and beverages.
- On 4 February 2019, DSM announced that it agreed to increase its **shareholding in Andre Pectin** from 29% to 75%. In view of the transaction, DSM will consolidate the activities of Andre Pectin in its group results again in 2019. The transaction is expected to close in Q1/Q2 2019.
- In **Personal Care & Aroma Ingredients**, full year 2018 sales were up 8%, with a very strong 11% organic growth, partly offset by 3% less favorable currencies. All personal care product lines, including sun-, skin- and hair care delivered good above-market growth, whereas aroma ingredients performed very strong in 2018. Successful commercialization of the innovation pipeline further contributed to a very good year for the business.

# MATERIALS

## SALES OVERVIEW



- Full year 2018 organic sales:** In 2018, Materials reported 5% organic sales growth, driven by an increase of 2% in volumes and 3% in prices, mainly reflecting commercial pricing initiatives aimed at offsetting higher raw material costs.

  - ✓ **DSM Engineering Plastics** delivered a solid performance in 2018 with 7% organic growth. After a strong H1, automotive demand in China and Europe as well as markets for mobile devices in Asia started to soften in the second half of 2018. There was some destocking in the value chain at year end. Business conditions in other segments remain robust.
  - ✓ **DSM Resins & Functional Materials** faced a gradual slow-down in the building and construction markets in 2018. After a good start, market softened, resulting in a 2% organic growth for the year. In the fourth quarter, DSM saw a more pronounced destocking than in previous years, especially in powder coating resins. Functional Materials delivered another very good year, reflecting strong demand for these high-margin materials used in data infrastructure.
  - ✓ **DSM Dyneema** had a very strong performance throughout 2018 with 6% organic growth, driven by continued high demand in personal protection. Construction of new production lines has started in the US and the Netherlands to fulfil the growing demand, especially for law enforcement.
- Q4 2018 organic sales:** Materials reported flat organic sales growth in Q4, with 3% lower volumes, as a result of lower sales in resins as well as some end-of-year destocking in both engineering plastics and resins. The 3% price growth largely reflects initiatives to offset higher input costs.

# MATERIALS

## KEY FINANCIALS

in € million	full year			Q4 2018	Q4 2017	% Change
	2018	2017	% Change			
Sales	2.913	2.825	3%	698	693	1%
Adjusted EBITDA	512	488	5%	119	119	0%
Adjusted EBITDA margin (%)	17,6%	17,3%		17,0%	17,2%	
Adjusted EBIT	383	361	6%	85	86	-1%
Capital Employed	1.878	1.786				
Average Capital Employed	1.856	1.809				
ROCE (%)	20,6%	20,0%				
Total Working Capital	376	323				
Average Total Working Capital as % of Sales	13,3%	12,2%				

- **Full year 2018 Adjusted EBITDA** was up 5%, driven by good volume growth and DSM’s continuing shift towards a specialty portfolio, and despite a negative foreign exchange effect. This “silent transformation” is also reflected in the 2018 Adjusted EBITDA margin of 17.6%, versus 17.3% in 2017.
- **Q4 2018 Adjusted EBITDA** of €119 million was in line with the same period in 2017, despite softness in some of its end-markets and some destocking effects.



# INNOVATION CENTER

## KEY FINANCIALS

in € million	full year			Q4 2018	Q4 2017	% Change
	2018	2017	% Change			
Sales	172	169	2%	54	43	26%
Adjusted EBITDA	8	9		7	4	
Adjusted EBIT	-14	-30		2	-1	
Capital Employed	597	562				

- **Full Year 2018 sales** were up 2%, with 5% organic sales growth largely offset by a weaker US dollar. DSM Biomedical volumes were up driven by strong sales in the drug delivery segment in H2. DSM Advanced Solar reported slightly lower volumes resulting from a slowdown in demand for solar panels following a policy change by the Chinese government to reduce the number of subsidized solar parks to be installed. DSM introduced a new generation of solar back sheets which is well received by the market. DSM Bio-based Products and Services made good progress in 2018, improving the robustness of the production technology for second-generation bio-ethanol and introducing a new generation of enzymes for first-generation bio-ethanol.
- **Adjusted EBITDA** in the fourth quarter of 2018 benefitted from the collaboration and license agreement with Aerie Pharmaceuticals. 2018 Adjusted EBITDA was relatively stable compared with 2017. The Adjusted EBIT in 2017 included an impairment loss on the related assets.

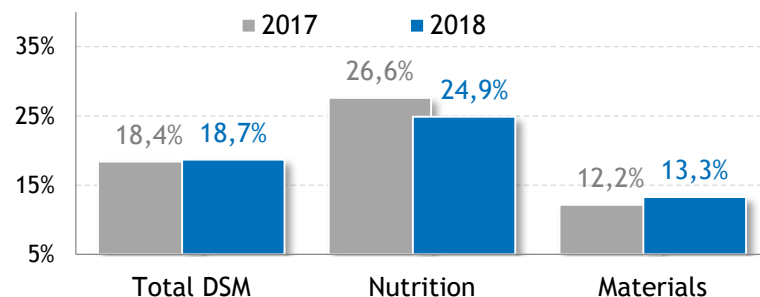
# CASH FLOW AND WORKING CAPITAL

## OVERVIEW

### Condensed Cash Flow and (Operating) Working Capital

in € million	full year		Q4	
	2018	2017	2018	2017
Cash provided by Operating Activities	1.391	996	458	377
Operating Working Capital	2.138	1.938		
Average Operating Working Capital as % of Sales	24,0%	23,3%		
Total Working Capital	1.674	1.499		
Average Total Working Capital as % of Sales	18,7%	18,4%		

### Average Total Working Capital %

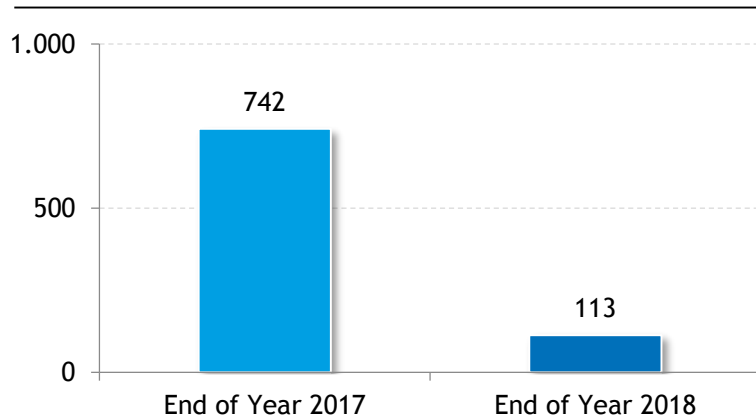


- **Cash flow from operating activities** amounted to €1,391 million in the year 2018 showing an increase of €395 million (+40%) compared to the year 2017. Corrected for the temporary vitamin effect the cash from operating activities amounted to €1,126 million, an increase of 13%
- **Total Working Capital** amounted to €1,674 million at the end of 2018 compared to €1,499 million at the end of 2017. Average Total Working Capital as a percentage of sales amounted to 18.7%, slightly up compared to 2017, partly due to the temporary vitamin effect in Nutrition during 2018.

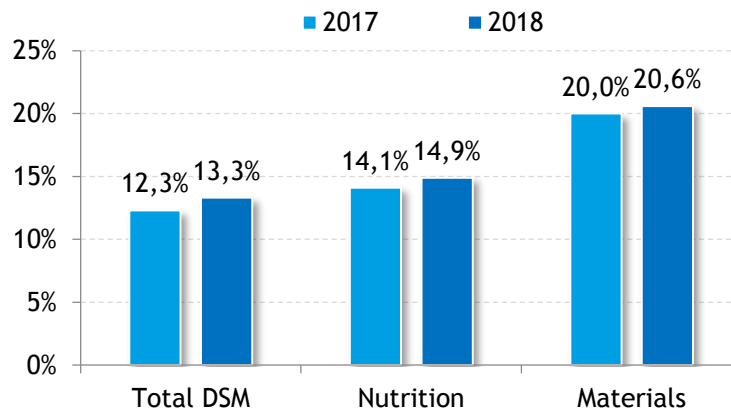
# NET DEBT AND ROCE

## OVERVIEW

### Net debt



### ROCE (estimation of underlying business)



- **Net debt** was €113 million, down from €742 million at the end of 2017
- **ROCE** of underlying business up 100bps to 13.3%
  - Including temporary vitamin effect, 2018 ROCE was 16.8%

# SUCCESSFULLY COMPLETED STRATEGY 2016-2018

## DSM OUTPERFORMED ON ITS KEY FINANCIAL TARGETS

### Adjusted EBITDA

(x € million)

High single-digit %  
annual Adjusted EBITDA growth



<sup>1</sup>CAGR and average bps of underlying business

### ROCE

(in %)

High double-digit basis point  
annual ROCE growth

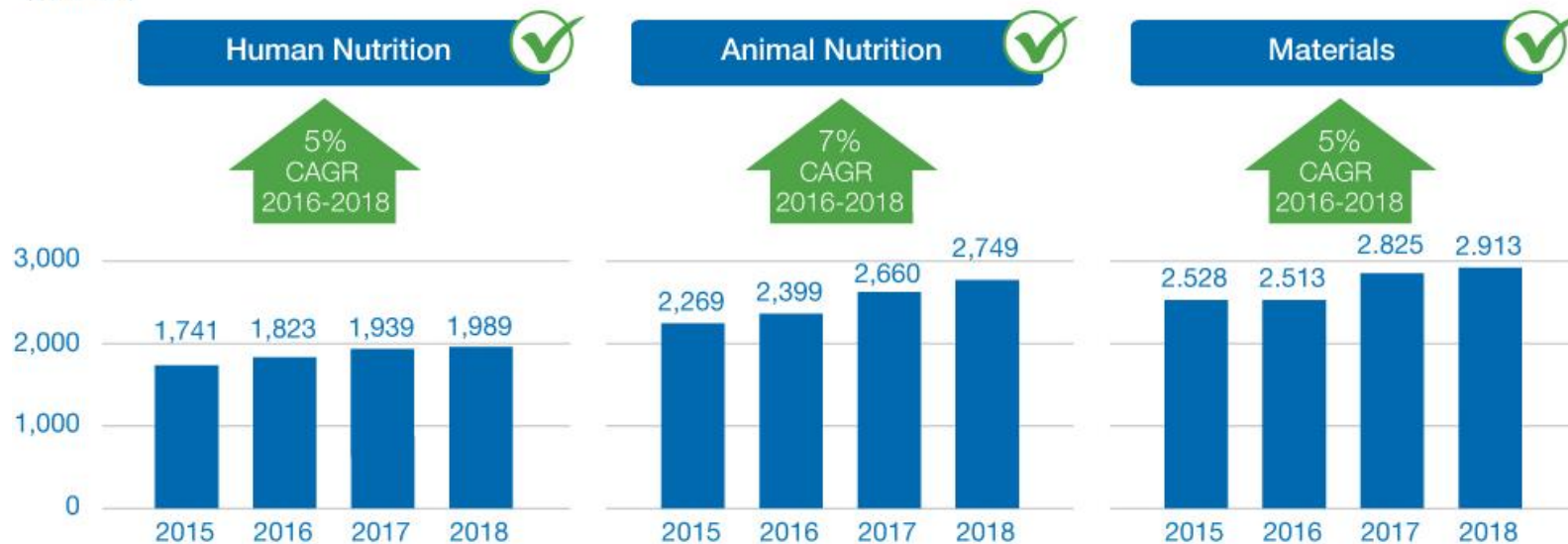


# SUCCESSFULLY COMPLETED STRATEGY 2016-2018

## DSM OUTPERFORMED ON ITS GROWTH AMBITIONS

### Underlying sales growth<sup>1</sup>

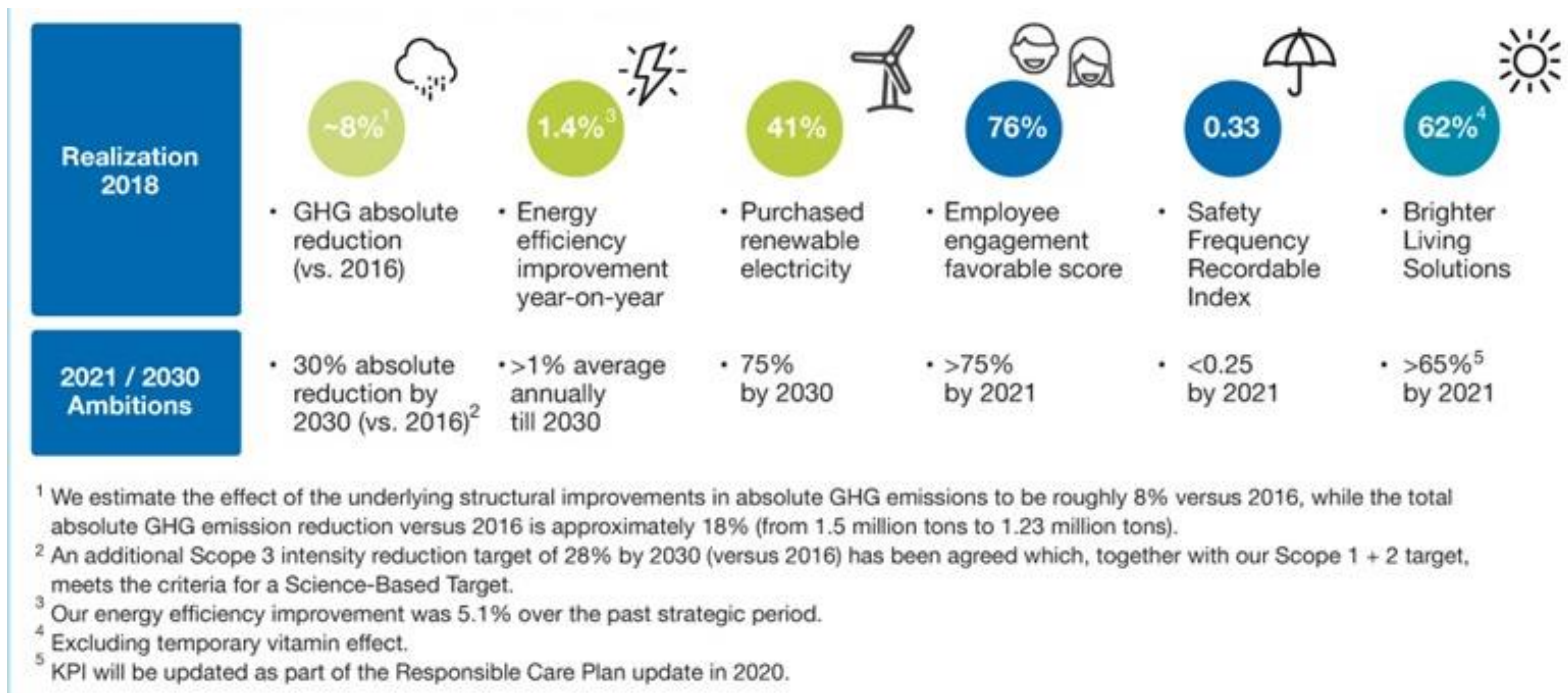
(x € million)



<sup>1</sup> CAGR of underlying business

# SUCCESSFULLY COMPLETED STRATEGY 2016-2018

## SUSTAINABILITY LEADERSHIP STEP-UP



# OUTLOOK 2018

- *DSM expects to deliver a full-year 2019 mid-to-high single digit increase in Adjusted EBITDA compared to prior year Underlying Adjusted EBITDA (pre-temporary vitamin effect), together with an improvement in Underlying Adjusted Net Operating Free Cash Flow in line with its Strategy 2021 targets*
  
- Our outlook excludes the impact of IFRS16:
  - ✓ DSM has implemented IFRS 16 on 'Leases' as of 1 January 2019. In order to provide as much clarity as possible, we will show separately the impact of IFRS 16 on our business. The recognition of the leases as of 1 January 2019, will result in an impact of around €208 million on the balance sheet, and a reclassification of lease expenses from operating expenses to depreciation/amortization and financial expenses which is estimated to be around €45 million on an annual basis. The impact on ROCE is estimated to be -30 bps. It should be noted that these are management estimates based on assumptions and contract data gathered up to and including 2018.

# **NEW SHARE BUY-BACK PROGRAM**

- DSM intends to repurchase ordinary shares with an aggregate market value of €1 billion starting in Q2 2019, with the intention to reduce its issued capital. This will be in addition to the usual repurchase programs which DSM executes from time to time to cover commitments under share-based compensation plans and the stock dividend.



# 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.
- More details on DSM's full year 2018 performance can be found in the full year 2018 results press release, published together with this presentation. 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)

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